STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

NORMAN COUNTY
ADA, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2008

Description of the Office of the State Auditor

The mission of the Office of the State Auditor 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, 2008

Audit Practice Division
Office of the State Auditor
State of Minnesota

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NORMAN COUNTY
ADA, MINNESOTA

TABLE OF CONTENTS

NORMAN COUNTY
ADA, MINNESOTA

TABLE OF CONTENTS

Introductory Section

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NORMAN COUNTY
ADA, MINNESOTA

ORGANIZATION
DECEMBER 31, 2008

			Term Expires
Elected			
Commissioners			
Chair	Marvin Gunderson	District 1	January 2009
Board Member	Warren Olson	District 2	January 2011
Board Member	Steve Jacobson	District 3	January 2009
Board Member	Lee Ann Hall	District 4	January 2011
Vice Chair	Steven Bommersbach	District 5	January 2009
Attorney	Thomas A. Opheim		January 2011
Auditor-Treasurer	Richard D. Munter		January 2011
County Recorder	Kari Aanenson		January 2011
Registrar of Deeds	Kari Aanenson		January 2011
County Sheriff	Myron Thronson		January 2011
Appointed			
Assessor	Greg Landa		December 2008
County Engineer	Milton Alm		May 2009
Coroner	Dr. M.B. McGee, M.D.		March 2011
Court Administrator	Loretta Wiebolt		Indefinite
Emergency Services	Kevin Ruud		May 2012
Veterans Service Officer	Theresa Anderson		August 2010
Welfare Board			
Chair	Marvin Gunderson		January 2009
Vice Chair	Carol Sorenson		May 2009
Secretary	Steven Bommersbach		January 2009
Member	Marian Cerkowniak		May 2010
Member	Warren Olson		January 2011
Member	Lee Ann Hall		January 2011
Member	Steve Jacobson		January 2009
Director	Chris Kujava		Indefinite

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Financial Section

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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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. 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, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 July 31, 2009, 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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

July 31, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS

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NORMAN COUNTY
ADA, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(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, 2008. 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 $52,895,573 at the close of 2008. Of this amount, $5,052,510 (unrestricted net assets) may be used to meet Norman County's ongoing obligations to citizens and creditors.

At the close of 2008, Norman County's governmental funds reported combined ending fund balances of $5,310,346, a decrease of $1,738,291 in comparison with the prior year. Of the total fund balance, $4,355,186 is available for spending at the County's discretion and is noted as unreserved fund balance.

At the close of 2008, unreserved fund balance for the General Fund was $3,584,616, or 83.6 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 to 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 only in 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 balance 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 balance 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 all special revenue funds except for the Ditch Special Revenue Fund and Gravel Tax Special Revenue Fund. 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 $52,895,573 at the close of 2008. The largest portion of Norman County's net assets (88 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

	2008	2007
Current and other assets	$ 8,286,640	$ 10,279,608
Capital assets	46,785,824	42,165,507
Total Assets	$ 55,072,464	$ 52,445,115
Long-term liabilities outstanding	$ 417,828	$ 428,874
Other liabilities	1,759,063	1,584,145
Total Liabilities	$ 2,176,891	$ 2,013,019
Net Assets		
Invested in capital assets	$ 46,785,824	$ 42,165,507
Restricted	1,057,239	1,672,967
Unrestricted	5,052,510	6,593,622
Total Net Assets	$ 52,895,573	$ 50,432,096

The unrestricted net asset amount of $5,052,510 as of December 31, 2008, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Norman County's activities increased net assets by $2,463,477, or 4.9 percent, over the 2007 net assets. The key element of the increase was an increase in investment in capital assets in 2008.

Changes in Net Assets

	2008	2007
Revenues		
Program revenues		
Charges for services	$ 853,119	$ 862,320
Operating grants and contributions	6,100,599	5,420,172
Capital grants and contributions	2,535,908	1,136,194
General revenues		
Property taxes	3,128,782	2,931,518
Gravel taxes	18,256	17,047
Grants and contributions not restricted to specific programs	1,108,593	1,122,826
Other	256,971	372,063
Total Revenues	$ 14,002,228	$ 11,862,140

	2008	2007
Expenses		
General government	$ 1,931,355	$ 1,476,352
Public safety	1,183,307	1,010,373
Highways and streets	4,253,183	4,277,358
Sanitation	320,901	318,883
Human services	2,518,220	2,251,659
Health	240,146	245,014
Culture and recreation	624,673	122,759
Conservation of natural resources	466,966	389,935
Total Expenses	$ 11,538,751	$ 10,092,333
Increase in Net Assets	$ 2,463,477	$ 1,769,807
Net Assets, January 1	50,432,096	48,662,289
Net Assets, December 31	$ 52,895,573	$ 50,432,096

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 $5,310,346, a decrease of $1,738,291 in comparison with the prior year. The majority of the decrease consists of state aids the County will receive next year (2009) for the highway and street construction that was paid for in 2008.

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 $3,584,616, while total fund balance was $3,961,350. 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 83.6 percent of total General Fund expenditures. In 2008, fund balance in the General Fund decreased by $48,198. The main reasons for the decrease were additional expenditures for general government and public safety.

The Road and Bridge Special Revenue Fund's fund balance decreased by $1,600,367 in 2008. The main reason for this decrease was state-aid allotments that will be received next year were used for construction expenses this year.

The Human Services Special Revenue Fund's fund balance decreased by $66,572 due to increased expenditures.

General Fund Budgetary Highlights

The Norman County Board of Commissioners did not make any budgetary amendments/revisions in 2008.

The actual revenues were higher than budgeted revenues by $835,494, and actual expenditures were higher than budgeted expenditures by $810,380. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure variances were for ambulance, Agassiz trail project, and water planning, which were not budgeted for in 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2008, was $46,785,824 (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 11 percent. The increases were attributed primarily to infrastructure.

Governmental Capital Assets
(Net of Depreciation)

	2008	2007
Land	$ 790,336	$ 1,264,059
Construction in progress	3,817,590	985,239
Infrastructure	39,311,887	36,902,763
Buildings	1,541,804	1,606,224
Furniture, equipment, and machinery	1,324,207	1,407,222
Total	$ 46,785,824	$ 42,165,507

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 completed Phase I, the clock tower restoration, in 2008. Phase II, which includes shingles on the roof, will be completed in 2009.

- 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, 2008

Assets		
Cash and pooled investments	$	6,186,572
Taxes receivable		
Current - net		56,018
Prior - net		34,626
Special assessments receivable		
Current - net		12,460
Prior - net		8,896
Noncurrent - net		52,283
Accounts receivable - net		44,699
Accrued interest receivable		2,358
Due from other governments		1,460,283
Inventories		428,445
Capital assets		
Non-depreciable		4,607,926
Depreciable - net of accumulated depreciation		42,177,898
Total Assets	**$**	**55,072,464**
Liabilities		
Accounts payable	$	108,941
Salaries payable		21,492
Contracts payable		640,651
Due to other governments		78,544
Unearned revenue		909,435
Long-term liabilities		
Due within one year		129,559
Due in more than one year		288,269
Total Liabilities	**$**	**2,176,891**
Net Assets		
Invested in capital assets	$	46,785,824
Restricted for		
General government		181,453
Public safety		195,281
Highways and streets		680,505
Unrestricted		5,052,510
Total Net Assets	**$**	**52,895,573**

The notes to the financial statements are an integral part of this statement.

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 1,931,355	$ 178,719	$ 279,396	$ -	$ (1,473,240)
Public safety	1,183,307	47,554	127,689	-	(1,008,064)
Highways and streets	4,253,183	36,530	3,404,519	2,535,908	1,723,774
Sanitation	320,901	186,062	79,182	-	(55,657)
Human services	2,518,220	368,901	1,236,258	-	(913,061)
Health	240,146	775	153,965	-	(85,406)
Culture and recreation	624,673	-	637,899	-	13,226
Conservation of natural resources	466,966	34,578	57,535	-	(374,853)
Economic development	-	-	124,156	-	124,156
Total Governmental Activities	**$ 11,538,751**	**$ 853,119**	**$ 6,100,599**	**$ 2,535,908**	**$ (2,049,125)**

General Revenues	
Property taxes	$ 3,128,782
Gravel taxes	18,256
Mortgage registry and deed taxes	3,934
Grants and contributions not restricted to specific programs	1,108,593
Payments in lieu of tax	24,790
Investment income	94,643
Miscellaneous	90,360
Rental income	43,244
Total general revenues	**$ 4,512,602**
Change in net assets	**$ 2,463,477**
Net Assets - Beginning	**50,432,096**
Net Assets - Ending	**$ 52,895,573**

The notes to the financial statements are an integral part of this statement.

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, 2008

	General	Road and Bridge	Human Services	Nonmajor Funds	Total
Assets					
Cash and pooled investments	$ 3,896,824	$ 523,408	$ 1,392,183	$ 237,642	$ 6,050,057
Petty cash and change funds	3,600	200	-	-	3,800
Undistributed cash in agency funds	82,607	20,993	14,009	15,106	132,715
Taxes receivable					
Current	35,805	11,812	7,875	526	56,018
Prior	21,111	7,893	5,438	184	34,626
Special assessments receivable					
Current	11,898	-	-	562	12,460
Prior	8,868	-	-	28	8,896
Noncurrent	-	-	-	52,283	52,283
Accounts receivable	10,051	7,294	-	27,354	44,699
Accrued interest receivable	2,358	-	-	-	2,358
Due from other funds	14,837	1,441	230	-	16,508
Due from other governments	37,131	1,256,656	166,496	-	1,460,283
Inventories	-	428,445	-	-	428,445
Total Assets	**$ 4,125,090**	**$ 2,258,142**	**$ 1,586,231**	**$ 333,685**	**$ 8,303,148**

The notes to the financial statements are an integral part of this statement.

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Road and Bridge	Human Services	Nonmajor Funds	Total
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 37,791	$ 13,871	$ 55,639	$ 1,640	$ 108,941
Salaries payable	9,498	7,750	4,244	-	21,492
Contracts payable	28,879	611,772	-	-	640,651
Due to other funds	230	1,101	890	14,287	16,508
Due to other governments	18,351	4,146	36,838	19,209	78,544
Deferred revenue - unavailable	68,991	1,010,019	60,616	77,605	1,217,231
Deferred revenue - unearned	-	909,435	-	-	909,435
Total Liabilities	**$ 163,740**	**$ 2,558,094**	**$ 158,227**	**$ 112,741**	**$ 2,992,802**
Fund Balances					
Reserved for					
Inventories	$ -	$ 428,445	$ -	$ -	$ 428,445
Real estate tax shortfall	21,160	-	-	-	21,160
Recorder's compliance fund	54,354	-	-	-	54,354
Township road restoration	-	149,981	-	-	149,981
Security deposits	250	-	-	-	250
Law library	31,036	-	-	-	31,036
Sheriff's contingency	3,546	-	-	-	3,546
Recorder's equipment	56,010	-	-	-	56,010
Enhanced 911	191,735	-	-	-	191,735
Help America Vote Act	18,643	-	-	-	18,643
Unreserved					
Designated for K-9 unit	5,913	-	-	-	5,913
Undesignated	3,578,703	(878,378)	1,428,004	-	4,128,329
Unreserved, reported in nonmajor					
Special revenue funds	-	-	-	220,944	220,944
Total Fund Balances	**$ 3,961,350**	**$ (299,952)**	**$ 1,428,004**	**$ 220,944**	**$ 5,310,346**
Total Liabilities and Fund Balances	**$ 4,125,090**	**$ 2,258,142**	**$ 1,586,231**	**$ 333,685**	**$ 8,303,148**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2008

Fund balances - total governmental funds (Exhibit 3)	**$ 5,310,346**
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	46,785,824
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,217,231
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(417,828)
Net Assets of Governmental Activities (Exhibit 1)	**$ 52,895,573**

The notes to the financial statements are an integral part of this statement.

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge	Human Services	Nonmajor Funds	Total
Revenues					
Taxes	$ 1,999,392	$ 666,747	$ 433,615	$ 30,698	$ 3,130,452
Special assessments	151,399	-	-	83,754	235,153
Licenses and permits	5,282	-	-	400	5,682
Intergovernmental	1,674,882	6,784,280	1,347,029	289,430	10,095,621
Charges for services	234,989	31,393	229,247	206,861	702,490
Interest on investments	94,643	-	-	-	94,643
Miscellaneous	76,635	67,190	139,654	11,134	294,613
Total Revenues	**$ 4,237,222**	**$ 7,549,610**	**$ 2,149,545**	**$ 622,277**	**$ 14,558,654**
Expenditures					
Current					
General government	$ 1,868,874	$ -	$ -	$ 1,386	$ 1,870,260
Public safety	1,146,335	-	-	-	1,146,335
Highways and streets	-	8,611,007	-	-	8,611,007
Sanitation	-	-	-	319,674	319,674
Human services	13,938	-	2,216,117	249,347	2,479,402
Health	240,146	-	-	-	240,146
Culture and recreation	624,673	-	-	-	624,673
Conservation of natural resources	391,454	-	-	75,024	466,478
Intergovernmental					
Highways and streets	-	230,965	-	-	230,965
Total Expenditures	**$ 4,285,420**	**$ 8,841,972**	**$ 2,216,117**	**$ 645,431**	**$ 15,988,940**
Excess of Revenues Over (Under) Expenditures	**$ (48,198)**	**$ (1,292,362)**	**$ (66,572)**	**$ (23,154)**	**$ (1,430,286)**
Extraordinary Items					
Sale of cattle	$ 82,973	$ -	$ -	$ -	$ 82,973
Sale proceeds distributed	(82,973)	-	-	-	(82,973)
Total Extraordinary Items	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Net Change in Fund Balance	**$ (48,198)**	**$ (1,292,362)**	**$ (66,572)**	**$ (23,154)**	**$ (1,430,286)**
Fund Balance - January 1	**4,009,548**	**1,300,415**	**1,494,576**	**244,098**	**7,048,637**
Increase (decrease) in reserved for inventories	**-**	**(308,005)**	**-**	**-**	**(308,005)**
Fund Balance - December 31	**$ 3,961,350**	**$ (299,952)**	**$ 1,428,004**	**$ 220,944**	**$ 5,310,346**

The notes to the financial statements are an integral part of this statement.

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds (Exhibit 5)		**$ (1,430,286)**
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 assets is reported; whereas, in the governmental funds, the proceeds from the sale 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	$ 6,509,027	
Net book value of assets disposed of	(475,823)	
Current year depreciation	(1,412,887)	4,620,317
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred revenue - December 31	$ 1,217,231	
Deferred revenue - January 1	(1,646,826)	(429,595)
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	$ 11,046	
Change in inventories	(308,005)	(296,959)
Change in Net Assets of Governmental Activities (Exhibit 2)		**$ 2,463,477**

The notes to the financial statements are an integral part of this statement.

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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, 2008

		Agency
Assets		
Cash and pooled investments	**$**	**345,895**
Liabilities		
Accounts payable	$	2,009
Due to other governments		305,193
Funds held in trust		38,693
Total Liabilities	**$**	**345,895**

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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, 2008. 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.D., 6.E., and 6.F., 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.

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.

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.

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, 2008, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2008 were $94,643.

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.

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 are 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

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.

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.

E. Extraordinary Item

The County seized control of approximately 300 head of cattle due to animal cruelty charges against the owner. Expenditures of $5,892 were incurred to cover the cost of restoring the animals back to good health so that they could be sold at auction. Under a plea agreement, the owner was allowed to keep 50 of these cattle. The proceeds from the sale of the animals came to $82,973. The owner was paid a net of $77,081 after the cost to the County was deducted.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

County Homes Special Revenue Fund

At December 31, 2008, the County Homes Special Revenue Fund had a fund balance deficit of $13,235. The deficit fund balance is a result of the County's share of the costs for rehabilitation of the Wimmer homes. The projects were partially funded by a rental rehabilitation grant and a community development block grant. The County intends to make a transfer from the General Fund to cover the deficit.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity (Continued)

Ditch Special Revenue Fund

Five of the 35 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, 2008:

Account balances	$ 105,080
Account deficits	(24,206)
Total Fund Balances	$ 80,874

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, 2008.

	Expenditures	Budget	Excess
General Fund	$ 4,285,420	$ 3,475,040	$ 810,380
Special Revenue Funds			
Road and Bridge	8,841,972	6,708,855	2,133,117
Human Services	2,216,117	2,115,173	100,944
County Homes	249,347	25,500	223,847

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	$	6,182,772
Petty cash and change funds		3,800
Fiduciary funds		
Cash and pooled investments		
Agency funds		345,895
Total Cash and Investments	$	6,532,467

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 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, 2008, the County's deposits were not exposed to custodial credit risk.

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, 2008, the County had no investments.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 90,644	$ -
Special assessments	73,639	52,283
Accounts	44,699	-
Interest	2,358	-
Due from other governments	1,460,283	-
Total	$ 1,671,623	$ 52,283

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,264,059	$ 2,100	$ 475,823	$ 790,336
Construction in progress	985,239	3,726,088	893,737	3,817,590
Total capital assets not depreciated	$ 2,249,298	$ 3,728,188	$ 1,369,560	$ 4,607,926
Capital assets depreciated				
Buildings	$ 2,716,583	$ -	$ -	$ 2,716,583
Machinery, furniture, and equipment	3,836,173	185,802	57,118	3,964,857
Infrastructure	49,012,645	3,488,774	-	52,501,419
Total capital assets depreciated	$ 55,565,401	$ 3,674,576	$ 57,118	$ 59,182,859
Less: accumulated depreciation for				
Buildings	$ 1,110,359	$ 64,420	$ -	$ 1,174,779
Machinery, furniture, and equipment	2,428,951	268,817	57,118	2,640,650
Infrastructure	12,109,882	1,079,650	-	13,189,532
Total accumulated depreciation	$ 15,649,192	$ 1,412,887	$ 57,118	$ 17,004,961
Total capital assets depreciated, net	$ 39,916,209	$ 2,261,689	$ -	$ 42,177,898
Governmental Activities Capital Assets, Net	$ 42,165,507	$ 5,989,877	$ 1,369,560	$ 46,785,824

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	$	73,132
Public safety		73,315
Highways and streets, including depreciation of infrastructure assets		1,239,194
Human services		26,591
Conservation of natural resources		655
Total Depreciation Expense	$	1,412,887

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2008, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Road and Bridge Special Revenue Fund	$	1,101
	Human Services Special Revenue Fund		890
	Other governmental funds		12,846
Total Due To General Fund		$	14,837
Road and Bridge Special Revenue Fund	Other governmental funds		1,441
Human Services Special Revenue Fund	General Fund		230
Total Due To/From Other Funds		$	16,508

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.

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

Accounts	$ 108,941
Salaries	21,492
Contracts	640,651
Due to other governments	78,544
Total Payables	$ 849,628

2. Deferred Revenue

Deferred revenue as of December 31, 2008, for the County is as follows:

	Deferred Unavailable	Deferred Unearned
Governmental Funds		
Taxes	$ 77,369	$ -
Special assessments	95,364	-
State-aid highway allotments	556,034	909,435
Charges for services	12,064	-
Grants	349,569	-
Highway and streets	126,831	-
Total Governmental Funds	$ 1,217,231	$ 909,435

3. Construction Commitments

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

	Spent-to-Date	Remaining Commitment
Governmental activities		
Roads and bridges	$ 6,139,424	$ 520,203

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 428,874	$ 271,308	$ 282,354	$ 417,828	$ 129,559

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). 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.

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

4. Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

4. Pension Plans

A. Defined Benefit Plan (Continued)

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. 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 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.60 percent of their annual covered salary in 2008. That rate increased to 9.40 percent in 2009.

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2008	2007	2006
Public Employees Retirement Fund	$ 159,824	$ 148,283	$ 136,157
Public Employees Police and Fire Fund	36,135	27,787	23,823

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

4. Pension Plans (Continued)

B. Defined Contribution Plan

One Norman County Commissioner is covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. 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 plan provisions, including 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. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	Employee	Employer
Contribution amount	$ 773	$ 773
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

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 $410,000 per claim in 2008 and $430,000 per claim in 2009. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

B. 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.

C. 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.

D. 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.

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).

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Tri-County Community Corrections (Continued)

Tri-County Community Corrections' long-term debt consisted of $168,451 for compensated absences and $7,212 for lease purchases at December 31, 2007 (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 2008 was $371,009.

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 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.

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.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Norman-Mahnomen Community Health Board (Continued)

The Norman-Mahnomen Public Health's long-term liabilities were $26,311 at December 31, 2007 (latest information available). Financing is provided by state and federal grants, appropriations from member counties, charges for services, and miscellaneous revenues. Norman County's contribution for 2008 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 Authority

The Norman County-Ada-Twin Valley Joint 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.

The joint powers agreement remains in force until any single member gives the other parties one year's written notice of 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 and the Cities of Ada and Twin Valley. Norman County's contribution for 2008 was $4,030.

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

6. <u>Summary of Significant Contingencies and Other Items</u>

D. <u>Joint Ventures</u> (Continued)

<u>Northwest Minnesota Regional Radio Board</u>

The Northwest Minnesota Regional Radio Board convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the Cities of Moorhead and Becker and Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties.

The purpose of the Northwest Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

Control of the Northwest Minnesota Regional Radio Board is vested in the Northwest Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Northwest Minnesota Regional Radio Board's by-laws.

In the event of dissolution of the Northwest Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants.

Complete financial information can be obtained from the Northwest Minnesota Regional Radio Board, c/o Greater Northwest EMS, 2301 Johanneson Avenue N.W., Suite 103, Bemidji, Minnesota 56601.

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

E. 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.

F. 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.

6. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

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 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.

6. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

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 2008 was $186.

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

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.

6. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

The Children's Collaborative (Serving Norman County Families) (Continued)

Financing is provided by state and federal grants and contributions from its member parties. Complete financial information can be obtained from Norman County Social Services, 15 Second Avenue East, Ada, Minnesota 56510.

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, comprising 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 that created this 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.

6. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

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, Mahnomen, 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.

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which has 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the board of commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Norman County contributed $79,955 to the Agassiz Regional Library during 2008.

Homeland Security and Emergency Management (HSEM) Region 3 Emergency Managers

The HSEM Region 3 Emergency Managers Joint Powers Board was formed pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3, specifically, within the jurisdictional boundaries of the 14 member counties. Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. 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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,211,149	$ 2,211,149	$ 1,999,392	$ (211,757)
Special assessments	-	-	151,399	151,399
Licenses and permits	2,857	2,857	5,282	2,425
Intergovernmental	704,709	704,709	1,674,882	970,173
Charges for services	247,456	247,456	234,989	(12,467)
Investment earnings	180,700	180,700	94,643	(86,057)
Miscellaneous	54,857	54,857	76,635	21,778
Total Revenues	**$ 3,401,728**	**$ 3,401,728**	**$ 4,237,222**	**$ 835,494**
Expenditures				
Current				
General government				
Commissioners	$ 177,680	$ 177,680	$ 164,379	$ 13,301
Courts	8,000	8,000	12,571	(4,571)
Law library	2,186	2,186	939	1,247
County auditor/treasurer	252,340	252,340	241,979	10,361
County assessor	195,431	195,431	177,014	18,417
Elections	28,200	28,200	30,389	(2,189)
Accounting and auditing	60,000	60,000	62,323	(2,323)
Data processing	65,000	65,000	58,392	6,608
Attorney	138,110	138,110	123,903	14,207
Victim assistance	51,507	51,507	58,157	(6,650)
Recorder	218,979	218,979	229,262	(10,283)
Planning and zoning	24,375	24,375	23,355	1,020
County buildings	305,600	305,600	353,945	(48,345)
Buildings and plant	153,451	153,451	135,429	18,022
Telecommunications	3,000	3,000	-	3,000
Veterans service officer	69,594	69,594	73,697	(4,103)
Other general government	-	-	75	(75)
Unallocated - general government	117,400	117,400	123,065	(5,665)
Total general government	**$ 1,870,853**	**$ 1,870,853**	**$ 1,868,874**	**$ 1,979**

The notes to the required supplementary information are an integral part of this schedule.

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 641,039	$ 641,039	$ 681,957	$ (40,918)
Emergency services	14,000	14,000	15,354	(1,354)
Hazardous materials training	16,025	16,025	9,003	7,022
Safety coordinator	21,584	21,584	21,814	(230)
E-911 system	54,687	54,687	11,685	43,002
Community corrections	376,193	376,193	371,009	5,184
Civil defense	30,836	30,836	30,683	153
Police and fire	100	100	115	(15)
Other public safety	1,300	1,300	4,715	(3,415)
Total public safety	**$ 1,155,764**	**$ 1,155,764**	**$ 1,146,335**	**$ 9,429**
Human services				
Senior citizen centers	$ 11,608	$ 11,608	$ 12,938	$ (1,330)
Retired senior volunteer program	1,000	1,000	1,000	-
Total human services	**$ 12,608**	**$ 12,608**	**$ 13,938**	**$ (1,330)**
Health				
Nursing service	$ 90,632	$ 90,632	$ 84,956	$ 5,676
Ambulance	-	-	155,190	(155,190)
Total health	**$ 90,632**	**$ 90,632**	**$ 240,146**	**$ (149,514)**
Culture and recreation				
Historical society	$ 7,650	$ 7,650	$ 7,650	$ -
Agassiz trail project	-	-	509,052	(509,052)
Winter shows	800	800	800	-
County library	79,955	79,955	79,955	-
Celebrations	420	420	420	-
Snowmobile trails	100	100	26,796	(26,696)
Total culture and recreation	**$ 88,925**	**$ 88,925**	**$ 624,673**	**$ (535,748)**

The notes to the required supplementary information are an integral part of this schedule.

NORMAN COUNTY
ADA, MINNESOTA

Schedule 1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Expenditures				
Current (Continued)				
Conservation of natural resources				
Cooperative extension	$ 104,449	$ 104,449	$ 105,290	$ (841)
Soil and water conservation	70,200	70,200	71,779	(1,579)
Agricultural society	12,150	12,150	12,150	-
Forfeited tax	-	-	21,461	(21,461)
Weed control	62,773	62,773	60,567	2,206
Predator control	6,186	6,186	3,235	2,951
Water planning	-	-	116,472	(116,472)
Other	500	500	500	-
Total conservation of natural resources	**$ 256,258**	**$ 256,258**	**$ 391,454**	**$ (135,196)**
Total Expenditures	**$ 3,475,040**	**$ 3,475,040**	**$ 4,285,420**	**$ (810,380)**
Excess of Revenues Over (Under) Expenditures	**$ (73,312)**	**$ (73,312)**	**$ (48,198)**	**$ 25,114**
Extraordinary Items				
Sale of cattle	$ -	$ -	$ 82,973	$ 82,973
Distribution of proceeds of sale	-	-	(82,973)	(82,973)
Total Extraordinary Items	**$ -**	**$ -**	**$ -**	**$ -**
Net Change in Fund Balance	**$ (73,312)**	**$ (73,312)**	**$ (48,198)**	**$ 25,114**
Fund Balance - January 1	**4,009,548**	**4,009,548**	**4,009,548**	**-**
Fund Balance - December 31	**$ 3,936,236**	**$ 3,936,236**	**$ 3,961,350**	**$ 25,114**

The notes to the required supplementary information are an integral part of this schedule.

NORMAN COUNTY
ADA, MINNESOTA

Schedule 2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 745,358	$ 745,358	$ 666,747	$ (78,611)
Intergovernmental	5,653,642	5,653,642	6,784,280	1,130,638
Charges for services	5,000	5,000	31,393	26,393
Miscellaneous	50,000	50,000	67,190	17,190
Total Revenues	**$ 6,454,000**	**$ 6,454,000**	**$ 7,549,610**	**$ 1,095,610**
Expenditures				
Current				
Highways and streets				
Administration	$ 568,420	$ 568,420	$ 556,026	$ 12,394
Maintenance	1,514,980	1,514,980	1,506,241	8,739
Construction	4,017,400	4,017,400	5,951,599	(1,934,199)
Equipment and maintenance shop	608,055	608,055	597,141	10,914
Total highways and streets	**$ 6,708,855**	**$ 6,708,855**	**$ 8,611,007**	**$ (1,902,152)**
Intergovernmental				
Highways and streets	-	-	230,965	(230,965)
Total Expenditures	**$ 6,708,855**	**$ 6,708,855**	**$ 8,841,972**	**$ (2,133,117)**
Excess of Revenues Over (Under) Expenditures	**$ (254,855)**	**$ (254,855)**	**$ (1,292,362)**	**$ (1,037,507)**
Fund Balance - January 1	**1,300,415**	**1,300,415**	**1,300,415**	**-**
Increase (decrease) in reserved for inventories	**-**	**-**	**(308,005)**	**(308,005)**
Fund Balance - December 31	**$ 1,045,560**	**$ 1,045,560**	**$ (299,952)**	**$ (1,345,512)**

The notes to the required supplementary information are an integral part of this schedule.

NORMAN COUNTY
ADA, MINNESOTA

Schedule 3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 486,572	$ 486,572	$ 433,615	$ (52,957)
Intergovernmental	1,289,967	1,289,967	1,347,029	57,062
Charges for services	200,250	200,250	229,247	28,997
Miscellaneous	48,500	48,500	139,654	91,154
Total Revenues	**$ 2,025,289**	**$ 2,025,289**	**$ 2,149,545**	**$ 124,256**
Expenditures				
Current				
Human services				
Income maintenance	$ 603,525	$ 603,525	$ 682,098	$ (78,573)
Social services	1,511,648	1,511,648	1,534,019	(22,371)
Total Expenditures	**$ 2,115,173**	**$ 2,115,173**	**$ 2,216,117**	**$ (100,944)**
Excess of Revenues Over (Under) Expenditures	**$ (89,884)**	**$ (89,884)**	**$ (66,572)**	**$ 23,312**
Fund Balance - January 1	**1,494,576**	**1,494,576**	**1,494,576**	**-**
Fund Balance - December 31	**$ 1,404,692**	**$ 1,404,692**	**$ 1,428,004**	**$ 23,312**

The notes to the required supplementary information are an integral part of this schedule.

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NORMAN COUNTY
ADA, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch and Gravel Tax Special Revenue Funds. 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, 2008.

	Expenditures	Final Budget	Excess
General Fund	$ 4,285,420	$ 3,475,040	$ 810,380
Special Revenue Funds			
Road and Bridge	8,841,972	6,708,855	2,133,117
Human Services	2,216,117	2,115,173	100,944

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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 that 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, demolition landfill, and public education. Financing is provided by special assessments, charges for services, and intergovernmental revenues designated for environmental purposes.

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NORMAN COUNTY
ADA, MINNESOTA

Statement A-1

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008

	County Homes	Ditch	Gravel Reserve Tax	Solid Waste	Total
Assets					
Cash and pooled investments	$ -	$ 81,199	$ 59,874	$ 96,569	$ 237,642
Undistributed cash in agency funds	-	1,075	-	14,031	15,106
Taxes receivable					
Current	-	-	-	526	526
Prior	-	-	-	184	184
Special assessments receivable					
Current	-	562	-	-	562
Prior	-	28	-	-	28
Noncurrent	-	52,283	-	-	52,283
Accounts receivable	-	-	130	27,224	27,354
Total Assets	**$ -**	**$ 135,147**	**$ 60,004**	**$ 138,534**	**$ 333,685**
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ -	$ -	$ 1,640	$ 1,640
Due to other funds	12,846	1,441	-	-	14,287
Due to other governments	389	-	-	18,820	19,209
Deferred revenue - unavailable	-	52,832	-	24,773	77,605
Total Liabilities	**$ 13,235**	**$ 54,273**	**$ -**	**$ 45,233**	**$ 112,741**
Fund Balances					
Unreserved					
Undesignated	(13,235)	80,874	60,004	93,301	220,944
Total Liabilities and Fund Balances	**$ -**	**$ 135,147**	**$ 60,004**	**$ 138,534**	**$ 333,685**

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, 2008

	County Homes	Ditch	Gravel Reserve Tax	Solid Waste	Total
Revenues					
Taxes	$ -	$ -	$ 1,825	$ 28,873	$ 30,698
Special assessments	-	83,754	-	-	83,754
Licenses and permits	-	-	-	400	400
Intergovernmental	224,155	-	-	65,275	289,430
Charges for services	-	-	-	206,861	206,861
Miscellaneous	11,134	-	-	-	11,134
Total Revenues	**$ 235,289**	**$ 83,754**	**$ 1,825**	**$ 301,409**	**$ 622,277**
Expenditures					
Current					
General government	$ -	$ 1,386	$ -	$ -	$ 1,386
Sanitation	-	-	-	319,674	319,674
Human services	249,347	-	-	-	249,347
Conservation of natural resources	-	75,024	-	-	75,024
Total Expenditures	**$ 249,347**	**$ 76,410**	**$ -**	**$ 319,674**	**$ 645,431**
Excess of Revenues Over (Under) Expenditures	**$ (14,058)**	**$ 7,344**	**$ 1,825**	**$ (18,265)**	**$ (23,154)**
Fund Balance - January 1	**823**	**73,530**	**58,179**	**111,566**	**244,098**
Fund Balance - December 31	**$ (13,235)**	**$ 80,874**	**$ 60,004**	**$ 93,301**	**$ 220,944**

NORMAN COUNTY
ADA, MINNESOTA

Schedule 4

BUDGETARY COMPARISON SCHEDULE
COUNTY HOMES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ -	$ -	$ 224,155	$ 224,155
Miscellaneous	9,000	9,000	11,134	2,134
Total Revenues	**$ 9,000**	**$ 9,000**	**$ 235,289**	**$ 226,289**
Expenditures				
Current				
Human services				
Low-income housing	25,500	25,500	249,347	(223,847)
Excess of Revenues Over (Under) Expenditures	**$ (16,500)**	**$ (16,500)**	**$ (14,058)**	**$ 2,442**
Fund Balance - January 1	**823**	**823**	**823**	**-**
Fund Balance - December 31	**$ (15,677)**	**$ (15,677)**	**$ (13,235)**	**$ 2,442**

NORMAN COUNTY
ADA, MINNESOTA

Schedule 5

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 32,438	$ 32,438	$ 28,873	$ (3,565)
Licenses and permits	400	400	400	-
Intergovernmental	62,562	62,562	65,275	2,713
Charges for services	202,505	202,505	206,861	4,356
Total Revenues	**$ 297,905**	**$ 297,905**	**$ 301,409**	**$ 3,504**
Expenditures				
Current				
Sanitation				
Recycling	$ 59,156	$ 59,156	$ 70,555	$ (11,399)
Landfill	22,000	22,000	22,000	-
Fosston incinerator	223,716	223,716	210,321	13,395
Household hazardous waste	23,629	23,629	16,798	6,831
Total Expenditures	**$ 328,501**	**$ 328,501**	**$ 319,674**	**$ 8,827**
Excess of Revenues Over (Under) Expenditures	**$ (30,596)**	**$ (30,596)**	**$ (18,265)**	**$ 12,331**
Fund Balance - January 1	**111,566**	**111,566**	**111,566**	**-**
Fund Balance - December 31	**$ 80,970**	**$ 80,970**	**$ 93,301**	**$ 12,331**

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.

Children's Collaborative (Serving Norman County Families) - to account for the collection and payment of state and federal grants and membership contributions for the Collaborative.

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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, 2008

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
Assets				
Cash and pooled investments	**$ -**	**$ 162,936**	**$ 162,936**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 162,936**	**$ 162,936**	**$ -**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 189,396**	**$ 3,534,521**	**$ 3,531,822**	**$ 192,095**
Liabilities				
Due to other governments	$ 140,432	$ 3,487,889	$ 3,474,919	$ 153,402
Funds held in trust	48,964	46,632	56,903	38,693
Total Liabilities	**$ 189,396**	**$ 3,534,521**	**$ 3,531,822**	**$ 192,095**
CHILDREN'S COLLABORATIVE (SERVING NORMAN COUNTY FAMILIES)				
Assets				
Cash and pooled investments	**$ -**	**$ 168,168**	**$ 14,368**	**$ 153,800**
Liabilities				
Accounts payable	$ -	$ 2,009	$ -	$ 2,009
Due to other governments	-	166,159	14,368	151,791
Total Liabilities	**$ -**	**$ 168,168**	**$ 14,368**	**$ 153,800**

NORMAN COUNTY
ADA, MINNESOTA

Statement B-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 189,396**	**$ 3,865,625**	**$ 3,709,126**	**$ 345,895**
Liabilities				
Accounts payable	$ -	$ 2,009	$ -	$ 2,009
Due to other governments	140,432	3,816,984	3,652,223	305,193
Funds held in trust	48,964	46,632	56,903	38,693
Total Liabilities	**$ 189,396**	**$ 3,865,625**	**$ 3,709,126**	**$ 345,895**

OTHER SCHEDULES

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NORMAN COUNTY
ADA, MINNESOTA

Schedule 6

SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2008

	Interest Rate (%)	Maturity Date		Fair Value
Deposits and Investments				
Undesignated				
Money market checking (4)	.09% to 1.98%	Continuous	$	3,007,507
Certificates of deposit (7)	.40% to 1.14%	January 26, 2009 to March 9, 2009		3,500,000
Total undesignated			**$**	**6,507,507**
Designated for real estate tax shortfall				
Certificates of deposit (2)	1.95% to 2.00%	December 22, 2009		21,160
Total Deposits and Investments			**$**	**6,528,667**

NORMAN COUNTY
ADA, MINNESOTA

BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2008

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		
			Current	Prior	Deferred
County Ditches					
5	$ 4,702	$ -	$ -	$ -	$ -
6	304	-	-	-	151
7	8,598	43	42	-	2,663
8	341	-	-	-	840
9	2,085	14	414	-	3,622
14	1,059	-	-	-	-
17	1,144	8	1	4	-
22	(6,266)	-	-	-	10,582
23	2,944	-	1	14	-
24	(1,087)	-	-	-	1,631
25	5,905	5	-	-	-
26	89	-	-	-	-
28 & 3	384	32	-	-	-
29	(564)	-	-	-	1,495
29 Lat. 1	661	17	-	2	971
31	3,902	-	-	-	-
33	15,468	642	80	-	8,839
34	7,412	3	-	-	253
36	586	-	-	-	166
39	227	-	-	-	154
40	1,648	-	-	-	559
41	2,054	-	-	-	-
42	17,071	-	-	-	3,620
46	115	-	-	-	303
47	5,182	26	2	-	1,202
49	991	-	-	-	256
62	1,429	50	15	8	141
65	(15,489)	3	-	-	11,231
69	3,447	80	6	-	-
73	3,578	-	-	-	981
75	2,197	152	1	-	-
Borup State Ditch	81	-	-	-	-
Judicial Ditches					
54 South	6,789	-	-	-	-
55	4,229	-	-	-	2,623
57	(17)	-	-	-	-
Total	**$ 81,199**	**$ 1,075**	**$ 562**	**$ 28**	**$ 52,283**

Schedule 7

Total	Liabilities: Due to Other Funds	Liabilities: Deferred Revenue	Liabilities: Total	Fund Balance Unreserved Undesignated	Total Liabilities and Fund Balance
$ 4,702	$ -	$ -	$ -	$ 4,702	$ 4,702
455	-	151	151	304	455
11,346	275	2,705	2,980	8,366	11,346
1,181	30	840	870	311	1,181
6,135	55	4,037	4,092	2,043	6,135
1,059	-	-	-	1,059	1,059
1,157	-	5	5	1,152	1,157
4,316	-	10,582	10,582	(6,266)	4,316
2,959	-	15	15	2,944	2,959
544	-	1,631	1,631	(1,087)	544
5,910	-	-	-	5,910	5,910
89	-	-	-	89	89
416	-	-	-	416	416
931	786	1,495	2,281	(1,350)	931
1,651	-	972	972	679	1,651
3,902	-	-	-	3,902	3,902
25,029	107	8,879	8,986	16,043	25,029
7,668	-	253	253	7,415	7,668
752	-	166	166	586	752
381	-	154	154	227	381
2,207	-	559	559	1,648	2,207
2,054	-	-	-	2,054	2,054
20,691	188	3,620	3,808	16,883	20,691
418	-	303	303	115	418
6,412	-	1,204	1,204	5,208	6,412
1,247	-	255	255	992	1,247
1,643	-	164	164	1,479	1,643
(4,255)	-	11,231	11,231	(15,486)	(4,255)
3,533	-	6	6	3,527	3,533
4,559	-	981	981	3,578	4,559
2,350	-	1	1	2,349	2,350
81	-	-	-	81	81
6,789	-	-	-	6,789	6,789
6,852	-	2,623	2,623	4,229	6,852
(17)	-	-	-	(17)	(17)
$ 135,147	**$ 1,441**	**$ 52,832**	**$ 54,273**	**$ 80,874**	**$ 135,147**

NORMAN COUNTY
ADA, MINNESOTA

Schedule 8

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Shared Revenue		
State		
Highway users tax	$	5,299,400
County program aid		735,202
PERA rate reimbursement		13,183
Disparity reduction aid		15,682
Police aid		27,787
Market value credit		343,761
Market value credit - mobile home		765
Total Shared Revenue	**$**	**6,435,780**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**154,041**
Payments		
Local		
Payments in lieu of taxes	**$**	**24,790**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	4,268
Public Safety		128,584
Transportation		39,438
Natural Resources		521,050
Housing and Finance		-
Historical Society		50,000
Human Services		498,247
Veterans Affairs		10,600
Water and Soil Resources		129,346
Office of Environmental Assistance		55,000
Peace Officer Standards and Training Board		2,002
Total State	**$**	**1,438,535**

NORMAN COUNTY
ADA, MINNESOTA

Schedule 8
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Grants (Continued)		
Federal		
Department of		
Agriculture	$	50,971
Housing and Urban Development		124,156
Justice		13,833
Transportation		1,239,137
Health and Human Services		512,208
Homeland Security		2,171
Total Federal	**$**	**1,942,476**
Total State and Federal Grants	**$**	**3,381,011**
Total Intergovernmental Revenue	**$**	**9,995,622**

Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards (Schedule 10) 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 8)		$	1,942,476
Medical Assistance Program	CFDA #93.778		16,572
Total Federal Awards per Schedule of Expenditures of Federal Awards (Schedule 10)		**$**	**1,959,048**

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Management and
Compliance Section

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NORMAN COUNTY
ADA, MINNESOTA

Schedule 9

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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*." One of the significant deficiencies is a material weakness.

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 program 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 program 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 program is:

Highway Planning and Construction	CFDA #20.205

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, increasing the risk that errors or irregularities may occur and not be detected in a timely manner.

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.

Client's Response (County Auditor-Treasurer):

Management is aware of the lack of segregation of duties.

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, the County must identify and train individuals to obtain the expertise to 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 (County Auditor-Treasurer):

We will look into hiring an outside consultant to assist in preparing our basic financial statements.

06-2 Audit Adjustments

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 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 proposed numerous adjustments that resulted in significant changes to the County's financial statements. The County provides a modified accrual general ledger, GASB34 Audit List, and other supporting schedules necessary for preparing fund level and government-wide financial statements.

- An adjustment was made to the General Fund to correct a reversing entry error made to the general ledger by reducing Undesignated Fund Balance and increasing several Reserved Fund Balance accounts by a total of $63,621. This correction had no effect on total fund balance. A second adjustment was made to the General Fund to reduce Minnesota Department of Public Safety - General Government revenues and Culture and Recreation expenditures for a reimbursement in the amount of $488,675 relating to the Agassiz Trail Project.

- An adjustment was made to the Road and Bridge Special Revenue Fund to reflect revenues and expenditures in the amount of $230,965 to recognize Town Road allotments that were passed through to the townships. The Road and Bridge Special Revenue Fund gravel inventory was reduced by $333,656 due to a review of gravel stockpiles as a result of questions raised during the audit.

- An adjustment was made to the Social Services Special Revenue Fund to recognize $90,084 in additional receivables and revenue for MMIS billings. At the fund level, the additional revenue was offset by deferred revenue in the amount of $39,801 for receivables not available during the revenue recognition period. An adjustment was made to decrease both Intergovernmental Revenue - Reimbursement for Services - Human Services and Social Services expenditures for $39,738 to remove the Local Collaborative Time Study activity.

- An adjustment was made to the County Homes Special Revenue Fund to recognize a $12,846 payable to the General Fund to cover the cash deficit.

- An adjustment was made to the Ditch Special Revenue Fund to correct a reversing entry error by increasing Special Assessments Revenue and increasing Drainage Ditches Conservation expenditures by $349,136. Another adjustment was made to the Ditch Special Revenue Fund to record a Special Assessments Receivable offset with Deferred Revenue to reflect $52,283 of special assessments levied but not collected.

In addition to the adjustments noted above, several material reclassifications were made to correct classification errors resulting from incorrect accounts being grouped in the GASB34 Audit List, which summarizes accounts used in the preparation of the working trial balances. Some of the grouping changes resulted from a recent Department of Human Services bulletin changing the classifications of certain Federal revenues. Audit adjustments were also necessary to adjust modified accrual financial statements to the full accrual basis for the government-wide 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 review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

Client's Response (County Auditor-Treasurer):

We will try to establish review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

Client's Response (County Highway Accountant):

The Road and Bridge gravel inventory will not have this huge an adjustment from now on. The gravel inventory will be measured in 2009 to get a more accurate accounting of material in the gravel stockpiles.

07-1 Controls Within the Recorder's Office

The County Recorder's Office does not maintain a formal policies and procedures manual or have a formal monitoring process to ensure all collections and disbursements are properly handled.

The County Recorder has made several improvements since our last audit, including:

- Direct deposits into the County Recorder's checking account are now being receipted into the collection system and properly remitted to the County Auditor-Treasurer.
- Bank charges for the County Recorder's checking account are now submitted for reimbursement from the County Auditor-Treasurer and are reflected as expenditures in the County's general ledger.

- Improvements were made to the monthly report used to post to accounts in the general ledger, resulting in improved accuracy in the posting of fees to the general ledger.

- Fees for well certificates are now submitted only for the current month for each month. There is no longer an overstatement of revenue for well certificates netted against recording and filing fees to make the cash deposits agree.

Although there have been significant improvements to the reporting and postings of collections in the County Recorder's Office, we noted the following problems:

- For passports purchased with cash, the Recorder deposits the cash into the checking account, writes a check to Passport Services for their portion, and remits the entire amount to the County as fees. For December 2008, the amount over-remitted to the County for passports amounted to $170. If the payment is made by check, the Recorder requests two checks, one for the County and one for Passport Services. Those passport fees are handled correctly.

- At December 31, 2008, the County Recorder's checking account had an unreconciled balance of $113. Once the over-remitted fees for passports are determined, the amount of other unreconciled differences will be larger.

- Collections for receivables are not split by the general ledger accounts on the monthly report, resulting in those collections being posted only to the County share account and understating the amounts collected for the technology fund, compliance fund, and state share.

- The state share of well certificates and surcharges is posted as revenues and expenditures in the General Fund rather than posting them to the State Revenue Agency Fund, resulting in overstated revenues and expenditures in the General Fund.

- At the time of our cash count on April 7, 2009, the shared Drivers License/County Recorder petty cash fund was over by $368. The petty cash fund is used to cover bad checks, charges for sending notices through certified mail, and depositing NSF fees collected. These revenues and expenses are netted and not recorded in the general ledger.

We recommend formal policies and procedures, including monitoring procedures, be established to provide the guidance necessary to ensure all collections and disbursements are properly posted to the general ledger and the checking account and petty cash reconcile. We further recommend the County Recorder review the items noted above and make correcting adjustments.

Client's Response (County Recorder):

In regards to the issues that were addressed this past Spring pertaining to the Recorder's Office, I will be working on them throughout the Summer.

ITEM ARISING THIS YEAR

08-1 Documenting and Monitoring Internal Controls

County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Although the County may informally assess risks and adjust internal control procedures to address those risks, there are no formal procedures or documentation of those procedures in place.

At a minimum, the following significant internal control areas should be documented:

- cash and investment activities;
- capital assets (capitalization process and related depreciation);
- major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items);
- expenditure/expense processing;
- payroll; and
- inventories.

We recommend that County management document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Client's Response (County Auditor-Treasurer):

We have appointed a committee to work with documenting and monitoring internal controls. We will try and get this committee rolling.

PREVIOUSLY REPORTED ITEM RESOLVED

Gravel Stockpile Inventory (04-1)

Each year, Highway Department employees count and adjust their perpetual inventory system for items including parts, fuel, and certain field materials such as culverts, signs, and sign materials; however, they do not measure the gravel stockpile inventory.

Resolution

For 2008, Highway Department employees measured two of the gravel stockpiles using the Total Stations system and provided the invoice for gravel crushed near year-end as documentation for a third stockpile. Questions raised during the audit resulted in the Highway Department viewing the remaining stockpiles and making additional adjustments to the perpetual inventory system for the remaining stockpiles not measured at year-end. The Highway Department has agreed to measure all gravel stockpiles using the Total Stations system for the December 31, 2009 inventory.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Ditch Cash Balance Deficits

Five of the 35 individual ditch systems had cash deficits totaling $23,423 at December 31, 2008, with the largest being $15,489. 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 (County Auditor-Treasurer):

We will continue to monitor these deficit balances. They are improving and hopefully will all disappear by next year. If not, we will consider transferring money to the deficit account.

06-4 Collateral Assignments

Deposits in excess of the FDIC insurance coverage with Bank of the West 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. The County Auditor-Treasurer had obtained a new resolution, but that resolution does not approve the pledge of collateral to Norman County. Under the new resolution, the bank is delegating the authority to give security to certain bank employees, it is not (as required by FIRREA) approving a particular assignment of assets.

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 Auditor-Treasurer obtain current documentation to ensure a perfected security interest in the collateral pledged from its depositories.

Client's Response (County Auditor-Treasurer):

We have tried several times to get a resolution in place. We will try again and if we're not successful we will find a different bank for our money.

ITEM ARISING THIS YEAR

08-2 Cash Overdraft

The County Homes Special Revenue Fund had a cash deficit of $12,346 at December 31, 2008.

Minn. Stat. § 385.04 states that payment of expenditures may be made only if money is available in the fund for that purpose. Minn. Stat. § 385.32 provides for temporary fund transfers with the approval of the County Board and County Auditor-Treasurer.

We recommend that the County borrow from another fund when the cash balances are so low as to cause the fund to have a cash deficit when a payment is made from that fund.

Client's Response (County Auditor-Treasurer):

We will address this perhaps by making a transfer from Revenue.

B. MANAGEMENT PRACTICES

ITEMS ARISING THIS YEAR

08-3 Road and Bridge Special Revenue Fund Balance Deficit

At December 31, 2008, the Road and Bridge Special Revenue Fund had a fund balance deficit of $299,952.

While this fund had a favorable cash balance of $544,601 at December 31, 2008, the deficit fund balance resulted from the completion of construction projects funded through advance payments of future state allotments. These allotments will be recognized as revenue when the state makes the 2009 appropriation.

We recommend the County Board monitor the financial activities of the Road and Bridge Special Revenue Fund to determine if ongoing conditions exist that affect the financial condition of the fund.

Client's Response (County Highway Accountant):

Due to two multi-million dollar bridge projects in one year, Road & Bridge had to request an advancement of its 2009 Regular Construction Allotment. These projects were shared with Cass Co. and Traill Co., with Norman County taking the lead on the construction and payments of these projects. There should be no deficit in 2009.

08-4 County Homes Fund Balance Deficit

At December 31, 2008, the County Homes Special Revenue Fund had a fund balance deficit of $13,235.

The deficit fund balance resulted from the County share of the costs for rehabilitation of the Wimmer homes. The projects were partially funded by a Rental Rehabilitation Grant and a Community Development Block Grant.

We recommend the County Board monitor the financial activities of the County Homes Special Revenue Fund and provide the necessary resources for management and maintenance of the homes.

Client's Response (County Auditor-Treasurer):

We will address this perhaps by making a transfer from Revenue.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides 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 statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

In 2008, the Legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both revocable and irrevocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both revocable and irrevocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

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

- determine if employees are provided OPEB;

- if OPEB are being provided, the Norman 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 Norman County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the Norman County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;

- if an OPEB trust will be established, the Norman County Board will have to decide whether to establish a revocable or an irrevocable trust, and report that trust appropriately in the financial statements; and

- in order to determine annual costs and liabilities that need to be recognized, the Norman County Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to Norman County for the year ended December 31, 2009.

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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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, 06-1, 06-2, 07-1, and 08-1 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, of the significant deficiencies described above, we consider item 06-2 to be 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, except that we did not test for compliance in public indebtedness because Norman County has no long-term debt.

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 08-2.

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

Norman County's written responses to the significant deficiencies, material weakness, legal compliance findings, and management practices comments identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of 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

July 31, 2009

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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 its major federal program for the year ended December 31, 2008. Norman County's major federal program is 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 its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 its major federal program for the year ended December 31, 2008.

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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 31, 2009. Our audit was performed for the purpose of forming opinions on Norman County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

July 31, 2009

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NORMAN COUNTY
ADA, MINNESOTA

Schedule 10

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number		Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for Food Stamp Program	10.561	**$**	**50,971**
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development			
Community Development Block Grant	14.228	**$**	**124,156**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance Grant	16.575	**$**	**13,833**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	$	1,238,760
Passed Through Minnesota Department of Natural Resources			
Recreational Trails Program	20.219		377
Total U.S. Department of Transportation		**$**	**1,239,137**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	$	15,252
Temporary Assistance for Needy Families (TANF)	93.558		64,380
Child Support Enforcement	93.563		51,653
Refugee and Entrance Assistance Grant	93.566		142
Child Care Cluster			
Child Care Development Block Grant	93.575		52,405
Child Care Mandatory and Matching Funds	93.596		28,378
Foster Care Title IV-E	93.658		37,400
Social Services Block Grant Title XX	93.667		85,969
Chafee Foster Care Independence Program	93.674		3,000
State Children's Insurance Program	93.767		144
Medical Assistance Program	93.778		187,470
Community Mental Health Services Block Grant	93.958		2,587
Total U.S. Department of Health and Human Services		**$**	**528,780**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Homeland Security Grant Program	97.067	**$**	**2,171**
Total Federal Awards		**$**	**1,959,048**

NORMAN COUNTY
ADA, MINNESOTA

Schedule 10
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 basic 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 2008, $124,156 of CFDA #14.228 and $377 of CFDA #20.219 were passed through to subrecipients.