

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

WABASHA COUNTY
WABASHA, MINNESOTA

YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Year Ended December 31, 2005



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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	13
Statement of Activities	Exhibit 2	14
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	15
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	19
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	20
Notes to the Financial Statements		21
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	49
Road and Bridge Fund	Schedule 2	52
Social Service Fund	Schedule 3	53
Notes to the Required Supplementary Information		54

**WABASHA COUNTY
WABASHA, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Financial Section (Continued)		
Supplementary Information		
Nonmajor Governmental Funds		55
Special Revenue Funds		
Combining Balance Sheet	Statement 1	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	57
Budgetary Comparison Schedules		
Regional Railroad Fund	Schedule 4	58
Public Health Fund	Schedule 5	59
Fiduciary Funds		
Agency Funds		60
Combining Statement of Changes in Assets and Liabilities	Statement 3	61
Component Unit		
Reads Landing Sanitary Sewer District		
Statement of Net Assets	Schedule 6	63
Statement of Revenues, Expenses, and Changes in Net Assets	Schedule 7	64
Statement of Cash Flows	Schedule 8	65
Other Schedule		
Schedule of Intergovernmental Revenue	Schedule 9	66
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 10	67
Other Required Reports		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		70
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		72
Schedule of Expenditures of Federal Awards	Schedule 11	74
Notes to Schedule of Expenditures of Federal Awards		76

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2005**

			<u>Term Expires</u>
Elected			
Commissioners			
Chair	David Windhorst	District 2	January 2007
Vice Chair*	David M. Harms	District 5	January 2007
Board Member	Peter Riester	District 4	January 2007
Board Member	Eugene T. McNallan	District 1	January 2009
Board Member	Donald Springer	District 3	January 2009
Attorney	James C. Nordstrom		January 2007
Auditor/Treasurer	Jerry Leisen		January 2007
County Recorder	Jeffery Aitken		January 2007
County Sheriff	Rodney Bartsh		January 2007
Appointed			
Administrator	Peter Boyce		Indefinite
Assessor	Loren Benz		December 2008
County Engineer	David Shanahan		May 2009
Coroner	Dr. Daniel Pesch		January 2006
	Dr. Norman Booth		March 2005
Financial Services Director	Pat Moga		Indefinite
Social Services Director	Terry Smith		Indefinite
Solid Waste Officer	Tom Mosher		Indefinite
Surveyor	David Johnson		January 2009
Veteran Services Officer	Alfred Holtan		August 2007

*Board Chair in 2006

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wabasha County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wabasha 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.E., governmental activities net assets were restated to correct for the incorrect addition to infrastructure of road projects under construction.

The Management's Discussion and Analysis and budgetary comparison information in Schedules 1 through 3 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 Wabasha County's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Wabasha County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 12, 2006, on our consideration of Wabasha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: July 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005
(Unaudited)**

INTRODUCTION

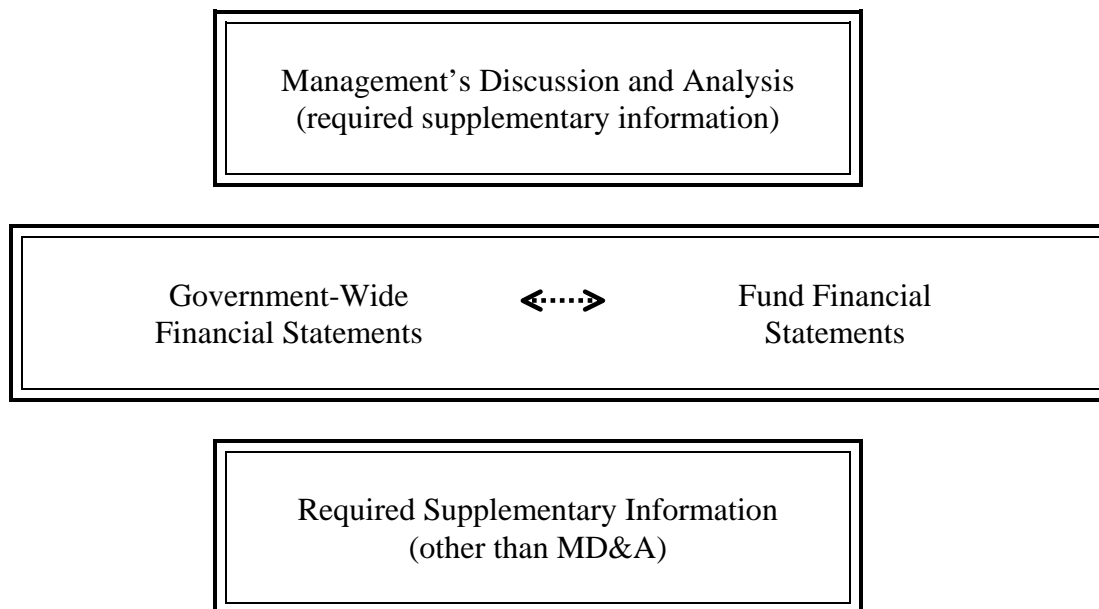
The financial management of Wabasha County offers the readers of Wabasha County's financial statements this narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- As of December 31, 2005, the assets of Wabasha County exceeded its liabilities by \$72,367,786. Of this amount, \$7,188,384 (ten percent) represents unrestricted net assets that may be used to meet the County's ongoing obligation to citizens and creditors.
- At the end of the fiscal year, Wabasha County governmental funds reported a combined ending fund balance of \$8,458,208.
- Wabasha County's total long-term liabilities decreased by \$91,707 during the fiscal year. The key factor in this decrease was the retirement of the Honeywell contract and payment of leased equipment for the Highway Department. There was a decrease of \$6,485 on a promissory note for Wabasha County Regional Railroad.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Wabasha County's basic financial statements. Wabasha County's financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements.



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

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

The government-wide financial statements are designed to provide the readers with a broad overview of Wabasha County's finances in a manner similar to a private-sector business. Our analysis of the County as a whole begins with Exhibit 1. The statement of net assets presents information on all Wabasha County's assets and liabilities, with the differences 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 Wabasha County is improving or deteriorating. The statement of activities presents information showing how Wabasha County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

In the statement of net assets and the statement of activities, we divide the County into two kinds of activities:

- Governmental activities - Most of the County's basic services are reported here, including general government, public safety, highways and streets, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.
- Component units - The Reads Landing Sewer District is presented in a separate column. Although legally separate, component units are important because the County is financially accountable for them.

Fund Financial Statements

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide information about the County's significant funds--not the County as a whole. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of a governmental fund financial statement is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds: General Fund, Road and Bridge Special Revenue Fund, and Social Service Special Revenue Fund.

Governmental Funds

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

Fiduciary Funds

Fiduciary funds (agency funds) are used to account for resources held for the benefit of parties outside County government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Wabasha County's own programs.

The County as a Whole

The County's combined net assets increased from \$71,671,792 (after restatement) to \$72,367,786. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

Table 1
Net Assets

	Governmental Activities	
	2005	2004 (Restated)
Assets		
Current and other assets	\$ 10,438,598	\$ 9,699,218
Capital assets	63,973,532	65,383,809
Total Assets	\$ 74,412,130	\$ 75,083,027
Liabilities		
Long-term debt outstanding	\$ 1,067,368	\$ 1,159,075
Other liabilities	976,976	2,252,160
Total Liabilities	\$ 2,044,344	\$ 3,411,235
Net Assets		
Invested in capital assets, net of related debt	\$ 63,840,062	\$ 65,131,521
Restricted	1,339,340	653,366
Unrestricted	7,188,384	5,886,905
Total Net Assets	\$ 72,367,786	\$ 71,671,792

Net assets of the County governmental activities increased by one percent (\$72,367,786 compared to \$71,671,792). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from \$5,886,905 at December 31, 2004, to \$7,188,384 at the end of 2005.

Table 2
Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 2,147,232	\$ 1,980,305
Operating grants and contributions	8,016,239	7,515,312
Capital grants and contributions	37,522	46,512
General revenues		
Property taxes	6,533,455	6,070,530
Other taxes	93,681	24,814
Grants and contributions	2,025,095	1,686,457
Other general revenues	637,786	458,048
Total Revenues	\$ 19,491,010	\$ 17,781,978
Program Expenses		
General government	\$ 2,849,329	\$ 2,649,129
Public safety	3,378,871	3,315,842
Highways and streets	5,299,579	2,612,064
Human services	4,397,601	3,936,112
Health	1,292,598	1,242,813
Sanitation	240,520	260,556
Culture and recreation	864,522	413,328
Conservation of natural resources	342,495	345,766
Economic development	115,679	64,413
Interest	13,822	18,923
Total Program Expenses	\$ 18,795,016	\$ 14,858,946
Increase (Decrease) in Net Assets	\$ 695,994	\$ 2,923,032

Governmental Activities

Revenues for the County governmental activities increased by 0.10 percent (\$1,709,032), while total expenses increased 26 percent (\$3,936,070). The increase in expense was in highways and streets. The increase in net assets for 2005 was \$695,994 compared to a \$2,923,032 increase in net assets in the year ended December 31, 2004.

The cost of all governmental activities in 2005 was \$18,795,016 compared to \$14,858,946 in 2004. However, as shown in the Statement of Activities, Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes and other general revenues was only \$8,594,023 because some of the cost was paid by those who directly benefited from the programs (\$2,147,232) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,053,761). Overall, the County's governmental program

revenues, including intergovernmental aid and fees for services, increased in 2005 from \$9,542,129 to \$10,200,993, principally based on increases in intergovernmental aid, primarily human services and highway and street grants. The County paid for the remaining public benefits portion of governmental activities with \$9,290,017 in general revenues, primarily taxes.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2005	2004	2005	2004
Highways and streets	\$ 5,299,579	\$ 2,612,064	\$ 557,337	\$ (1,963,260)
Human services	4,397,601	3,936,112	1,783,284	1,490,191
Public safety	3,378,871	3,315,842	2,625,954	2,661,711
General government	2,849,329	2,649,129	2,311,591	2,111,936
Health	1,292,598	1,242,813	226,112	383,003
All others	1,577,038	1,102,986	1,089,745	633,236
Totals	<u>\$ 18,795,016</u>	<u>\$ 14,858,946</u>	<u>\$ 8,594,023</u>	<u>\$ 5,316,817</u>

There was an increase in net cost of service for human services, general government, and highways and streets. There was a decrease in net cost of service for public safety and health expenses.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wabasha County, assets exceeded liabilities by \$72,367,786, an increase of \$695,994.

The County's \$63,840,062 investment in capital assets, net of related debt, is 88 percent of total net assets. Wabasha County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wabasha County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate liabilities.

Two percent of Wabasha County's net assets (\$1,339,340) are subject to restrictions on how they may be used. The remaining ten percent (\$7,188,384 unrestricted net assets) may be used to meet Wabasha County's ongoing obligations to citizens and creditors.

Wabasha County's total liabilities (\$2,044,344) are 3 percent of total assets and 20 percent of current assets.

Financial Analysis of the Government's Funds

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

As of the end of 2005, Wabasha County's governmental funds report combined fund balances of \$8,458,208. This is a 21 percent increase of \$1,453,466 from the prior year. The General Fund balance of \$5,085,953 represents 60 percent of this total.

The General Fund is the chief operating fund of Wabasha County. At the end of 2005, 93 percent of the General Fund fund balance was unreserved and available for future expenditures. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance (93 percent) and total fund balance as a percent of current expenditures--67 and 72 percent, respectively. During the year, the fund balance increased by \$546,336 to \$5,085,953.

The Road and Bridge Special Revenue Fund ended the year with a fund balance of \$795,387; this was an increase of \$1,061,823. During the year, the Road and Bridge Fund transferred \$363 to the General Fund.

The Social Service Special Revenue Fund fund balance decreased by \$276,805 to \$1,845,975. During the year, the Social Service Fund transferred \$6,436 to the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the County Board revised the County's General Fund budget several times. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts. There were no material budget adjustments for 2005; both budgeted revenues and expenditures were increased by \$50,892 for a drug court grant that was received.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wabasha County's investment in capital assets as of December 31, 2005, amounts to \$63,973,532 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. (See Table 4.)

The total decrease in Wabasha County investment in capital assets for the current year was \$1,410,277 (two percent). If you need more information on Wabasha County's capital assets, please see the notes to the financial statements.

Table 4
Capital Assets at December 31, 2005
(Net of Depreciation)

	Governmental Activities	
	2005	2004 (Restated)
Land	\$ 3,649,205	\$ 3,649,205
Construction in progress	-	2,173,892
Buildings and improvements	1,394,860	1,439,583
Machinery, vehicles, furniture, and equipment	1,395,666	1,466,825
Infrastructure	57,533,801	56,654,304
Total	<u>\$ 63,973,532</u>	<u>\$ 65,383,809</u>

Construction in progress, equipment, and buildings all decreased. There were no big County highway improvement projects started during 2005. Projects were completed in 2005.

Debt

Wabasha County had total debt outstanding of \$158,868 on December 31, 2005. Capital leases totaled \$133,470, and a promissory note totaled \$25,398. The decrease in debt outstanding was due to the retirement of the Honeywell contract and principal on equipment for the Highway Department. Current and future County tax levies are used to finance the entire indebtedness. See notes if more information is needed on debt outstanding.

Table 5
Outstanding Debt at December 31, 2005

	Governmental Activities	
	2005	2004
Capital leases	\$ 133,470	\$ 220,405
Promissory note	25,398	31,883
Total	<u>\$ 158,868</u>	<u>\$ 252,288</u>

There was no new debt in 2005.

Minn. Stat. § 475.53 limits the amount of general obligation debt a county can incur to no more than two percent of taxable market value without the approval of the majority of the voters of the county voting on the questions of issuing the obligation at an election. Wabasha County's taxable market value is \$1,809,246,500 for 2005. The current debt limitation for Wabasha County is \$36,184,930, which is in excess of Wabasha County's outstanding debt. Wabasha County's outstanding net debt is significantly below this \$36,184,930 state-imposed limit.

Other obligations include accrued vacation pay and sick leave payable.

ECONOMIC FACTORS

The Wabasha County elected and appointed officials considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged.

- Wabasha County is having a needs analysis completed on the local jail. This needs study will help determine if a jail is needed at Wabasha County and the size of the jail, if needed.
- Property tax levies have increased ten percent for 2006.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Wabasha 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 additional financial information, should be addressed to the Finance Director, Wabasha County, 625 Jefferson Street, Wabasha, Minnesota 55981.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Government Governmental Activities	Reads Landing Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 8,650,449	\$ 6,017
Petty cash and change funds	3,250	-
Taxes receivable		
Prior - net	140,136	-
Special assessments receivable		
Current - net	-	4,432
Accounts receivable - net	93,350	6,312
Accrued interest receivable	17,217	3
Due from other governments	1,449,430	-
Inventories	84,766	-
Restricted assets		
Cash and pooled investments	-	9,283
Capital assets		
Non-depreciable	3,649,205	-
Depreciable - net of accumulated depreciation	60,324,327	1,255,911
Total Assets	\$ 74,412,130	\$ 1,281,958
<u>Liabilities</u>		
Accounts payable	\$ 353,000	\$ 171
Salaries payable	403,206	-
Due to other governments	140,257	3,441
Accrued interest payable	3,270	-
Unearned revenue	77,243	40
Long-term liabilities		
Due within one year	107,748	1,059
Due in more than one year	959,620	97,954
Total Liabilities	\$ 2,044,344	\$ 102,665
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 63,840,062	\$ 1,156,898
Restricted for		
General government	101,723	-
Public safety	198,126	-
Highways and streets	960,591	-
Health	36,264	-
Conservation of natural resources	42,636	-
Debt service	-	9,283
Equipment replacement	-	4,201
Unrestricted	7,188,384	8,911
Total Net Assets	\$ 72,367,786	\$ 1,179,293

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Reads Landing Component Unit
Primary Government						
Governmental activities						
General government	\$ 2,849,329	\$ 468,434	\$ 69,304	\$ -	\$ (2,311,591)	
Public safety	3,378,871	325,488	397,234	30,195	(2,625,954)	
Highways and streets	5,299,579	72,285	4,662,630	7,327	(557,337)	
Sanitation	240,520	107,157	3,151	-	(130,212)	
Human services	4,397,601	409,589	2,204,728	-	(1,783,284)	
Health	1,292,598	747,812	318,674	-	(226,112)	
Culture and recreation	864,522	1,329	227,132	-	(636,061)	
Conservation of natural resources	342,495	15,138	133,386	-	(193,971)	
Economic development	115,679	-	-	-	(115,679)	
Interest	13,822	-	-	-	(13,822)	
Total Primary Government	\$ 18,795,016	\$ 2,147,232	\$ 8,016,239	\$ 37,522	\$ (8,594,023)	
Component Unit						
Reads Landing Sanitary Sewer District	\$ 84,267	\$ 54,341	\$ -	\$ -		\$ (29,926)
General Revenues						
Property taxes					\$ 6,533,455	\$ -
Mortgage registry and deed tax					26,190	-
Tax increment					67,491	-
Payments in lieu of tax					162,455	-
Grants and contributions not restricted to specific programs					2,025,095	-
Unrestricted investment earnings					277,843	171
Miscellaneous					154,367	-
Gain on sale of capital assets					43,121	-
Total general revenues					\$ 9,290,017	\$ 171
Change in Net Assets					\$ 695,994	\$ (29,755)
Net Assets - Beginning, restated (Note 1. E.)					71,671,792	1,209,048
Net Assets - Ending					\$ 72,367,786	\$ 1,179,293

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

Page 14

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 5,449,156	\$ 731,981	\$ 1,808,135	\$ 661,177	\$ 8,650,449
Petty cash and change funds	3,250	-	-	-	3,250
Taxes receivable					
Prior	88,014	20,966	25,718	5,438	140,136
Accounts receivable	7,388	-	42,215	43,747	93,350
Accrued interest receivable	17,217	-	-	-	17,217
Due from other governments	112,586	949,288	291,429	96,127	1,449,430
Inventories	-	84,766	-	-	84,766
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 5,677,611</u>	<u>\$ 1,787,001</u>	<u>\$ 2,167,497</u>	<u>\$ 806,489</u>	<u>\$ 10,438,598</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge	Social Service	Other Governmental Funds	Total Governmental Funds
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 156,008	\$ 37,850	\$ 147,260	\$ 11,882	\$ 353,000
Salaries payable	224,003	61,288	61,629	56,286	403,206
Due to other governments	71,423	1,530	67,213	91	140,257
Deferred revenue - unavailable	62,981	890,946	45,420	7,337	1,006,684
Deferred revenue - unearned	77,243	-	-	-	77,243
Total Liabilities	\$ 591,658	\$ 991,614	\$ 321,522	\$ 75,596	\$ 1,980,390
Fund Balances					
Reserved for					
Inventories	\$ -	\$ 84,766	\$ -	\$ -	\$ 84,766
Law library	19,926	-	-	-	19,926
Recorder's unallocated	35,267	-	-	-	35,267
Recorder's equipment purchases	31,037	-	-	-	31,037
E-911	165,527	-	-	-	165,527
Extension publications	1,123	-	-	-	1,123
Sheriff's contingency	4,488	-	-	-	4,488
Sheriff's forfeited property	14,590	-	-	-	14,590
Attorney's forfeited property	15,493	-	-	-	15,493
Restorative justice	6,031	-	-	-	6,031
Conservation	41,513	-	-	-	41,513
Sheriff's K-9 Fund	452	-	-	-	452
Sheriff's permit to carry	7,038	-	-	-	7,038
Health	-	-	-	36,264	36,264
Unreserved					
Designated for future expenditures	1,071,330	710,621	-	-	1,781,951
Designated for cash flows	2,524,000	-	744,000	-	3,268,000
Designated for compensated absences	494,779	-	141,100	-	635,879
Designated for contingencies	8,000	-	-	-	8,000
Undesignated	645,359	-	960,875	-	1,606,234
Unreserved, reported in nonmajor special revenue funds	-	-	-	694,629	694,629
Total Fund Balances	\$ 5,085,953	\$ 795,387	\$ 1,845,975	\$ 730,893	\$ 8,458,208
Total Liabilities and Fund Balances	\$ 5,677,611	\$ 1,787,001	\$ 2,167,497	\$ 806,489	\$ 10,438,598

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005**

Fund balances - total governmental funds (Exhibit 3)	\$	8,458,208
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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.		63,973,532
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,006,684
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Promisory note	\$	(25,398)	
Capital leases		(133,470)	
Compensated absences		(908,500)	
Accrued interest payable		(3,270)	
		<u> </u>	<u>(1,070,638)</u>

Net assets of governmental activities (Exhibit 1)	\$	<u>72,367,786</u>
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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 4,218,260	\$ 1,003,631	\$ 1,142,138	\$ 246,496	\$ 6,610,525
Licenses and permits	193,502	-	-	667	194,169
Intergovernmental	2,061,966	3,997,469	2,580,125	1,009,399	9,648,959
Charges for services	674,467	34,637	79,310	681,598	1,470,012
Fines and forfeits	24,896	-	-	-	24,896
Interest on investments	277,843	-	-	-	277,843
Gifts and contributions	15,958	-	-	13,980	29,938
Miscellaneous	177,661	36,860	330,279	66,876	611,676
Total Revenues	\$ 7,644,553	\$ 5,072,597	\$ 4,131,852	\$ 2,019,016	\$ 18,868,018
Expenditures					
Current					
General government	\$ 2,753,237	\$ -	\$ -	\$ -	\$ 2,753,237
Public safety	3,368,250	-	-	-	3,368,250
Highways and streets	2,125	3,981,823	-	-	3,983,948
Sanitation	246,256	-	-	-	246,256
Human services	-	-	4,402,221	-	4,402,221
Health	24,049	-	-	1,266,887	1,290,936
Culture and recreation	216,559	-	-	621,704	838,263
Conservation of natural resources	325,192	-	-	-	325,192
Economic development	115,679	-	-	-	115,679
Debt service					
Principal	53,553	33,382	-	6,485	93,420
Interest	3,801	6,607	-	1,513	11,921
Administrative (fiscal) charges	651	-	-	-	651
Total Expenditures	\$ 7,109,352	\$ 4,021,812	\$ 4,402,221	\$ 1,896,589	\$ 17,429,974
Excess of Revenues Over (Under) Expenditures	\$ 535,201	\$ 1,050,785	\$ (270,369)	\$ 122,427	\$ 1,438,044
Other Financing Sources (Uses)					
Transfers in	\$ 7,114	\$ -	\$ -	\$ -	\$ 7,114
Transfers out	-	(363)	(6,436)	(315)	(7,114)
Proceeds from sale of capital assets	4,021	42,600	-	-	46,621
Total Other Financing Sources (Uses)	\$ 11,135	\$ 42,237	\$ (6,436)	\$ (315)	\$ 46,621
Net Change in Fund Balance	\$ 546,336	\$ 1,093,022	\$ (276,805)	\$ 122,112	\$ 1,484,665
Fund Balance - January 1	4,539,617	(266,436)	2,122,780	608,781	7,004,742
Increase (decrease) in reserved for inventories	-	(31,199)	-	-	(31,199)
Fund Balance - December 31	\$ 5,085,953	\$ 795,387	\$ 1,845,975	\$ 730,893	\$ 8,458,208

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	1,484,665
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Amounts reported for governmental activities in the statement of activities are different because:

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 revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 1,006,684	
Deferred revenue - January 1	(444,336)	562,348

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

Expenditures for general capital assets and infrastructure	\$ 953,475	
Current year depreciation	(2,355,937)	(1,402,462)

In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed of.

(7,815)

Capital leases and loan proceeds provide current financial resources to governmental funds, while repayment of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net assets.

Principal repayments		
Loans	\$ 6,485	
Capital lease	86,935	93,420

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 accrued interest payable	\$ (1,250)	
Change in compensated absences	(1,713)	
Change in inventories	(31,199)	(34,162)

Change in net assets of governmental activities (Exhibit 2)	\$	695,994
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FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 7

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2005**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u><u>\$ 1,473,617</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 27,480
Due to other governments	<u>1,446,137</u>
Total Liabilities	<u><u>\$ 1,473,617</u></u>

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

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, 2005. 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

Wabasha County was established in March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Wabasha County (primary government) and its component units for which Wabasha County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Units

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Wabasha County has one blended component unit.

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Regional Railroad Authority (RRA) provides for the preservation or improvement of rail transportation within the County.	County Commissioners are the members of the RRA Board.	Separate financial statements are not prepared.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component unit of Wabasha County is discretely presented:

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Reads Landing Sanitary Sewer District formed under Minn. Stat. § 115.18-.37.	County appoints members, and the Reads Landing Sanitary Sewer District is a financial burden.	Separate financial statements are not prepared.

Joint Ventures

Wabasha County participates in joint ventures that are described in Note 5.B. Wabasha County also participates in jointly-governed organizations which are described in Note 5.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are supported by taxes and intergovernmental revenues.

In the government-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions 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 and blended component units. 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 funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, Wabasha 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. 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. Wabasha County considers all revenues to be available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2005 were \$277,843.

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.”

All receivables, including those of the discretely presented component unit, are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method for highway supplies, except for fuel which uses weighted average. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of Wabasha County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 50
Building improvements	15 - 50
Public domain infrastructure	10 - 50
Furniture, equipment, and vehicles	3 - 12

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Compensated Absences (Continued)

government-wide fund 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 governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 that are subject to change.

**WABASHA COUNTY
WABASHA, MINNESOTA**

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. Prior Period Adjustment

Funds

As of January 1, 2005, the government-wide financial statements were restated to correct infrastructure increases recorded as both construction in progress and infrastructure for \$2,457,015. Restated governmental activities net assets at January 1, 2005, were \$71,671,792.

Governmental activities' net assets were restated to reflect the prior period adjustment.

Net Assets - January 1, as previously reported	\$ 74,128,807
Correction of error in capital assets - infrastructure	<u>(2,457,015)</u>
Net Assets - January 1, as restated	<u><u>\$ 71,671,792</u></u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Governmental activities	
Cash and pooled investments	\$ 8,650,449
Petty cash and change funds	3,250
Reads Landing Component Unit	
Cash and pooled investments	6,017
Restricted cash and pooled investments	9,283
Fiduciary funds	
Cash - Agency Funds	<u>1,473,617</u>
 Total Cash	 <u>\$ 10,142,616</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2005, the County's deposits were not exposed to custodial credit risk.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of the rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County policy states the Chief Financial Officer or appointed person shall, after careful study of potential additional costs to the County, attempt to structure all investments and deposits so that the custodial risk is in category #1 according to GASB Statement 3.

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that portfolio maturities shall be staggered to avoid undue concentration of assets in a specific sector. The maturities selected shall provide for stability of income and reasonable liquidity.

The following table presents the County's investment balance at December 31, 2005, and information relating to potential investment risk.

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Rate Risk Maturity Date	
U.S. government agency securities Federal National Mortgage Association Discount Note	AAA	S&P	100%	1/21/2009	\$ 99,178
Deposits					10,040,188
Petty cash and change funds					<u>3,250</u>
Total Cash and Investments					<u>\$ 10,142,616</u>

2. Receivables

Receivables as of December 31, 2005, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 400,405
Less: allowance for uncollectible accounts	<u>(307,055)</u>
Net Accounts Receivable	<u>\$ 93,350</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Prior Period Adjustment	Increase	Decrease	Ending Balance
Capital assets not depreciated					
Land	\$ 128,909	\$ -	\$ -	\$ -	\$ 128,909
Land highway right-of-way	3,520,296	-	-	-	3,520,296
Construction in progress	2,173,892	-	-	2,173,892	-
Total capital assets not depreciated	\$ 5,823,097	\$ -	\$ -	\$ 2,173,892	\$ 3,649,205
Capital assets depreciated					
Buildings	\$ 1,999,811	\$ -	\$ -	\$ -	\$ 1,999,811
Improvements other than buildings	97,503	-	-	-	97,503
Machinery, furniture, and equipment	4,337,623	-	404,199	333,084	4,408,738
Infrastructure - trails	525,178	-	-	-	525,178
Infrastructure - highways	96,754,069	(2,507,158)	2,723,168	-	96,970,079
Total capital assets depreciated	\$ 103,714,184	\$ (2,507,158)	\$ 3,127,367	\$ 333,084	\$ 104,001,309
Less: accumulated depreciation for					
Buildings	\$ 602,400	\$ -	\$ 40,378	\$ -	\$ 642,778
Improvements other than buildings	55,331	-	4,345	-	59,676
Machinery, furniture, and equipment	2,870,798	-	467,543	325,269	3,013,072
Infrastructure - trails	105,036	-	26,259	-	131,295
Infrastructure - highways	38,062,892	(50,143)	1,817,412	-	39,830,161
Total accumulated depreciation	\$ 41,696,457	\$ (50,143)	\$ 2,355,937	\$ 325,269	\$ 43,676,982
Total capital assets depreciated - net	\$ 62,017,727	\$ (2,457,015)	\$ 771,430	\$ 7,815	\$ 60,324,327
Governmental Activities Capital Assets - Net	\$ 67,840,824	\$ (2,457,015)	\$ 771,430	\$ 2,181,707	\$ 63,973,532

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 39,491
Public safety	176,767
Highways and streets, including depreciation of infrastructure assets	2,070,910
Human services	31,216
Health	3,849
Culture and recreation	26,259
Sanitation	<u>7,445</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,355,937</u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to General Fund from Social Service Fund	\$ 6,000	Matching dollars for Substance Abuse Grant
Transfer to General Fund from Special Revenue Funds		Reimburse for self-insured dental
Road and Bridge	363	
Social Service	436	
Public Health	<u>315</u>	
Total Interfund Transfers	<u>\$ 7,114</u>	

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2005:

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
John Deere tractor	2008	Annual	\$ 15,048	\$ 69,245	\$ 30,097
Case excavator	2009	Annual	24,941	87,420	74,822
IBM AS-400	2009	Monthly	1,078	57,390	40,985
Total Capital Leases					<u>\$ 145,904</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2006	\$ 52,932
2007	52,932
2008	37,883
2009	<u>2,157</u>
Total minimum lease payments	\$ 145,904
Less: amount representing interest	<u>(12,434)</u>
Present Value of Minimum Lease Payments	<u>\$ 133,470</u>

The Honeywell contract and the IBM lease are paid from the General Fund, and the John Deere lease and the Case excavator lease are paid from the Road and Bridge Special Revenue Fund.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

The Regional Railroad (blended component unit) Special Revenue Fund has entered into a note payable with a local bank to finance cash flows.

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
Promissory note	2009	\$3,117 - \$7,519	5.00	\$ 35,000	<u>\$ 25,398</u>

Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	Promissory Note	
	Principal	Interest
2006	\$ 6,813	\$ 1,185
2007	7,158	840
2008	7,519	480
2009	3,908	97
Total	<u>\$ 25,398</u>	<u>\$ 2,602</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 220,405	\$ -	\$ 86,935	\$ 133,470	\$ 46,424
Promissory note	31,883	-	6,485	25,398	6,813
Compensated absences	906,787	70,987	69,274	908,500	54,511
Governmental Activity Long-Term Liabilities	<u>\$ 1,159,075</u>	<u>\$ 70,987</u>	<u>\$ 162,694</u>	<u>\$ 1,067,368</u>	<u>\$ 107,748</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

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

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.5 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>	<u>Public Employees Correctional Fund</u>
2005	\$ 263,923	\$ 70,968	\$ 41,382
2004	257,102	67,600	40,130
2003	259,323	62,078	37,620

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

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee dental coverage. 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Risk Management (Continued)

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 \$760,000 in 2005 and \$390,000 in 2006. 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 Wabasha 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 Wabasha County in a method and amount to be determined by MCIT.

The General Fund accounts for dental insurance for all County funds. The County is self-insured for dental plan coverage. The County has retained the entire risk of this area. Premiums are paid into the General Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. A maximum claim is \$200 per person with basic dental coverage. If a person chooses the optional dental plan, the maximum claim is \$1,315 per person.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2005	2004
Unpaid claims, beginning of fiscal year	\$ 6,381	\$ 9,020
Incurred claims (including IBNRs)	55,838	58,953
Claims payments	(58,520)	(61,592)
Unpaid Claims, End of Fiscal Year	<u>\$ 3,699</u>	<u>\$ 6,381</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

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

B. Joint Ventures

Family Services Collaborative

The Wabasha County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Wabasha County and approximately 30 other human services-related agencies serving Wabasha County residents. The governing board consists of seven members of which four represent the legally required participants of a collaborative (a school district, the county, public health, and a community action agency). The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success of every child.

Control of the Collaborative is vested in a Board of Directors. Wabasha County Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2005, Wabasha County did not provide any funding. Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of the termination shall be distributed by the Wabasha County Family Services Collaborative Board of Directors.

**WABASHA COUNTY
WABASHA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Family Services Collaborative (Continued)

Currently, the Collaborative does not prepare complete financial statements. Financial information can be obtained by contacting Sarah Farkas, Coordinator, Wabasha County Family Services Collaborative.

South Central Health Alliance

The South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the nine participating member counties' health care functions, referred to as county-based purchasing.

The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above-listed member counties

In the event the SCHA incurs operating deficits, the member counties would maintain the SCHA's reserves to meet statutory and regulatory reserves and requirements. Minnesota statutes require the SCHA to maintain capital surplus equal to or greater than one month's expenditures, but less than three month's expenditures. The SCHA is in compliance with these requirements at December 31, 2005. During the year, Wabasha County made no payments to the SCHA.

Complete financial statements for the SCHA can be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

C. Jointly-Governed Organizations

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

Southeastern Minnesota Multi-County Housing Redevelopment Authority

The Southeastern Minnesota Multi-County Housing Redevelopment Authority (HRA) provides housing and redevelopment services for several counties. During the year, Wabasha County paid \$113,480 to the HRA.

Minnesota Computer Cooperative

The Minnesota Computer Cooperative provides computer programming service to several counties. During 2005, the County paid \$76,295 for dues, membership, and services.

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs. During 2005, the County paid \$3,907 to the Cooperative.

Southeast Minnesota Recycling Exchange

The Southeast Minnesota Recycling Exchange (SEMREX) provides recycling services to several counties. During 2005, the County made no payment to SEMREX.

Southeast Minnesota Water Quality Board

The Southeast Minnesota Water Quality Board provides regional water quality services to several counties. During the year, Wabasha County paid \$20,623 to the Board.

Southeast Minnesota Emergency Management Services

The Southeast Minnesota Emergency Management Services (EMS) provides various health services to several counties. During the year, Wabasha County made no payments to the EMS.

**WABASHA COUNTY
WABASHA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

South Central Narcotics Task Force

The South Central Narcotics Task Force provides specialized law enforcement services to several counties. During the year, Wabasha County paid \$5,000 to the Task Force.

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. Wabasha County paid \$120,062 to the Library during the year.

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During the year, Wabasha County paid \$3,620 to the Project.

Three Rivers Community Action

The Three Rivers Community Action provides various programs to several counties. During the year, Wabasha County made no payments to Three Rivers.

Southeastern Minnesota Private Industry Council

The Southeastern Minnesota Private Industry Council provides various job-training services to several counties. During the year, the County paid \$4,968 to the Council.

D. Related Organizations

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2005, the County paid \$3,699 to the Bear Valley Watershed.

Wabasha County appoints Board members to the Cooks Valley Watershed. The County has no other control over this Board. The Watershed has been terminated during 2005.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Reads Landing Sanitary Sewer District - Component Unit

A. Summary of Significant Accounting Policies

Although the Reads Landing Sanitary Sewer District has the option to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, it has chosen not to do so.

Reporting Entity

The Reads Landing Sanitary Sewer District is governed by a five-member Board of Directors who are appointed jointly by the County Board and the Township Board. Because of the significance of its financial relationship, Wabasha County considers this entity a major component unit.

Basis of Presentation

The District is accounted for as an enterprise fund/business-type activity. The District does not prepare separate financial statements.

Basis of Accounting

The District is accounted for on the accrual basis of accounting.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

Cash and Pooled Investments

All cash of the District is on deposit with Wabasha County and included within its pooled cash and investments. The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, the District's equity in the County's investment pool is treated as a cash equivalent because it can deposit or effectively withdraw cash at any time without prior notice or penalty.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Reads Landing Sanitary Sewer District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Receivables

No allowance has been made for uncollectible accounts.

Restricted Assets

Certain funds of the District are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

Capital Assets

All purchased capital assets are valued at historical cost. All donated capital assets are valued at fair value at the date of donation. Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the assets' estimated useful lives using the straight-line method. The estimated useful life of the sewer lines is 40 years.

Deferred Revenue

Deferred revenue is made up of prepaid sewer usage fees.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Reads Landing Sanitary Sewer District - Component Unit (Continued)

B. Detailed Notes - Assets, Liabilities, and Net Assets

Capital Assets

Component unit capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	(76,892)	(34,175)	-	(111,067)
Total Capital Assets, Net	<u>\$ 1,290,086</u>	<u>\$ (34,175)</u>	<u>\$ -</u>	<u>\$ 1,255,911</u>

Depreciation expense of \$34,175 was charged to sewer operations.

C. Liabilities

1. Long-Term Debt

Reads Landing Sanitary Sewer District issued General Obligation Sewer Revenue Bonds in 2004.

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
General Obligation Bonds	2044	\$972 - \$5,166	4.375	\$ 101,000	<u>\$ 99,013</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Reads Landing Sanitary Sewer District - Component Unit

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2006	\$ 1,059	\$ 4,333
2007	1,106	4,285
2008	1,154	4,237
2009	1,204	4,187
2010	1,257	4,135
2011 - 2015	7,161	19,795
2016 - 2020	8,870	18,085
2021 - 2025	10,990	15,967
2026 - 2030	13,610	13,343
2031 - 2035	16,860	10,094
2036 - 2040	20,886	6,069
2041 - 2044	14,856	1,318
Total	<u>\$ 99,013</u>	<u>\$ 105,848</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	<u>\$ 100,028</u>	<u>\$ -</u>	<u>\$ 1,015</u>	<u>\$ 99,013</u>	<u>\$ 1,059</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 4,119,254	\$ 4,119,254	\$ 4,218,260	\$ 99,006
Licenses and permits	159,285	159,285	193,502	34,217
Intergovernmental	1,973,232	2,024,124	2,061,966	37,842
Charges for services	474,481	474,481	674,467	199,986
Fines and forfeits	6,500	6,500	24,896	18,396
Investment earnings	170,000	170,000	277,843	107,843
Gifts and contributions	6,538	6,538	15,958	9,420
Miscellaneous	153,690	153,690	177,661	23,971
Total Revenues	\$ 7,062,980	\$ 7,113,872	\$ 7,644,553	\$ 530,681
Expenditures				
Current				
General government				
Commissioners	\$ 196,806	\$ 196,806	\$ 195,949	\$ 857
Courts	23,000	23,000	22,299	701
Other court	-	50,892	20,979	29,913
Law library	22,100	22,100	34,127	(12,027)
County administration	232,380	232,380	204,447	27,933
County auditor/auditor-treasurer	271,415	271,415	264,054	7,361
County assessor	314,738	314,738	304,060	10,678
Elections	3,720	3,720	2,938	782
Data processing	141,474	141,474	123,657	17,817
Attorney	283,060	283,060	271,504	11,556
Recorder	329,769	329,769	329,356	413
Surveyor	30,000	30,000	30,000	-
Planning and zoning	206,395	206,395	233,190	(26,795)
Geographical Information Systems (GIS)	79,188	79,188	68,927	10,261
Buildings and plant	217,595	217,595	211,424	6,171
Veterans service officer	76,919	76,919	95,496	(18,577)
Other general government	353,812	353,812	340,830	12,982
Total general government	\$ 2,782,371	\$ 2,833,263	\$ 2,753,237	\$ 80,026
Public safety				
Sheriff	\$ 1,320,950	\$ 1,320,950	\$ 1,473,319	\$ (152,369)
Boat and water safety	14,869	14,869	13,067	1,802
Emergency services	48,390	48,390	101,659	(53,269)
Coroner	18,805	18,805	17,216	1,589
E-911 system	289,150	289,150	118,340	170,810
County jail	1,115,353	1,115,353	1,159,663	(44,310)
Community corrections	489,476	489,476	484,986	4,490
Total public safety	\$ 3,296,993	\$ 3,296,993	\$ 3,368,250	\$ (71,257)

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Highways and streets				
Administration	\$ 14,500	\$ 14,500	\$ 2,125	\$ 12,375
Sanitation				
Hazardous waste	\$ 33,565	\$ 33,565	\$ 30,410	\$ 3,155
SCORE	108,416	108,416	115,405	(6,989)
Environmental services	106,823	106,823	100,441	6,382
Total sanitation	\$ 248,804	\$ 248,804	\$ 246,256	\$ 2,548
Health				
Health center	\$ 15,000	\$ 15,000	\$ 24,049	\$ (9,049)
Culture and recreation				
Historical society	\$ 5,400	\$ 5,400	\$ 5,400	\$ -
Snowmobile	85,000	85,000	94,159	(9,159)
Regional library	110,700	110,700	117,000	(6,300)
Total culture and recreation	\$ 201,100	\$ 201,100	\$ 216,559	\$ (15,459)
Conservation of natural resources				
County extension	\$ 105,842	\$ 105,842	\$ 109,028	\$ (3,186)
Soil and water conservation	124,815	124,815	125,852	(1,037)
Agricultural inspections	600	600	75	525
Agricultural society/County fair	19,800	19,800	19,932	(132)
Soil survey	12,398	12,398	12,398	-
Predator control	5,000	5,000	4,395	605
Water planning	18,665	18,665	15,997	2,668
Wetland challenge	13,806	13,806	13,981	(175)
Environmental services	-	-	14,158	(14,158)
Other	16,513	16,513	9,376	7,137
Total conservation of natural resources	\$ 317,439	\$ 317,439	\$ 325,192	\$ (7,753)
Economic development				
Housing development	\$ 61,914	\$ 61,914	\$ 112,979	\$ (51,065)
Tourism	2,700	2,700	2,700	-
Total economic development	\$ 64,614	\$ 64,614	\$ 115,679	\$ (51,065)

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	\$ 54,383	\$ 54,383	\$ 53,553	\$ 830
Interest	3,809	3,809	3,801	8
Administrative (fiscal) charges	582	582	651	(69)
Total debt service	\$ 58,774	\$ 58,774	\$ 58,005	\$ 769
Total Expenditures	\$ 6,999,595	\$ 7,050,487	\$ 7,109,352	\$ (58,865)
Excess of Revenues Over (Under)				
Expenditures	\$ 63,385	\$ 63,385	\$ 535,201	\$ 471,816
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 7,114	\$ 7,114
Proceeds from sale of assets	-	-	4,021	4,021
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 11,135	\$ 11,135
Net Change in Fund Balance	\$ 63,385	\$ 63,385	\$ 546,336	\$ 482,951
Fund Balance - January 1	4,539,617	4,539,617	4,539,617	-
Fund Balance - December 31	\$ 4,603,002	\$ 4,603,002	\$ 5,085,953	\$ 482,951

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,021,828	\$ 1,021,828	\$ 1,003,631	\$ (18,197)
Intergovernmental	2,430,178	2,430,178	3,997,469	1,567,291
Charges for services	15,000	15,000	34,637	19,637
Miscellaneous	7,450	7,450	36,860	29,410
Total Revenues	\$ 3,474,456	\$ 3,474,456	\$ 5,072,597	\$ 1,598,141
Expenditures				
Current				
Highways and streets				
Administration	\$ 330,313	\$ 330,313	\$ 330,925	\$ (612)
Engineering	604,921	604,921	341,226	263,695
Maintenance	1,171,793	1,171,793	1,223,833	(52,040)
Construction	736,000	736,000	1,401,496	(665,496)
Equipment maintenance and shop	631,429	631,429	684,343	(52,914)
Total highways and streets	\$ 3,474,456	\$ 3,474,456	\$ 3,981,823	\$ (507,367)
Debt service				
Principal	-	-	33,382	(33,382)
Interest	-	-	6,607	(6,607)
Total Expenditures	\$ 3,474,456	\$ 3,474,456	\$ 4,021,812	\$ (547,356)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 1,050,785	\$ 1,050,785
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (363)	\$ (363)
Proceeds from sale of assets	-	-	42,600	42,600
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 42,237	\$ 42,237
Net Change in Fund Balance	\$ -	\$ -	\$ 1,093,022	\$ 1,093,022
Fund Balance - January 1	(266,436)	(266,436)	(266,436)	-
Increase (decrease) in reserved for inventories	-	-	(31,199)	(31,199)
Fund Balance - December 31	\$ (266,436)	\$ (266,436)	\$ 795,387	\$ 1,061,823

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,169,914	\$ 1,169,914	\$ 1,142,138	\$ (27,776)
Intergovernmental	2,552,303	2,552,303	2,580,125	27,822
Charges for services	79,956	79,956	79,310	(646)
Miscellaneous	139,649	139,649	330,279	190,630
Total Revenues	\$ 3,941,822	\$ 3,941,822	\$ 4,131,852	\$ 190,030
Expenditures				
Current				
Human services				
Income maintenance	\$ 832,169	\$ 832,169	\$ 809,397	\$ 22,772
Social services	3,103,653	3,103,653	3,592,824	(489,171)
Total Expenditures	\$ 3,935,822	\$ 3,935,822	\$ 4,402,221	\$ (466,399)
Excess of Revenues Over (Under) Expenditures	\$ 6,000	\$ 6,000	\$ (270,369)	\$ (276,369)
Other Financing Sources (Uses)				
Transfers out	-	-	(6,436)	(6,436)
Net Change in Fund Balance	\$ 6,000	\$ 6,000	\$ (276,805)	\$ (282,805)
Fund Balance - January 1	2,122,780	2,122,780	2,122,780	-
Fund Balance - December 31	\$ 2,128,780	\$ 2,128,780	\$ 1,845,975	\$ (282,805)

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. The County's department 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. During the year, the Board made supplemental budgetary appropriations of \$7,114 to the General Fund from the Road and Bridge, Social Services, and Public Health Special Revenue Funds.

The General Fund expenditures of \$7,109,352 exceeded the amended budget of \$7,050,487 by \$58,865. The Road and Bridge Special Revenue Fund expenditures of \$4,021,812 exceeded the amended budget of \$3,474,456 by \$547,356, and the Social Services Special Revenue Fund expenditures of \$4,402,221 exceeded the amended budget of \$3,935,822 by \$466,399.

Encumbrance accounting is employed in governmental funds. Encumbrances (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.

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Regional Railroad Fund accounts for the operations of the Railroad Authority, which is a component unit of the County.

The Public Health Fund accounts for the financial activities relating to nursing services and health education.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Regional Railroad Special Revenue	Public Health Special Revenue	Total
	<hr/>	<hr/>	<hr/>
<u>Assets</u>			
Cash and pooled investments	\$ 51,682	\$ 609,495	\$ 661,177
Taxes receivable			
Prior	-	5,438	5,438
Accounts receivable	-	43,747	43,747
Due from other governments	-	96,127	96,127
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 51,682	\$ 754,807	\$ 806,489
	<hr/>	<hr/>	<hr/>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 5,842	\$ 6,040	\$ 11,882
Salaries payable	-	56,286	56,286
Due to other governments	-	91	91
Deferred revenue - unavailable	-	7,337	7,337
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 5,842	\$ 69,754	\$ 75,596
	<hr/>	<hr/>	<hr/>
Fund Balances			
Reserved for health	\$ -	\$ 36,264	\$ 36,264
Unreserved			
Designated for cash flows	-	149,000	149,000
Designated for compensated absences	-	100,309	100,309
Undesignated	45,840	399,480	445,320
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 45,840	\$ 685,053	\$ 730,893
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 51,682	\$ 754,807	\$ 806,489
	<hr/>	<hr/>	<hr/>

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Regional Railroad Special Revenue	Public Health Special Revenue	Total
Revenues			
Taxes	\$ -	\$ 246,496	\$ 246,496
Licenses and permits	-	667	667
Intergovernmental	669,149	340,250	1,009,399
Charges for services	-	681,598	681,598
Gifts and contributions	10,944	3,036	13,980
Miscellaneous	1,329	65,547	66,876
Total Revenues	\$ 681,422	\$ 1,337,594	\$ 2,019,016
Expenditures			
Current			
Health	\$ -	\$ 1,266,887	\$ 1,266,887
Culture and recreation	621,704	-	621,704
Debt service			
Principal	6,485	-	6,485
Interest	1,513	-	1,513
Total Expenditures	\$ 629,702	\$ 1,266,887	\$ 1,896,589
Excess of Revenues Over (Under) Expenditures	\$ 51,720	\$ 70,707	\$ 122,427
Other Financing Sources (Uses)			
Transfers out	-	(315)	(315)
Net Change in Fund Balance	\$ 51,720	\$ 70,392	\$ 122,112
Fund Balance - January 1	(5,880)	614,661	608,781
Fund Balance - December 31	\$ 45,840	\$ 685,053	\$ 730,893

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL RAILROAD SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ -	\$ -	\$ 669,149	\$ 669,149
Gifts and contributions	10,000	10,000	10,944	944
Miscellaneous	-	-	1,329	1,329
Total Revenues	\$ 10,000	\$ 10,000	\$ 681,422	\$ 671,422
Expenditures				
Current				
Culture and recreation				
Trails	\$ 2,002	\$ 2,002	\$ 621,704	\$ (619,702)
Debt service				
Principal	6,484	6,484	6,485	(1)
Interest	1,514	1,514	1,513	1
Total Expenditures	\$ 10,000	\$ 10,000	\$ 629,702	\$ (619,702)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 51,720	\$ 51,720
Fund Balance - January 1	(5,880)	(5,880)	(5,880)	-
Fund Balance - December 31	\$ (5,880)	\$ (5,880)	\$ 45,840	\$ 51,720

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 252,818	\$ 252,818	\$ 246,496	\$ (6,322)
Licenses and permits	600	600	667	67
Intergovernmental	314,996	314,996	340,250	25,254
Charges for services	697,722	697,722	681,598	(16,124)
Gifts and contributions	-	-	3,036	3,036
Miscellaneous	13,695	13,695	65,547	51,852
Total Revenues	\$ 1,279,831	\$ 1,279,831	\$ 1,337,594	\$ 57,763
Expenditures				
Current				
Health				
Nursing service	\$ 575,684	\$ 575,684	\$ 553,403	\$ 22,281
Family health	191,061	191,061	173,021	18,040
Disease prevention	44,442	44,442	35,089	9,353
Health education	34,761	34,761	51,812	(17,051)
Community health services	433,883	433,883	453,562	(19,679)
Total Expenditures	\$ 1,279,831	\$ 1,279,831	\$ 1,266,887	\$ 12,944
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 70,707	\$ 70,707
Other Financing Sources (Uses)				
Transfers out	-	-	(315)	(315)
Net Change in Fund Balance	\$ -	\$ -	\$ 70,392	\$ 70,392
Fund Balance - January 1	614,661	614,661	614,661	-
Fund Balance - December 31	\$ 614,661	\$ 614,661	\$ 685,053	\$ 70,392

FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

AGENCY FUNDS

The Revolving Fund accounts for the transfer of funds through various local governments and the state.

The Family Service Collaborative Fund accounts for funds received and expended by the Family Service Collaborative.

The Pre-Tax Fund accounts for collections that will be paid to the Southeast Service Cooperative.

The Taxes and Penalties Fund accounts for all taxes and penalties collected and distribution of the taxes collected.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>REVOLVING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 110,908	\$ 972,189	\$ 1,008,295	\$ 74,802
<u>Liabilities</u>				
Due to other governments	\$ 110,908	\$ 972,189	\$ 1,008,295	\$ 74,802
<u>FAMILY SERVICE COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 867,112	\$ 630,245	\$ 403,814	\$ 1,093,543
<u>Liabilities</u>				
Due to other governments	\$ 867,112	\$ 630,245	\$ 403,814	\$ 1,093,543
<u>PRE-TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 88,636	\$ 1,155,778	\$ 1,138,634	\$ 105,780
<u>Liabilities</u>				
Due to other governments	\$ 88,636	\$ 1,155,778	\$ 1,138,634	\$ 105,780

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 191,113	\$ 16,065,126	\$ 16,056,747	\$ 199,492
<u>Liabilities</u>				
Accounts payable	\$ 13,160	\$ 27,480	\$ 13,160	\$ 27,480
Due to other funds	-	6,510,591	6,510,591	-
Due to other governments	177,953	9,527,055	9,532,996	172,012
Total Liabilities	\$ 191,113	\$ 16,065,126	\$ 16,056,747	\$ 199,492
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,257,769	\$ 18,823,338	\$ 18,607,490	\$ 1,473,617
<u>Liabilities</u>				
Accounts payable	\$ 13,160	\$ 27,480	\$ 13,160	\$ 27,480
Due to other funds	-	6,510,591	6,510,591	-
Due to other governments	1,244,609	12,285,267	12,083,739	1,446,137
Total Liabilities	\$ 1,257,769	\$ 18,823,338	\$ 18,607,490	\$ 1,473,617

COMPONENT UNIT

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 6

**STATEMENT OF NET ASSETS
READS LANDING SANITARY SEWER DISTRICT COMPONENT UNIT
DECEMBER 31, 2005**

Assets

Current assets

Cash and pooled investments	\$ 6,017
Special assessments	
Current	4,432
Accounts receivable - net	6,312
Accrued interest receivable	3
	<hr/>

Total current assets	\$ 16,764
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Restricted assets

Cash and pooled investments	9,283
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Noncurrent assets

Capital assets	
Depreciable - net	1,255,911
	<hr/>

Total Assets	\$ 1,281,958
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Liabilities

Current liabilities

Accounts payable	\$ 171
Due to other governments	3,441
Revenue bonds payable - current	1,059
Deferred revenue - unearned	40
	<hr/>

Total current liabilities	\$ 4,711
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Noncurrent liabilities

Revenue bonds payable - long-term	97,954
	<hr/>

Total Liabilities	\$ 102,665
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Net Assets

Invested in capital assets - net of related debt	\$ 1,156,898
Restricted for	
Equipment replacement	4,201
Debt service	9,283
Unrestricted	8,911
	<hr/>

Total Net Assets	\$ 1,179,293
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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 7

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
READS LANDING SANITARY SEWER DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2005**

Operating Revenues	
Charges for services	\$ 47,156
Special assessments	7,185
	<hr/>
Total Operating Revenues	\$ 54,341
	<hr/>
Operating Expenses	
Professional services	\$ 50
Contracted services	42,494
Other services and charges	53
Telephone	597
Utilities	916
Insurance	1,566
Postage	40
Depreciation	34,175
	<hr/>
Total Operating Expenses	\$ 79,891
	<hr/>
Operating Income (Loss)	\$ (25,550)
	<hr/>
Nonoperating Revenues (Expenses)	
Interest income	\$ 171
Interest expense	(4,376)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (4,205)
	<hr/>
Change in Net Assets	\$ (29,755)
	<hr/>
Net Assets - January 1	1,209,048
	<hr/>
Net Assets - December 31	\$ 1,179,293
	<hr/>

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 8

**STATEMENT OF CASH FLOWS
READS LANDING SANITARY SEWER DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2005
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 52,110
Payments to suppliers	<u>(45,659)</u>
Net cash provided by (used in) operating activities	<u>\$ 6,451</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (1,015)
Interest paid on long-term debt	<u>(4,376)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (5,391)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 169</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 1,229</u>
Cash and Cash Equivalents at January 1	<u>14,071</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 15,300</u></u>
Cash and Cash Equivalents - Schedule 6	
Cash and pooled investments	\$ 6,017
Restricted cash and pooled investments	<u>9,283</u>
Total Cash and Cash Equivalents	<u><u>\$ 15,300</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (25,550)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 34,175
(Increase) decrease in special assessments receivable	(4,432)
(Increase) decrease in accounts receivable	2,201
Increase (decrease) in accounts payable	58
Increase (decrease) in due to other governments	<u>(1)</u>
Total adjustments	<u>\$ 32,001</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 6,451</u></u>

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OTHER SCHEDULE

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 9

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Shared Revenue

State

Highway users tax	\$ 3,087,830
HACA	970,441
Market value credit	1,010,746
PERA rate reimbursement	22,637
Disparity reduction aid	21,271
Police aid	67,600
Enhanced 911	74,060
Sales tax rebate	3,151

Total Shared Revenue	\$ 5,257,736
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Reimbursement for Services

Minnesota Department of Human Services	\$ 794,554
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Payments in Lieu of Taxes

\$ 162,455

Grants

State

Minnesota Department of	
Corrections	\$ 160,234
Public Safety	600
Health	120,060
Natural Resources	290,961
Human Services	870,207
Soil and Water Resources	36,358
Veterans Services	1,832
Office of Environmental Assistance	25,092
Pollution Control Agency	27,741
Peace Officer Standards and Training Board	5,640
Short-Term Offender	2,688

Total State	\$ 1,541,413
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Federal

Department of	
Agriculture	\$ 172,872
Justice	24,625
Transportation	978,185
Health and Human Services	632,813
Homeland Security	71,343
Environmental Protection Agency	12,963

Total Federal	\$ 1,892,801
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Total State and Federal Grants	\$ 3,434,214
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Total Intergovernmental Revenue	\$ 9,648,959
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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 10

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Wabasha County.
- B. No matters involving internal control over financial reporting were 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*."
- C. No instances of noncompliance material to the financial statements of Wabasha 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 Wabasha 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. Wabasha County was determined to be a low-risk auditee.

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

**Publishing Board Minutes, Financial Statements, and Claims Paid
(03-2)**

The County was not properly publishing Board minutes, financial statements, and claims paid, per Minn. Stat. § 375.12.

Resolution

The County is complying with Minn. Stat. § 375.12.

Financial Statement Preparation (03-3)

Minn. Stat. § 375.17 states that the County is responsible for preparing the financial statements by the first part of March.

Resolution

The County is working with the State Auditor's Office to prepare financial data in a timely manner.

Failure to Obtain a Certificate of Compliance (04-1)

The County failed to obtain an IC-134 form from a contractor before final payment.

Resolution

The County obtained all appropriate documents for contracts tested.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-10 Disaster Recovery Plan

While reviewing the Data Processing Department, we noted Wabasha County has a data processing disaster recovery agreement with Goodhue County but has no disaster recovery plan to ensure continued operations if a disaster or major computer breakdown were to occur. A disaster recovery plan would give greater assurance that the County is prepared for a disaster or major computer breakdown. The County needs to provide for the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements.

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

- a list of key personnel, including the actual recovery team, who should be available during the recovery process;
- a description of the responsibilities of each member of the recovery team and of all other County employees;
- a plan as to how the County will continue operations until normal operations are re-established;
- a list of materials the County needs to continue operations and how they will be obtained;
- identification of the space to be used; and
- a schedule for developing and periodically reviewing and updating the plan.

We recommend that the County develop, implement, and test the disaster recovery plan. All County employees should be familiar with the plan.

Client's Response:

During 2006, Wabasha County will be working on a disaster recovery policy.

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OTHER REQUIRED REPORTS

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners
Wabasha County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of and for the year ended December 31, 2005, and have issued our report thereon dated July 12, 2006. 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 Wabasha County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Wabasha County complied with the material terms and conditions of applicable legal provisions.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: July 12, 2006



PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA

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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
Wabasha County

Compliance

We have audited the compliance of Wabasha 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, 2005. Wabasha 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 Wabasha 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, Wabasha 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, 2005.

Internal Control Over Compliance

The management of Wabasha County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Wabasha County as of and for the year ended December 31, 2005, and have issued our report thereon dated July 12, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Wabasha County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: July 12, 2006

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 11

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 67,371
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	4,233
Passed Through Minnesota Department of Natural Resources Cooperative Forestry Assistance	10.664	25,000
Direct Watershed Protection and Flood Prevention	10.904	76,268
Total U.S. Department of Agriculture		\$ 172,872
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Block Grant	16.523	\$ 6,688
Byrne Formula Grant Program	16.579	17,937
Total U.S. Department of Justice		\$ 24,625
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 973,185
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	5,000
Total U.S. Department of Transportation		\$ 978,185
U.S. Environmental Protection Agency		
Passed Through Southeastern Minnesota Water Resources Board Nonpoint Source Implementation	66.460	\$ 12,963

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 11
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Immunization Grants	93.268	\$ 400
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	26,821
Maternal and Child Health Services Block Grant	93.994	26,209
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	11,282
Temporary Assistance for Needy Families	93.558	95,571
Child Care Development Block Grant	93.575	90,623
Child Care Mandatory and Matching Funds	93.596	71,242
Child Welfare Services - State Grants	93.645	249
Foster Care Title IV-E	93.658	164,087
Social Services Block Grant Title XX	93.667	126,184
Chafee Foster Care Independent Living	93.674	14,485
Community Mental Health Services Block Grant	93.958	5,660
Total U.S. Department of Health and Human Services		\$ 632,813
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 4,293
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	30,195
Emergency Management Performance Grants	97.067	36,855
Total U.S. Department of Homeland Security		\$ 71,343
Total Federal Awards		\$ 1,892,801

**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Wabasha County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.