

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

WINONA COUNTY
WINONA, 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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: www.auditor.state.mn.us.

**WINONA COUNTY
WINONA, MINNESOTA**

Year Ended December 31, 2005



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

This page was left blank intentionally.

**WINONA COUNTY
WINONA, 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 - Governmental Activities	Exhibit 1	14
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	16
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	19
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	20
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	21
Statement of Changes in Fiduciary Net Assets	Exhibit 8	22
Notes to the Financial Statements		23
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	49
Road and Bridge Fund	Schedule 2	52
Social Services Fund	Schedule 3	53
Notes to the Required Supplementary Information		54

**WINONA COUNTY
WINONA, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Financial Section (Continued)		
Supplementary Information		
Governmental Funds		
Nonmajor Governmental Funds		55
Combining Balance Sheet	Statement 1	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	57
Budgetary Comparison Schedule - Health Service Special Revenue Fund	Schedule 4	58
Fiduciary Funds		
Agency Funds		59
Combining Statement of Changes in Assets and Liabilities	Statement 3	60
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 5	62
Schedule of Investments	Schedule 6	63
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	Schedule 7	65
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 8	66
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 9	74
Notes to the Schedule of Expenditures of Federal Awards		76

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2005**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
First District	Duane M. Bell	January 2007
Second District	Dwayne Voegeli	January 2007
Third District	Jerry Heim	January 2009
Fourth District	David Stoltman	January 2009
Fifth District	Marcia Ward	January 2007
Officers		
Elected		
Attorney	Charles E. MacLean	January 2007
Auditor	Cherie MacLennan	January 2007
Recorder	Robert Bambenek	January 2007
Sheriff	Dave Brand	January 2007
Treasurer	Suzanne Rivers	January 2007
Appointed		
Administrator	Robert Reinert	Indefinite
Community Health Director	Lynn Theurer	Indefinite
County Assessor	Steven Hacken	December 2008
Environmental Services Director	Jill Johnson	Indefinite
Facility Manager	Michael Krage	Indefinite
Finance Director	Blake Pickart	Indefinite
Highway Engineer	David Rholl	May 2006
Human Services Director	W. Craig Brooks	Indefinite
Information Technology Director	Mark Anderson	Indefinite
Personnel Director	Maureen Holte	Indefinite
Planning Director	Eric Johnson (interim)	Indefinite
Veterans Service Officer	Steven Johnson	June 2007

ORGANIZATION OF THE COUNTY

An elected Board of County Commissioners, officials appointed by the Board, and other elected officials, manage Winona County. The Board of County Commissioners is elected by districts, while all other elected County officials are elected at large.

Elected officials are primarily responsible to the voters of Winona County and the State of Minnesota. They are also under certain jurisdiction of the County Board as defined in state statutes.

This page was left blank intentionally.

This page was left blank intentionally.



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Winona County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona 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 Winona County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona 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.

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 Winona County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Winona 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 October 11, 2006, on our consideration of Winona 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: October 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

(Unaudited)

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Winona County, Minnesota, for the year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the basic financial statements, including the notes, to enhance their understanding of the County's financial activity and performance. All amounts are expressed in dollars, unless specifically noted.

FINANCIAL HIGHLIGHTS

- At the end of 2005, Winona County's assets exceeded liabilities by \$75.1 million (net assets). Of that amount, \$26.8 million is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$48.3 million is invested in capital assets or restricted by law.
- At the close of the current year, the ending fund balances for all governmental funds were \$27.9 million. This is an increase of \$4.1 million from the previous year. Of the combined ending fund balances, \$4.2 million is unreserved, undesignated fund balance available for spending by the County.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$1.5 million. The amount represents 12.5 percent of the expenditures for the year.
- Total bonded debt decreased by \$710,000, or 7.25 percent, during the year. Debt was decreased by payments of principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three main sections of this report are: introduction, financial, and statistical. The introduction contains the County's organizational structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. The basic financial statements have three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The required supplementary information section contains the budget to actual presentation for the County's major funds. Other supplementary information is included to enhance reader understanding of County financial activity. An example is information about federal grant programs.

A useful tool for analyzing financial statements is comparative information from previous years. Winona County presents comparative financial information in the MD&A.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a long-term and broad overview of the County's finances as a whole in a manner similar to a private sector business. To accomplish this goal, transactions are valued on a full accrual basis.

The Statement of Net Assets presents information on all County assets (what we own) and liabilities (what we owe). The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may be an indication of an improving or deteriorating County financial position.

The Statement of Activities presents information on the change in net assets for the most recent year. Said changes are reported as soon as a financial event results in a change, regardless of the timing of related cash flows. Therefore, results reported will result in cash flows in a future period. For example, uncollected property taxes and earned, but unused, vacation leave.

The principal support for governmental activities for Winona County is property taxes and intergovernmental revenue. Governmental activities include:

- General Government
- Public Safety
- Roads and Bridges
- Human Services
- Health Services

General government includes services such as general administration, courts, property assessment, records management, and tax collections. Additional information is included in the notes to the financial statements.

Budgetary comparisons--Winona County adopts an annual budget for the General and all special revenue funds. A budgetary comparison statement has been provided for the General Fund and all major special revenue funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may be a useful indicator of a government's financial position over time. As of December 31, 2005, assets exceeded liabilities by \$75.1 million. The following table provides a summary of Winona County's governmental net assets.

	Governmental Activities		Percent (%) Change
	2005	2004	
Assets			
Current and other assets	\$ 31,330,597	\$ 27,419,963	14
Capital assets	56,178,083	54,771,679	3
Total Assets	\$ 87,508,680	\$ 82,191,642	6
Liabilities			
Current and other liabilities	\$ 2,138,988	\$ 2,032,275	5
Long-term liabilities	10,237,679	10,903,935	(6)
Total Liabilities	\$ 12,376,667	\$ 12,936,210	(4)
Net Assets			
Invested in capital assets, net of related debt	\$ 46,845,960	\$ 45,785,142	2
Restricted	1,522,203	1,649,773	(8)
Unrestricted	27,763,850	21,820,517	27
Total Net Assets	\$ 75,132,013	\$ 69,255,432	8

The largest portion of Winona County's net assets, 62 percent, or \$46.8 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt. However, resources needed to repay the debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

An additional \$1.5 million of the County's net assets, or two percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as land acquisition and public safety projects.

The remaining \$26.8 million of net assets, or 36 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2005, Winona County had positive balances in all categories of net assets.

Changes in Net Assets

In 2005, government-wide revenue exceeded expenses by \$5.9 million, thereby increasing net assets. Net assets changed as follows:

	Changes in Net Assets		Percent (%) Change
	2005	2004	
Revenues			
Program revenues			
Charges for services	\$ 4,593,614	\$ 4,614,148	-
Operating grants and contributions	11,408,994	12,358,056	(8)
Capital grants and contributions	2,241,421	820,512	173
General revenues			
Property taxes	13,071,822	12,107,513	8
Unrestricted grants	4,321,960	3,140,289	38
Investment income	796,273	350,417	127
Other	1,031,026	572,556	80
Total Revenues	\$ 37,465,110	\$ 33,963,491	10
Expenses			
General government	\$ 5,462,193	\$ 6,162,000	(11)
Public safety	5,210,329	4,875,032	7
Transportation	6,826,732	5,931,400	15
Sanitation	776,952	822,051	(5)
Human services	9,498,541	8,984,183	6
Health	2,542,306	2,368,297	7
Interest on long-term debt	410,123	437,953	(6)
Other	861,353	746,753	15
Total Expenses	\$ 31,588,529	\$ 30,327,669	4
Increase in Net Assets	\$ 5,876,581	\$ 3,635,822	62
Net Assets - January 1	69,255,432	65,619,610	6
Net Assets - December 31	\$ 75,132,013	\$ 69,255,432	8

The following three statements depict relationships:

- Program revenues indicate the proportion of program revenue available to fund expenses. Program revenues derive from the program itself or outside the government's taxpayers or citizenry and help reduce the cost of the program
- General revenues by source indicate the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 35 percent of the total revenue for the County.
- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$13 million are leveraged to provide \$31.4 million in services.

Governmental Activities

Governmental activities increased Winona County's net assets by \$5,876,581, which is 16 percent of current year revenues, 19 percent of current expenses, or 8 percent of beginning net assets. Following are the major components of this portion of the growth:

- Unrestricted grants increased by almost \$1.2 million due to additional state aid received.
- Capital grants increased by a little more than \$1.4 million due mostly to a federal railroad grant.
- Property taxes increased nearly 8 percent.
- Investment income doubled due to higher interest rates for investments.

FUND LEVEL FINANCIAL ANALYSIS

The fund financial statements provide more detailed information than the government-wide statements. Using separate funds provides a way to ensure and demonstrate compliance with finance-related legal requirements.

The funds are separated into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for the same functions or programs reported as governmental activities in the government-wide financial statements, such as general government or human services. However, the governmental fund financial statements differ from the government-wide statements.

The focus of Winona County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account on the governmental fund financial statements, while it is disregarded in the

government-wide statements. This information may be useful in evaluating a government's near-term financing requirements as well as the available resources. A reconciliation of governmental funds to government-wide net assets appears in Exhibit 4.

For the year ended December 31, 2005, the combined ending fund balances of governmental funds were \$27.9 million. Approximately 89 percent, or \$24.9 million, of the combined ending fund balances consists of unreserved fund balances. Unreserved fund balances are available as working capital and for current spending consistent with the purposes of each of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes:

- Inventories
- Acquisition of assets
- Forfeited property
- Donations
- Loans receivable
- Restricted for specific purposes

Winona County has three major governmental funds. These funds are: (1) General Fund, (2) Road and Bridge Special Revenue Fund, and (3) Social Services Special Revenue Fund.

The General Fund is the primary operating fund of the Winona County government. The General Fund balance was \$10.7 million at the end of 2005. Of that amount, \$0.7 million is reserved for acquisition of assets, forfeited property, donations, and loans receivable. In addition, the Board of Commissioners has designated \$8.5 million for cash flow, compensated absences, recycling, and future expenditures. The remaining \$1.5 million is unreserved, undesignated, and available for spending on current and future needs. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unreserved, undesignated fund balance is 12 percent of 2005 expenditures, while total fund balance is 88 percent of the same amount. The second purpose is to compare the fund balance percentages to the recommended percentage given by the Office of the State Auditor (OSA). The recommended percentages for unreserved fund balance are 35 to 50 percent of General Fund operating expenditures, or no less than five months of expenditures. Winona County's unreserved fund balance percentage of 82 percent is above the OSA recommendation.

In 2005, the General Fund transferred out \$196,429 to the Capital Projects Fund for the jail annex remodeling.

When compared to 2004, ending General Fund balance increased by \$806,609. A major component of the change was taxes and investment revenues were greater.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$6.2 million fund balance at the end of 2005 that represented a \$457,432, or eight percent, increase from 2004. The increase in fund balance was due to an increase in intergovernmental revenues and an increase in inventories.

The Social Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$5.2 million fund balance at the end of 2005 that represented a \$191,038 increase from 2004. The increase in fund balance was due to better collections and identifying additional funding sources.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Since the resources of those funds are not available to support the County's programs, these funds are not included in the government-wide financial statements. Winona County has fiduciary funds for a Private-Purpose Trust and Agency Fund. Agency funds are custodial in nature and do not involve measurement of the results of operations.

The basic fiduciary funds financial statements are Exhibits 7 and 8 of this report.

General Fund Budgetary Highlights

The Winona County Board of Commissioners approves the budget for all governmental funds for the next year during a December Board meeting. Approval is done by resolution. The most significant budgeted fund is the General Fund.

For 2005, the Board of Commissioners adopted the following General Fund budget:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources</u>
Board Adopted	\$ 12,762,141	\$ 13,002,537	\$ 240,396
Interdepartmental Revenue	(575,751)	(575,751)	-
Budget per Schedule 1	<u>\$ 12,186,390</u>	<u>\$ 12,426,786</u>	<u>\$ 240,396</u>

The adopted General Fund budget anticipated using \$240,396 of fund balance. There were \$124,884 in budget adjustments for the General Fund approved during the year. General Fund actual expenditures were \$102,103 below final budget, and actual revenues were \$1,249,619 above final budget. These positive variances combined for a budget to actual variance with a net change in fund balance of \$0.9 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Winona County's investment in capital assets for its governmental activities as of December 31, 2005, was \$56.2 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

Major capital asset events during the year include the following:

- completion and occupation of the jail annex in the basement of the LEC,
- upgrades in technology, and
- sale of the Plaza Building.

Additional information about capital assets can be found in Note 2.

Changes in Capital Assets			
	<u>2005</u>	<u>2004</u>	<u>Percent (%) Change</u>
Capital assets not depreciated			
Land			
General	\$ 1,476,635	\$ 1,536,635	(4)
Highway	50,085	50,085	-
Highway-right-of-way	2,937,089	2,873,788	2
Construction in progress	<u>1,509,334</u>	<u>2,270,748</u>	(34)
Total capital assets not depreciated	<u>\$ 5,973,143</u>	<u>\$ 6,731,256</u>	(11)
Capital assets depreciated			
Buildings	\$ 17,937,191	\$ 18,440,418	(3)
Improvements other than buildings	429,989	293,599	46
Machinery, furniture, and equipment	6,599,987	6,094,483	8
Infrastructure	<u>40,100,081</u>	<u>36,804,708</u>	9
Total capital assets depreciated	<u>\$ 65,067,248</u>	<u>\$ 61,633,208</u>	6
Less: accumulated depreciation for			
Buildings	\$ 1,955,903	\$ 1,848,194	6
Improvements other than buildings	116,376	107,100	9
Machinery, furniture, and equipment	3,193,588	2,750,687	16
Infrastructure	<u>9,596,441</u>	<u>8,886,804</u>	8
Total accumulated depreciation	<u>\$ 14,862,308</u>	<u>\$ 13,592,785</u>	9
Total capital assets depreciated, net	<u>\$ 50,204,940</u>	<u>\$ 48,040,423</u>	5
Governmental Activities			
Capital Assets, Net	<u>\$ 56,178,083</u>	<u>\$ 54,771,679</u>	3

Capital Lease Agreement and Outstanding Bonds

At the end of the current year, Winona County had three general obligation bond issues and eight capital purchase lease agreements outstanding.

Outstanding Long-Term Debt

	Governmental Activities	
	2005	2004
Capital leases/installment purchases	\$ 251,985	\$ 308,413
General obligation notes	175,000	345,000
General obligation bonds	8,905,000	9,445,000
Totals	<u>\$ 9,331,985</u>	<u>\$ 10,098,413</u>

The outstanding debt, listed above, of Winona County decreased by \$766,428 during 2005. The decrease was due to principal payments made during the year.

The most recent bond rating the County has received is Aa3.

Additional information about Winona County's long-term debt can be found in Note 2 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment

The 12-month average for unemployment in 2005 for the U.S., Minnesota, and Winona County was 5.1, 4.0, and 3.5 percent, respectively. This compared to 2004 of 5.6, 4.6, and 4.3 percent.

New Construction

New construction was valued at \$63.8 million in 2005. A decrease of 17.7 percent was experienced from the previous year.

State Financial Position

The July 2006 report from the Minnesota Department of Finance indicates an increase of \$447 million over the February forecast.

Budgeting Approach

The Winona County Board of Commissioners continues to use a three-prong approach to budgeting. The budget is balanced using an approach to reduce expenditures where possible, increase revenue sources, and the use of cash reserves.

All of these factors are being considered in preparing the Winona County budget for 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Winona County's finances for those with an interest in the government's financial activities. Questions concerning any of the information provided in this, or for additional financial information, should be addressed to Blake Pickart, Finance Director, 177 Main Street, Winona, Minnesota 55987, (507) 457-6459.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 1

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

Assets

Cash and pooled investments	\$ 14,720,547
Petty cash and change funds	3,195
Investments	11,431,049
Taxes receivable	
Current	202,630
Prior	100,046
Special assessments receivable	
Current	5,875
Prior	2,516
Accounts receivable - net	1,126,734
Accrued interest receivable	199,876
Loans receivable	265,538
Due from other governments	2,455,323
Inventories	813,934
Deferred charges	3,334
Capital assets	
Non-depreciable	5,973,143
Depreciable - net of accumulated depreciation	50,204,940
	<hr/>
Total Assets	\$ 87,508,680

Liabilities

Accounts payable	\$ 687,826
Salaries payable	471,191
Accrued payroll taxes	75,497
Contracts payable	200,511
Due to other governments	543,076
Accrued interest payable	160,887
Long-term liabilities	
Due within one year	930,096
Due in more than one year	9,307,583
	<hr/>
Total Liabilities	\$ 12,376,667

Net Assets

Invested in capital assets - net of related debt	\$ 46,845,960
Restricted for	
Highways and streets	1,094,154
General government	199,211
Public safety	208,838
Conservation of natural resources	20,000
Unrestricted	26,763,850
	<hr/>
Total Net Assets	\$ 75,132,013

**WINONA COUNTY
WINONA, 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	
Governmental activities					
General government	\$ 5,462,193	\$ 1,253,846	\$ 1,000	\$ 25,000	\$ (4,182,347)
Public safety	5,210,329	304,645	470,833	-	(4,434,851)
Transportation	6,826,732	14,078	4,147,366	2,216,421	(448,867)
Sanitation	776,952	738,889	2,200	-	(35,863)
Human services	9,498,541	399,959	6,009,124	-	(3,089,458)
Health	2,542,306	1,770,520	451,066	-	(320,720)
Culture and recreation	388,657	-	97,925	-	(290,732)
Conservation of natural resources	416,396	111,677	229,480	-	(75,239)
Economic development	56,300	-	-	-	(56,300)
Interest	410,123	-	-	-	(410,123)
Total governmental activities	\$ 31,588,529	\$ 4,593,614	\$ 11,408,994	\$ 2,241,421	\$ (13,344,500)
General Revenues					
Property taxes					\$ 13,071,822
Property taxes - tax increments					512
Mortgage registry and deed tax					39,913
Payments in lieu of tax					226,665
Grants and contributions not restricted to specific programs					4,321,960
Unrestricted investment earnings					796,273
Miscellaneous					578,672
Gain on sale of capital assets					185,264
Total general revenues					\$ 19,221,081
Change in net assets					\$ 5,876,581
Net Assets - Beginning					69,255,432
Net Assets - Ending					\$ 75,132,013

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 3

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 10,568,161	\$ 117,992	\$ 165,066	\$ 3,869,328	\$ 14,720,547
Petty cash and change funds	3,020	75	-	100	3,195
Investments	-	5,416,070	4,493,572	1,521,407	11,431,049
Taxes receivable					
Current	109,145	28,220	38,893	26,372	202,630
Prior	52,278	14,196	21,699	11,873	100,046
Special assessments receivable					
Current	5,875	-	-	-	5,875
Prior	2,516	-	-	-	2,516
Accounts receivable	35,712	5,012	709,815	376,195	1,126,734
Accrued interest receivable - net	128,916	29,485	25,376	16,099	199,876
Loans receivable	265,538	-	-	-	265,538
Due from other funds	19,808	261	5,037	-	25,106
Due from other governments	361,556	1,242,924	790,298	60,545	2,455,323
Inventories	-	813,934	-	-	813,934
Total Assets	<u>\$ 11,552,525</u>	<u>\$ 7,668,169</u>	<u>\$ 6,249,756</u>	<u>\$ 5,881,919</u>	<u>\$ 31,352,369</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 217,082	\$ 38,399	\$ 407,234	\$ 25,111	\$ 687,826
Salaries payable	240,092	64,758	101,823	64,518	471,191
Accrued payroll taxes	47,790	6,169	13,143	8,395	75,497
Contracts payable	-	200,511	-	-	200,511
Due to other funds	261	-	19,808	5,037	25,106
Due to other governments	191,713	5,318	344,966	1,079	543,076
Deferred revenue - unavailable	120,329	1,123,921	118,178	36,215	1,398,643
Total Liabilities	<u>\$ 817,267</u>	<u>\$ 1,439,076</u>	<u>\$ 1,005,152</u>	<u>\$ 140,355</u>	<u>\$ 3,401,850</u>

**WINONA COUNTY
WINONA, MINNESOTA**

**EXHIBIT 3
(Continued)**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities and Fund Balances</u>					
(Continued)					
Fund Balances					
Reserved for					
Inventories	\$ -	\$ 813,934	\$ -	\$ -	\$ 813,934
Apple Blossom Drive	20,000	-	-	-	20,000
Loans receivable	265,538	-	-	-	265,538
Recorder's equipment	92,199	-	-	-	92,199
Recorder's unallocated equipment	50,272	-	-	-	50,272
E-911	143,068	-	-	-	143,068
Sheriff's contingent advance	2,161	-	-	-	2,161
Sheriff's contingency	2,214	-	-	-	2,214
DARE	11,110	-	-	-	11,110
Sheriff's forfeited property	9,022	-	-	-	9,022
Attorney's forfeited property	55,008	-	-	-	55,008
Sheriff's posse operations	7,402	-	-	-	7,402
Gun permit	21,014	-	-	-	21,014
Police dog donations	12,847	-	-	-	12,847
Veterans' van donations	1,400	-	-	-	1,400
Debt service	-	-	-	1,563,773	1,563,773
Equipment replacement	-	-	-	12,499	12,499
Explorer post	332	-	-	-	332
Unreserved					
Designated for future expenditures	2,108,209	-	2,375,465	-	4,483,674
Designated for cash flows	5,192,000	1,136,000	1,762,000	-	8,090,000
Designated for capital improvements	-	2,000,000	-	-	2,000,000
Designated for compensated absences	462,809	118,647	157,872	-	739,328
Designated for retired employees' insurance	39,993	-	-	-	39,993
Designated for recycling	697,991	-	-	-	697,991
Designated for capital equipment	-	412,700	-	-	412,700
Designated for employee wellness	18,296	-	-	-	18,296
Undesignated	1,522,373	1,747,812	949,267	-	4,219,452
Unreserved, reported in nonmajor					
Special revenue funds	-	-	-	1,905,811	1,905,811
Capital projects funds	-	-	-	2,259,481	2,259,481
Total Fund Balances	\$ 10,735,258	\$ 6,229,093	\$ 5,244,604	\$ 5,741,564	\$ 27,950,519
Total Liabilities and Fund Balances	\$ 11,552,525	\$ 7,668,169	\$ 6,249,756	\$ 5,881,919	\$ 31,352,369

**WINONA COUNTY
WINONA, 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)	\$	27,950,519
---	-----------	-------------------

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.		56,178,083
--	--	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,398,643
---	--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Notes payable	\$	(175,000)	
Bonds payable		(8,905,000)	
Capital leases payable		(251,985)	
Compensated absences and retiree health insurance		(905,694)	
Accrued interest payable		(160,887)	
Deferred debt issuance charges		3,334	
		(10,395,232)	

Net assets of governmental activities (Exhibit 1)	\$	<u>75,132,013</u>
--	-----------	--------------------------

**WINONA COUNTY
WINONA, 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 Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 7,111,803	\$ 1,800,686	\$ 2,486,382	\$ 1,684,919	\$ 13,083,790
Special assessments	231,469	-	-	-	231,469
Licenses and permits	217,691	-	12,475	19,900	250,066
Intergovernmental	2,603,311	7,035,972	6,611,603	2,271,565	18,522,451
Charges for services	1,779,688	9,385	215,009	1,750,620	3,754,702
Fines and forfeits	61,501	-	-	2,850	64,351
Gifts and contributions	40,032	-	10,418	1,635	52,085
Interest on investments	499,668	174,746	105,659	16,200	796,273
Miscellaneous	354,423	219,520	241,133	36,622	851,698
Total Revenues	\$ 12,899,586	\$ 9,240,309	\$ 9,682,679	\$ 5,784,311	\$ 37,606,885
Expenditures					
Current					
General government	\$ 5,313,662	\$ 177,745	\$ -	\$ 1,155	\$ 5,492,562
Public safety	5,122,863	-	-	-	5,122,863
Highways and streets	-	8,873,626	-	-	8,873,626
Sanitation	766,828	-	-	-	766,828
Human services	-	-	9,501,031	-	9,501,031
Health	-	-	-	2,544,687	2,544,687
Culture and recreation	388,657	-	-	-	388,657
Conservation of natural resources	401,886	-	-	-	401,886
Economic development	50,326	-	-	5,974	56,300
Capital outlay	-	-	-	192,323	192,323
Debt service					
Principal	139,166	1,513	2,354	738,965	881,998
Interest	14,962	936	562	397,713	414,173
Administrative (fiscal) charges	-	-	-	2,553	2,553
Total Expenditures	\$ 12,198,350	\$ 9,053,820	\$ 9,503,947	\$ 3,883,370	\$ 34,639,487
Excess of Revenues Over (Under) Expenditures	\$ 701,236	\$ 186,489	\$ 178,732	\$ 1,900,941	\$ 2,967,398
Other Financing Sources (Uses)					
Transfers in	\$ 198,538	\$ 194,804	\$ -	\$ 196,429	\$ 589,771
Transfers out	(196,429)	(194,804)	-	(198,538)	(589,771)
Lease purchase	103,264	-	12,306	-	115,570
Proceeds from sale of capital assets	-	19,705	-	795,446	815,151
Total Other Financing Sources (Uses)	\$ 105,373	\$ 19,705	\$ 12,306	\$ 793,337	\$ 930,721
Net Change in Fund Balance	\$ 806,609	\$ 206,194	\$ 191,038	\$ 2,694,278	\$ 3,898,119
Fund Balance - January 1	9,928,649	5,771,661	5,053,566	3,047,286	23,801,162
Increase (decrease) in reserved for inventories	-	251,238	-	-	251,238
Fund Balance - December 31	\$ 10,735,258	\$ 6,229,093	\$ 5,244,604	\$ 5,741,564	\$ 27,950,519

**WINONA COUNTY
WINONA, 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) **\$ 3,898,119**

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	\$ 1,398,643	
Deferred revenue - January 1	(1,750,682)	(352,039)

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. 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 sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for capital assets and infrastructure	\$ 3,501,387	
Capital assets donated	25,000	
Current year depreciation	(1,490,097)	
Net book value of assets disposed of	(629,886)	1,406,404

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when the debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Capital leases entered into		(115,570)
Principal repayments		
General obligation bonds	\$ 540,000	
General obligation notes	170,000	
Capital leases	171,998	881,998
Amortization of deferred debt issuance costs		(3,333)

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	\$ 9,936	
Change in inventories	251,238	
Change in compensated absences and retiree health insurance payable	(100,172)	161,002

Change in net assets of governmental activities (Exhibit 2) **\$ 5,876,581**

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 7

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

	HC Garvin Private-Purpose Trust	Agency
	<hr/>	<hr/>
<u>Assets</u>		
Cash and pooled investments	\$ 1,267	\$ 1,154,564
Investments	47,715	-
Receivables		
Interest	198	-
	<hr/>	<hr/>
Total Assets	<u>\$ 49,180</u>	<u>\$ 1,154,564</u>
<u>Liabilities</u>		
Accounts payable		\$ 47,123
Due to other governments		1,107,441
		<hr/>
Total Liabilities		<u>\$ 1,154,564</u>
<u>Net Assets</u>		
Net assets held in trust	<u>\$ 49,180</u>	

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>HC Garvin Private-Purpose Trust</u>
<u>Additions</u>	
Interest on investments	\$ 1,267
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>506</u>
Change in Net Assets	\$ 761
Net Assets--Beginning of the Year	<u>48,419</u>
Net Assets--End of the Year	<u><u>\$ 49,180</u></u>

**WINONA COUNTY
WINONA, 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) as of and 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 is discussed below.

A. Financial Reporting Entity

Winona County was established February 22, 1854, when Fillmore County was divided 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 Winona County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the County Board, serves as the clerk of the Board of Commissioners but has no vote.

Component Units

The Regional Railroad Authority (RRA) was created to monitor the preservation or improvement of rail transportation within the County. The County Commissioners are the members of the RRA Board. The RRA does not prepare financial statements, because currently the RRA is for informational purposes only and had no financial transactions in 2005.

Joint Ventures

The County participates in several joint ventures described in Note 4.D. The County also participates in jointly-governed organizations described in Note 4.E.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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. 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 activities normally supported by taxes and intergovernmental revenues. The County has no business-type activities to report on.

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

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those requiring a separate fund.

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

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

Additionally, the County reports the following fund types:

Debt Service Funds are used to account for the accumulation of resources for the payment of principal, interest, and related costs of long-term bonded debt.

Capital Projects Funds are used to account for financial resources used for the construction of major capital expenditures.

Private-Purpose Trust Funds are used to account for resources legally held in trust for others.

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,

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. Winona County considers all revenues as available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2005 were \$499,668.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

3. Inventories

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

**WINONA COUNTY
WINONA, 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 (such as roads, bridges, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets as defined by the government are 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.

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

<u>Capital Asset Category</u>	<u>Useful Life</u>
Land improvements	40 - 50
Building and building improvements	40 - 100
Machinery and equipment	5 - 15
Computer equipment	5 - 12
Maintenance equipment	5
Transportation equipment	5 - 40
Vehicles	5 - 15
Boats and trailers	20 - 40
Heavy construction equipment	15 - 30
Furniture and fixtures	20 - 40
Infrastructure	
Roads	50
Bridges	75

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual, compensatory time, 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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Compensated Absences (Continued)

termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 14,720,547
Petty cash and change funds	3,195
Investments	11,431,049
Statement of fiduciary net assets	
Cash and pooled investments	1,155,831
Investments	47,715
	<hr/>
Total Cash and Investments	\$ 27,358,337

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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 that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; 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.

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's investment policy limits the dollar amount of securities in custodial category #3 to no more than ten percent at any time during the year. The policy also limits the dollar amount of repurchase agreements to no more than ten percent at any time during the year. As of December 31, 2005, the County's deposits were not exposed to custodial credit risk.

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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's investment policy is to invest in both short-term and long-term investments to limit exposure to interest rate risk. The investment maturities are limited as follows:

<u>Maturity</u>	<u>Maximum Investment</u>
Less than three years	100%

At December 31, 2005, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 3 Years</u>
Federal Home Loan Bank	\$ 1,885,200	\$ 1,588,320	\$ 296,880
Commercial paper	4,098,697	4,098,697	-
Negotiable certificates	6,514,000	5,656,000	858,000
Total Investments	<u>\$ 12,497,897</u>	<u>\$ 11,343,017</u>	<u>\$ 1,154,880</u>

Credit Risk

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

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2005, is as follows:

<u>S & P Rating</u>	<u>Fair Value</u>
AAA	\$ 4,425,421
A-1+	4,098,697
Not rated	3,205,384
Total	<u>\$ 11,729,502</u>

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.

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 U.S. Treasury securities, U.S. Agency securities, and obligations backed by U.S. Treasury and/or U.S. Agency securities, may be held without limit. Investments by any one issuer that represent five percent or more of the County's investments are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$ 1,885,200
Prudential Funding LLC	994,378

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Concentration of Credit Risk (Continued)

As of December 31, 2005, the County had \$839,786 in General Electric Capital Corporation commercial paper, which exceeded five percent of the Road and Bridge Special Revenue Fund investments. The County also had \$1,279,857 in General Electric Capital Corporation commercial paper and \$984,675 in Citigroup commercial paper, which exceeds five percent of the Social Services Fund investments.

2. Receivables

Receivables as of December 31, 2005, for the Winona County's governmental activities, including the applicable allowances for uncollectible (Social Services and Health Service Special Revenue Funds) accounts, are as follows:

Accounts receivable	\$ 2,589,544
Less: allowance for uncollectible	<u>(1,462,810)</u>
Net Accounts Receivable	<u>\$ 1,126,734</u>

3. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land				
General	\$ 1,536,635	\$ -	\$ 60,000	\$ 1,476,635
Highway	50,085	-	-	50,085
Highway right-of-way	2,873,788	63,301	-	2,937,089
Construction in progress				
General	600,057	241,528	-	841,585
Highway	<u>1,670,691</u>	<u>557,270</u>	<u>1,560,212</u>	<u>667,749</u>
Total capital assets not depreciated	<u>\$ 6,731,256</u>	<u>\$ 862,099</u>	<u>\$ 1,620,212</u>	<u>\$ 5,973,143</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 18,440,418	\$ 103,970	\$ 607,197	\$ 17,937,191
Improvements other than buildings	293,599	136,390	-	429,989
Machinery, furniture, and equipment	6,094,483	688,767	183,263	6,599,987
Infrastructure	36,804,708	3,295,373	-	40,100,081
Total capital assets depreciated	\$ 61,633,208	\$ 4,224,500	\$ 790,460	\$ 65,067,248
Less: accumulated depreciation for				
Buildings	\$ 1,848,194	\$ 183,174	\$ 75,465	\$ 1,955,903
Improvements other than buildings	107,100	9,276	-	116,376
Machinery, furniture, and equipment	2,750,687	588,010	145,109	3,193,588
Infrastructure	8,886,804	709,637	-	9,596,441
Total accumulated depreciation	\$ 13,592,785	\$ 1,490,097	\$ 220,574	\$ 14,862,308
Total capital assets depreciated, net	\$ 48,040,423	\$ 2,734,403	\$ 569,886	\$ 50,204,940
Governmental Activities Capital Assets, Net	\$ 54,771,679	\$ 3,596,502	\$ 2,190,098	\$ 56,178,083

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

Governmental Activities	
General government	\$ 286,578
Public safety	166,880
Highways and streets, including depreciation of infrastructure assets	1,004,015
Human services	5,103
Health	6,804
Sanitation	10,124
Conservation of natural resources	10,593
Total Depreciation Expense - Governmental Activities	\$ 1,490,097

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Social Services	\$ 19,808
Road and Bridge	General	261
Social Services	Other governmental funds	<u>5,037</u>
Total Due To/From Other Funds		<u>\$ 25,106</u>

2. Interfund Transfers

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

Transfers to General Fund from Capital Projects Fund	\$ 3,734	Correct for expenditures coded incorrectly
Transfers to General Fund from Road and Bridge Fund	<u>194,804</u>	Move excess cash for equipment purchases from bond funds
Total Transfers to General Fund	\$ 198,538	
Transfers to Capital Projects Fund from General Fund	196,429	Jail annex remodeling
Transfers to Road and Bridge Fund from Capital Projects Fund	<u>194,804</u>	Purchase of equipment
Total Interfund Transfers	<u>\$ 589,771</u>	

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2005. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and bridges	\$ 3,394,001	\$ 200,511

2. Other Postemployment Benefits

Retirees or Terminating Employees

Employees who leave in good standing with more than ten years of service, who have a minimum accumulation of 100 days of unused sick leave, may convert it to paid-up health insurance for the employee only, according to the following schedule:

- Each ten days unused sick leave equals one-month paid-up insurance for employees only.

As of year-end, the County has 26 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2005, the County expended \$17,449 for these benefits.

Elected Officials

After completing two full terms as an elected County Commissioner and being at least 50 years of age, a Commissioner may receive one year of single health insurance. This benefit is provided pursuant to County Board Resolution 95-27. The County did not have any former Commissioners participating in 2005.

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Capital Leases/Installment Purchases

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>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
Sheriff's cars	2006	Semiannual	\$ 19,545	\$ 110,413	\$ 37,685
Dispatch equipment	2007	Annual	36,467	123,328	65,869
IT equipment	2007	Month	2,785	87,630	24,714
Sheriff's cars	2007	Semiannual	18,160	103,264	68,815
Copier	2009	Month	736	38,997	30,140
Copier	2009	Month	204	9,012	6,485
Copier	2009	Month	324	10,560	8,325
Copier	2009	Month	243	12,306	9,952
Total Governmental Activities Capital Leases					<u>\$ 251,985</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	\$ 155,026
2007	90,872
2008	18,084
2009	10,395
Total minimum lease payments	\$ 274,377
Less: amount representing interest	<u>(22,392)</u>
Present Value of Minimum Lease Payments	<u>\$ 251,985</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Bonded Debt

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2005</u>
General obligation bonds					
2001A G.O. Capital Improvement Bonds	2017	\$135,000 - \$465,000	3.20 - 5.00	\$ 5,000,000	\$ 4,335,000
2002A G.O. Capital Improvement Bonds	2018	\$160,000 - \$450,000	3.00 - 4.60	5,000,000	4,570,000
2003A G.O. Equipment Notes	2006	\$165,000 - \$175,000	1.70 - 2.30	510,000	175,000
Total General Obligation Bonds and Notes				<u>\$ 10,510,000</u>	<u>\$ 9,080,000</u>

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

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 730,000	\$ 372,051
2007	575,000	349,879
2008	600,000	327,749
2009	620,000	304,308
2010	650,000	279,106
2011 - 2015	3,710,000	944,243
2016 - 2018	<u>2,195,000</u>	<u>135,560</u>
Total	<u>\$ 9,080,000</u>	<u>\$ 2,712,896</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

5. 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
Bonds payable					
General obligation bonds	\$ 9,445,000	\$ -	\$ 540,000	\$ 8,905,000	\$ 555,000
G.O. capital notes	345,000	-	170,000	175,000	175,000
Total bonds payable	\$ 9,790,000	\$ -	\$ 710,000	\$ 9,080,000	\$ 730,000
Capital leases	308,413	115,570	171,998	251,985	141,393
Compensated absences	775,775	89,926	-	865,701	22,336
Retiree health insurance	29,747	10,246	-	39,993	36,367
Governmental Activity Long-Term Liabilities	<u>\$ 10,903,935</u>	<u>\$ 215,742</u>	<u>\$ 881,998</u>	<u>\$ 10,237,679</u>	<u>\$ 930,096</u>

3. Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Winona 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. chapters 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 employees must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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 three percent of average salary for each year of service. For Public Employee Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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 www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2005	\$ 513,110	\$ 93,124	\$ 72,751
2004	488,783	87,719	48,288
2003	514,665	83,488	45,999

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

B. Defined Contribution Plan

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

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

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

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$3,467, \$3,818, and \$5,522, respectively, equal to the contractually required contributions for each year as set by state statute.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. 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.

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 per claim in 2005 and \$390,000 in 2006. If any insurance and self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

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

Premiums are paid by the fund receiving the benefits.

The Southeast Service Cooperative provides financial risk management services that embody the concept of pooling risks for the purpose of stabilizing and/or reducing costs. Group employee benefits shall include, but not be limited to, health benefits coverage. Other employee benefits for life insurance, disability insurance, and flexible spending programs are administered by the County Personnel Department through separate vendors. The County also administers a dental program for employees. The County's responsibility is limited to collecting the premiums and disbursing enrolled employee premiums.

**WINONA COUNTY
WINONA, MINNESOTA**

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

B. Subsequent Events

The following events took place or were resolved after the close of 2005:

- The program for leasing vehicles in the Sheriff's Department was continued into 2006. The amount leased was \$110,845 at 4.95 percent for three years. Semi-annual payments will be \$19,545. Total interest to be paid is \$6,857.
- The Internal Revenue Service assessed the County \$16,616 for tax years 2003 and 2004. The amount assessed was due to incorrect handling of uniform allowances in the Sheriff's Department and personal use of county vehicles not accounted for properly.

C. 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.

D. Joint Ventures

Southeastern Minnesota Multi-County HRA

Winona County is a member of the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) that provides housing and redevelopment services to the County. Each member county appoints members to the governing body that consists of a Board of Commissioners. The HRA approves its own budget. Winona County did not contribute to the operations of the HRA in 2005. However, the Board of Commissioners approves the levy for the HRA each year. Complete financial statements for the HRA can be obtained at 730 West Sixth Street, Wabasha, Minnesota 55981.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Family Service Collaborative

Winona County has created the Winona Family Services Collaborative pursuant to an interagency agreement and Minn. Stat. § 124D.23. The Collaborative is represented by the following: Winona County; City of Winona; Independent School Districts 861, 857, and 858; Department of Employment and Economic Development Workforce Center; SEMCAC; Hiawatha Valley Mental Health Center; and Hiawatha Valley Special Education District. The Collaborative Board consists of 21 members of which Winona County appoints two. The Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. Winona County is the fiscal agent for the Collaborative. The Collaborative had \$948,345 of expenditures in 2005 for the benefit of County services.

E. Jointly-Governed Organizations

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

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to several counties. During the year, the County paid \$3,100 to the Board.

Southeastern Minnesota Emergency Management Services

The Southeastern Minnesota Emergency Management Services (SEMN EMS) provides various health services to several counties. During the year, the County paid \$2,000 to the SEMN EMS.

Southeastern Minnesota Narcotics Task Force

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

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

E. Jointly Governed Organizations (Continued)

Southeastern Libraries Cooperative

The Southeastern Libraries Cooperative provides library services within the County. The County contributed \$13,811 during the year.

Southeastern Community Action Council

The Southeastern Community Action Council provides services for various social programs. During the year, Winona County did not make any payments to the Council.

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Winona County expended \$110,785 to the Cooperative.

Whitewater Joint Powers Board

The Whitewater Joint Powers Board is composed of three counties and three county soil and water conservation boards. It provides soil and water conservation services to its members. During the year, Winona County made a \$6,235 payment to the Joint Powers Board.

Southeastern Minnesota Recyclers' Exchange

The Southeastern Minnesota Recyclers' Exchange (SEMREX) provides recycling services. During the year, Winona County did not make any payments to SEMREX.

F. Related Organizations

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2005, the County settled with the Watershed for property taxes collected in the amount of \$3,367.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**WINONA COUNTY
WINONA, 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	\$ 6,998,435	\$ 6,998,435	\$ 7,111,803	\$ 113,368
Special assessments	240,550	240,550	231,469	(9,081)
Licenses and permits	197,316	197,316	217,691	20,375
Intergovernmental	2,143,009	2,143,009	2,603,311	460,302
Charges for services	1,556,645	1,559,745	1,779,688	219,943
Fines and forfeits	6,000	6,000	61,501	55,501
Gifts and contributions	2,800	2,800	40,032	37,232
Investment earnings	275,000	275,000	499,668	224,668
Miscellaneous	220,432	227,112	354,423	127,311
Total Revenues	\$ 11,640,187	\$ 11,649,967	\$ 12,899,586	\$ 1,249,619
Expenditures				
Current				
General government				
Commissioners	\$ 166,334	\$ 179,338	\$ 172,079	\$ 7,259
Courts	76,850	76,850	54,705	22,145
Court services	88,224	88,750	24,613	64,137
Law library	23,821	23,821	32,182	(8,361)
County administration	230,015	244,833	211,217	33,616
County auditor	207,793	200,808	197,556	3,252
License bureau	205,612	210,573	207,578	2,995
County treasurer	119,789	120,128	118,169	1,959
County assessor	402,072	405,005	387,977	17,028
Elections	2,200	2,200	154	2,046
Accounting and auditing	201,999	236,366	186,082	50,284
Data processing	299,418	344,193	430,468	(86,275)
Personnel	253,383	247,846	137,999	109,847
Attorney	814,409	885,437	867,847	17,590
Recorder	227,310	220,101	201,129	18,972
Vital statistics	61,320	50,609	54,788	(4,179)
Planning and zoning	610,465	609,964	562,675	47,289
Telecommunications	165,120	129,665	165,751	(36,086)
Maintenance	1,169,987	1,141,900	866,533	275,367
Veterans service officer	125,917	127,725	121,669	6,056
Other general government	650,359	307,359	312,491	(5,132)
Total general government	\$ 6,102,397	\$ 5,853,471	\$ 5,313,662	\$ 539,809

**WINONA COUNTY
WINONA, 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)				
Public safety				
Sheriff	\$ 1,526,045	\$ 1,658,399	\$ 1,804,684	\$ (146,285)
Boat and water safety	29,735	40,169	19,158	21,011
Emergency services	77,279	82,132	104,167	(22,035)
E-911 system	-	-	7,792	(7,792)
County jail	1,619,241	1,618,001	1,868,079	(250,078)
Law enforcement center	942,983	858,823	756,819	102,004
Probation and parole	527,907	573,198	547,782	25,416
DARE program	7,350	7,350	9,898	(2,548)
Other	-	-	4,484	(4,484)
Total public safety	\$ 4,730,540	\$ 4,838,072	\$ 5,122,863	\$ (284,791)
Sanitation				
Recycling	\$ 847,282	\$ 860,908	\$ 756,768	\$ 104,140
Other sanitation	14,718	14,835	10,060	4,775
Total sanitation	\$ 862,000	\$ 875,743	\$ 766,828	\$ 108,915
Culture and recreation				
Historical society	\$ 48,450	\$ 48,450	\$ 48,450	\$ -
Parks	20,050	20,050	20,050	-
Regional library	246,416	246,416	246,416	-
Other	29,500	29,500	73,741	(44,241)
Total culture and recreation	\$ 344,416	\$ 344,416	\$ 388,657	\$ (44,241)
Conservation of natural resources				
County extension	\$ 136,134	\$ 136,633	\$ 129,324	\$ 7,309
Soil and water conservation	85,531	85,531	106,525	(20,994)
Environmental services	165,768	166,587	166,037	550
Total conservation of natural resources	\$ 387,433	\$ 388,751	\$ 401,886	\$ (13,135)
Economic development				
Other	\$ -	\$ -	\$ 50,326	\$ (50,326)
Debt service				
Principal	\$ -	\$ -	\$ 139,166	\$ (139,166)
Interest	\$ -	\$ -	\$ 14,962	\$ (14,962)
Total Expenditures	\$ 12,426,786	\$ 12,300,453	\$ 12,198,350	\$ 102,103

**WINONA COUNTY
WINONA, 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
Excess of Revenues Over (Under) Expenditures	\$ (786,599)	\$ (650,486)	\$ 701,236	\$ 1,351,722
Other Financing Sources (Uses)				
Transfers in	\$ 516,699	\$ 516,699	\$ 198,538	\$ (318,161)
Transfers out	-	(11,229)	(196,429)	(185,200)
Lease purchase	-	-	103,264	103,264
Proceeds from sale of assets	29,504	29,504	-	(29,504)
Total Other Financing Sources (Uses)	\$ 546,203	\$ 534,974	\$ 105,373	\$ (429,601)
Net Change in Fund Balance	\$ (240,396)	\$ (115,512)	\$ 806,609	\$ 922,121
Fund Balance - January 1	9,928,649	9,928,649	9,928,649	-
Fund Balance - December 31	\$ 9,688,253	\$ 9,813,137	\$ 10,735,258	\$ 922,121

**WINONA COUNTY
WINONA, 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	\$ 1,793,316	\$ 1,793,316	\$ 1,800,686	\$ 7,370
Intergovernmental	5,103,016	5,103,016	7,035,972	1,932,956
Charges for services	5,000	5,000	9,385	4,385
Investment earnings	60,000	60,000	174,746	114,746
Miscellaneous	188,500	188,500	219,520	31,020
Total Revenues	\$ 7,149,832	\$ 7,149,832	\$ 9,240,309	\$ 2,090,477
Expenditures				
Current				
General government				
Surveyor	\$ -	\$ -	\$ 177,745	\$ (177,745)
Highways and streets				
Administration	\$ 416,222	\$ 421,152	\$ 420,326	\$ 826
Engineering	178,714	181,244	3	181,241
Maintenance	1,483,243	1,495,660	2,304,772	(809,112)
Construction	3,954,888	3,945,056	5,592,329	(1,647,273)
Equipment maintenance and shop	593,563	571,312	554,498	16,814
Materials and services for resale	538,202	538,202	243	537,959
Other	-	-	1,455	(1,455)
Total highways and streets	\$ 7,164,832	\$ 7,152,626	\$ 8,873,626	\$ (1,721,000)
Debt service				
Principal	\$ -	\$ -	\$ 1,513	\$ (1,513)
Interest	\$ -	\$ -	\$ 936	\$ (936)
Total Expenditures	\$ 7,164,832	\$ 7,152,626	\$ 9,053,820	\$ (1,901,194)
Excess of Revenues Over (Under) Expenditures	\$ (15,000)	\$ (2,794)	\$ 186,489	\$ 189,283
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 194,804	\$ 194,804
Transfers out	-	-	(194,804)	(194,804)
Proceeds from sale of assets	15,000	15,000	19,705	4,705
Total Other Financing Sources (Uses)	\$ 15,000	\$ 15,000	\$ 19,705	\$ 4,705
Net Change in Fund Balance	\$ -	\$ 12,206	\$ 206,194	\$ 193,988
Fund Balance - January 1	5,771,661	5,771,661	5,771,661	-
Increase (decrease) in reserved for inventories	-	-	251,238	251,238
Fund Balance - December 31	\$ 5,771,661	\$ 5,783,867	\$ 6,229,093	\$ 445,226

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,486,422	\$ 2,486,422	\$ 2,486,382	\$ (40)
Licenses and permits	15,000	15,000	12,475	(2,525)
Intergovernmental	6,994,753	6,994,753	6,611,603	(383,150)
Charges for services	54,260	54,260	215,009	160,749
Gifts and contributions	90,000	90,000	10,418	(79,582)
Interest on investments	30,025	30,025	105,659	75,634
Miscellaneous	36,940	36,940	241,133	204,193
Total Revenues	\$ 9,707,400	\$ 9,707,400	\$ 9,682,679	\$ (24,721)
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,809,607	\$ 2,808,225	\$ 2,558,872	\$ 249,353
Social services	6,897,793	6,896,910	6,942,159	(45,249)
Total human services	\$ 9,707,400	\$ 9,705,135	\$ 9,501,031	\$ 204,104
Debt service				
Principal	-	-	2,354	(2,354)
Interest	-	-	562	(562)
Total Expenditures	\$ 9,707,400	\$ 9,705,135	\$ 9,503,947	\$ 201,188
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ 2,265	\$ 178,732	\$ 176,467
Other Financing Sources (Uses)				
Lease purchase	-	-	12,306	12,306
Net Change in Fund Balance	\$ -	\$ 2,265	\$ 191,038	\$ 188,773
Fund Balance - January 1	5,053,566	5,053,566	5,053,566	-
Fund Balance - December 31	\$ 5,053,566	\$ 5,055,831	\$ 5,244,604	\$ 188,773

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds. The capital projects funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the Finance Director so that a budget can be prepared. The Finance Director takes the requests to the Budget Committee who makes a recommendation to the Board. Before October 31, 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 Administrator may make changes of appropriations within a department. The County Administrator has been given authority by the Board to make line-item adjustments that have a zero affect on the budget in total. Adjustments to the budget that increase the budget 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 for the General Fund.

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2005, expenditures exceeded appropriations in the Road and Bridge Special Revenue Fund by \$1,901,194. These over-expenditures were funded by intergovernmental revenues received in excess of budget.

This page was left blank intentionally.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

GOVERNMENTAL FUNDS

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

The Health Service Fund accounts for the activities of the County Health Department.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal, interest, and related costs of the general long-term debt for:

- energy efficiency for the Honeywell controls.
- 2001 Government Building Capital Improvement Bonds for courthouse renovations.
- 2002 Government Building Capital Improvement Bonds for courthouse renovations.
- 2003 General Obligation Equipment Notes for equipment purchases.

Capital Projects Fund

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities and equipment.

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

Statement 1

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

	Health Service Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and pooled investments	\$ 1,579,609	\$ 1,555,245	\$ 734,474	\$ 3,869,328
Petty cash and change funds	100	-	-	100
Investments	-	-	1,521,407	1,521,407
Taxes receivable				
Current	7,331	19,041	-	26,372
Prior	4,230	7,643	-	11,873
Accounts receivable	376,195	-	-	376,195
Accrued interest receivable	-	-	16,099	16,099
Due from other governments	60,545	-	-	60,545
Total Assets	\$ 2,028,010	\$ 1,581,929	\$ 2,271,980	\$ 5,881,919
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 25,111	\$ -	\$ -	\$ 25,111
Salaries payable	64,518	-	-	64,518
Accrued vacation	8,395	-	-	8,395
Due to other funds	5,037	-	-	5,037
Due to other governments	1,079	-	-	1,079
Deferred revenue - unavailable	18,059	18,156	-	36,215
Total Liabilities	\$ 122,199	\$ 18,156	\$ -	\$ 140,355
Fund Balances				
Reserved for debt service	\$ -	\$ 1,563,773	\$ -	\$ 1,563,773
Reserved for equipment replacement	-	-	12,499	12,499
Unreserved				
Designated for future expenditures	130,000	-	-	130,000
Designated for cash flows	314,000	-	-	314,000
Designated for capital improvements	-	-	2,259,481	2,259,481
Designated for compensated absences	126,373	-	-	126,373
Undesignated	1,335,438	-	-	1,335,438
Total Fund Balances	\$ 1,905,811	\$ 1,563,773	\$ 2,271,980	\$ 5,741,564
Total Liabilities and Fund Balances	\$ 2,028,010	\$ 1,581,929	\$ 2,271,980	\$ 5,881,919

**WINONA COUNTY
WINONA, MINNESOTA**

Statement 2

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

	Health Service Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 468,629	\$ 1,216,290	\$ -	\$ 1,684,919
Licenses and permits	19,900	-	-	19,900
Intergovernmental	626,088	180,666	1,464,811	2,271,565
Charges for services	1,750,620	-	-	1,750,620
Fines and forfeits	2,850	-	-	2,850
Gifts and contributions	1,635	-	-	1,635
Investment earnings	-	-	16,200	16,200
Miscellaneous	18,103	18,519	-	36,622
Total Revenues	\$ 2,887,825	\$ 1,415,475	\$ 1,481,011	\$ 5,784,311
Expenditures				
Current				
General government	\$ -	\$ -	\$ 1,155	\$ 1,155
Health	2,544,687	-	-	2,544,687
Economic development	5,974	-	-	5,974
Capital outlay	-	-	192,323	192,323
Debt service				
Principal	1,404	737,561	-	738,965
Interest	2,484	395,229	-	397,713
Administrative (fiscal) charges	-	2,553	-	2,553
Total Expenditures	\$ 2,554,549	\$ 1,135,343	\$ 193,478	\$ 3,883,370
Excess of Revenues Over (Under) Expenditures	\$ 333,276	\$ 280,132	\$ 1,287,533	\$ 1,900,941
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 196,429	\$ 196,429
Transfers out	-	-	(198,538)	(198,538)
Proceeds from sale of assets	-	-	795,446	795,446
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 793,337	\$ 793,337
Net Change in Fund Balance	\$ 333,276	\$ 280,132	\$ 2,080,870	\$ 2,694,278
Fund Balance - January 1	1,572,535	1,283,641	191,110	3,047,286
Fund Balance - December 31	\$ 1,905,811	\$ 1,563,773	\$ 2,271,980	\$ 5,741,564

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 4

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 465,826	\$ 465,826	\$ 468,629	\$ 2,803
Licenses and permits	17,500	17,500	19,900	2,400
Intergovernmental	571,981	571,981	626,088	54,107
Charges for services	1,352,990	1,352,990	1,750,620	397,630
Fines and forfeits	1,000	1,000	2,850	1,850
Gifts and contributions	-	-	1,635	1,635
Miscellaneous	30,000	30,000	18,103	(11,897)
Total Revenues	\$ 2,439,297	\$ 2,439,297	\$ 2,887,825	\$ 448,528
Expenditures				
Current				
Health				
Nursing service	\$ 1,401,661	\$ 1,355,565	\$ 1,451,423	\$ (95,858)
Maternal and child health	464,451	527,144	459,985	67,159
County health officer	25,630	25,630	42,426	(16,796)
Health center	543,231	573,280	590,853	(17,573)
Total health	\$ 2,434,973	\$ 2,481,619	\$ 2,544,687	\$ (63,068)
Economic development				
Community development	4,324	4,324	5,974	(1,650)
Debt service				
Principal	-	-	1,404	(1,404)
Interest	-	-	2,484	(2,484)
Total Expenditures	\$ 2,439,297	\$ 2,485,943	\$ 2,554,549	\$ (68,606)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (46,646)	\$ 333,276	\$ 379,922
Other Financing Sources (Uses)				
Transfers in	-	11,229	-	(11,229)
Net Change in Fund Balance	\$ -	\$ (35,417)	\$ 333,276	\$ 368,693
Fund Balance - January 1	1,572,535	1,572,535	1,572,535	-
Fund Balance - December 31	\$ 1,572,535	\$ 1,537,118	\$ 1,905,811	\$ 368,693

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

AGENCY FUNDS

Agency Funds

The Employee Benefit Plans Fund accounts for an Internal Revenue Service § 125 health benefit plan.

The Winona County Family Collaborative Fund accounts for the Collaborative's funds on deposit with the County.

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

The State Revenue Fund accounts for the money received from and due to the state.

The Taxes and Penalties Fund accounts for the collection and distribution of prepaid taxes and proceeds from the sale of property for unpaid taxes.

This page was left blank intentionally.

**WINONA COUNTY
WINONA, 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>EMPLOYEE BENEFIT PLANS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 33,338	\$ 559,911	\$ 546,126	\$ 47,123
<u>Liabilities</u>				
Accounts payable	\$ 33,338	\$ 559,911	\$ 546,126	\$ 47,123
 <u>WINONA COUNTY FAMILY COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 854,610	\$ 708,827	\$ 948,359	\$ 615,078
<u>Liabilities</u>				
Due to other governments	\$ 854,610	\$ 708,827	\$ 948,359	\$ 615,078
 <u>SETTLEMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 208,392	\$ 34,013,181	\$ 33,904,530	\$ 317,043
<u>Liabilities</u>				
Due to other governments	\$ 208,392	\$ 34,013,181	\$ 33,904,530	\$ 317,043

**WINONA COUNTY
WINONA, 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>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 135,116	\$ 1,586,123	\$ 1,580,965	\$ 140,274
<u>Liabilities</u>				
Due to other governments	\$ 135,116	\$ 1,586,123	\$ 1,580,965	\$ 140,274
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 54,097	\$ 67,752	\$ 86,803	\$ 35,046
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 11,568,296	\$ 11,568,296	\$ -
Due to other governments	54,097	67,752	86,803	35,046
Total Liabilities	\$ 54,097	\$ 11,636,048	\$ 11,655,099	\$ 35,046
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,285,553	\$ 36,935,794	\$ 37,066,783	\$ 1,154,564
<u>Liabilities</u>				
Accounts payable	\$ 33,338	\$ 559,911	\$ 546,126	\$ 47,123
Due to other funds	-	11,568,296	11,568,296	-
Due to other governments	1,252,215	36,375,883	36,520,657	1,107,441
Total Liabilities	\$ 1,285,553	\$ 48,504,090	\$ 48,635,079	\$ 1,154,564

OTHER SCHEDULES

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 5

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

Shared Revenue

State

Highway users tax	\$ 5,419,112
HACA	2,349,730
Market value credit	1,819,432
PERA rate reimbursement	54,309
Disparity reduction aid	53,454
Police aid	91,311
Agricultural conservation credit	26,080
Enhanced 911	103,789
	<hr/>

Total Shared Revenue	<u>\$ 9,917,217</u>
-----------------------------	----------------------------

Reimbursement for Services

Minnesota Department of Human Services	<u>\$ 2,725,497</u>
--	----------------------------

Payments

Local

Local contributions	\$ 38,955
Payments in lieu of taxes	226,665
	<hr/>

Total Payments	<u>\$ 265,620</u>
-----------------------	--------------------------

Grants

State

Minnesota Department of	
Corrections	\$ 13,855
Public Safety	75,673
Health	203,106
Natural Resources	117,255
Human Services	2,386,286
Water and Soil Resources Board	97,925
Office of Environmental Assistance	112,225
	<hr/>

Total State	<u>\$ 3,006,325</u>
--------------------	----------------------------

Federal

Department of	
Agriculture	\$ 130,722
Housing and Urban Development	13,267
Justice	87,780
Transportation	1,218,389
Education	15,444
Health and Human Services	1,078,054
Homeland Security	56,060
Environmental Protection Agency	8,076
	<hr/>

Total Federal	<u>\$ 2,607,792</u>
----------------------	----------------------------

Total State and Federal Grants	<u>\$ 5,614,117</u>
---------------------------------------	----------------------------

Total Intergovernmental Revenue	<u><u>\$ 18,522,451</u></u>
--	------------------------------------

**WINONA COUNTY
WINONA, MINNESOTA**

**SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>December 31, 2005</u>	<u>30 Days</u>
Financial institution investments		
Certificates of deposit	\$ 6,262,715	\$ 1,550,000
Negotiable certificates of deposit	<u>6,514,000</u>	<u>-</u>
Total financial institution investments	<u>\$ 12,776,715</u>	<u>\$ 1,550,000</u>
Other investments		
U.S. government securities	\$ 1,885,200	\$ -
Commercial paper	<u>4,098,697</u>	<u>688,698</u>
Total other investments	<u>\$ 5,983,897</u>	<u>\$ 688,698</u>
Total All Investments	<u>\$ 18,760,612</u>	<u>\$ 2,238,698</u>
Deposits	8,594,530	8,594,530
Petty cash	<u>3,195</u>	<u>3,195</u>
Totals	<u><u>\$ 27,358,337</u></u>	<u><u>\$ 10,836,423</u></u>

Schedule 6

Mature Within				
60 Days	90 Days	180 Days	One Year	More Than One Year
\$ 1,000,000 960,000	\$ 1,000,000 2,685,000	\$ 2,000,000 1,440,000	\$ 712,715 571,000	\$ - 858,000
\$ 1,960,000	\$ 3,685,000	\$ 3,440,000	\$ 1,283,715	\$ 858,000
\$ - 1,834,164	\$ - 591,159	\$ 298,470 984,676	\$ 1,289,850 -	\$ 296,880 -
\$ 1,834,164	\$ 591,159	\$ 1,283,146	\$ 1,289,850	\$ 296,880
\$ 3,794,164	\$ 4,276,159	\$ 4,723,146	\$ 2,573,565	\$ 1,154,880
\$ 3,794,164	\$ 4,276,159	\$ 4,723,146	\$ 2,573,565	\$ 1,154,880

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 7

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS
FOR CALENDAR YEARS 2004 THROUGH 2006**

	Tax Year 2004		Tax Year 2005		Tax Year 2006	
	Net Tax Capacity	Tax Capacity Rate Percent (%)	Net Tax Capacity	Tax Capacity Rate Percent (%)	Net Tax Capacity	Tax Capacity Rate Percent (%)
Tax Capacity						
Real property	\$ 27,955,377		\$ 30,993,883		\$ 34,030,799	
Personal property	425,978		411,612		441,082	
Tax increment financing	(732,967)		(774,645)		(303,456)	
Net Tax Capacity	\$ 27,648,388		\$ 30,630,850		\$ 34,168,425	
Tax Levied for County						
Revenue	\$ 7,199,474	27.035	\$ 7,924,515	27.035	\$ 8,977,104	27.093
Road and Bridge	1,499,046	5.422	2,045,930	5.422	2,045,930	5.988
Human Services	3,044,064	13.021	2,819,581	13.021	2,879,625	8.428
Community Health	556,096	-	531,450	-	551,450	1.614
Internal Services	-	-	-	-	-	-
Honeywell G.O. Bond	60,068	0.217	28,354	0.217	-	-
2001 Courthouse Bond	499,043	1.805	499,195	1.805	498,523	1.458
2002 Courthouse Bond	485,268	1.755	182,013	1.755	483,851	1.415
2003 Equipment Bond	369,393	1.336	370,374	1.336	-	-
Net Tax Levy	\$ 13,712,452	50.591	\$ 14,401,412	50.591	\$ 15,436,483	45.996
	Tax Capacity	Market Value	Tax Capacity	Market Value	Tax Capacity	Market Value
Taxable Valuations						
Light and Power Tax						
Transmission lines	\$ 31,032	\$ 1,589,100	\$ 32,232	\$ 1,589,100	\$ 32,952	\$ 1,685,100
Distribution lines	10,024	538,700	10,764	538,700	11,148	594,900
Total Taxable Valuations - Light and Power	\$ 41,056	\$ 2,127,800	\$ 42,996	\$ 2,127,800	\$ 44,100	\$ 2,280,000
Light and Power Tax Levy						
Transmission lines	\$ 46,398	\$ 1,676	\$ 47,320	\$ 1,554	\$ 46,232	\$ 61,872
Distribution lines	14,986	570	15,483	542	4,278	5,788
Total Light and Power Tax Levy	\$ 61,384	\$ 2,246	\$ 62,803	\$ 2,096	\$ 50,510	\$ 67,660

Percentage of tax collections
for all purposes

98.65%

98.41%

This page was left blank intentionally.

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 8

**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 Winona 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 Winona County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Winona County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Grant-in-Aid for Railroad Safety	CFDA #20.303
Temporary Assistance for Needy Families	CFDA #93.558
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Winona 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 ITEM 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 working with its local legislators in conjunction with other counties to change Minn. Stat. § 375.12.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS RESOLVED

Account Balances (99-9)

The Integrated Financial System (IFS) Account Activity Report had liability accounts with balances.

Resolution

The client is recording changes in liability accounts in the trial balance.

County Board-Approved Budget (04-1)

The 2004 General Fund budget was not recorded in the IFS as approved by the Board in the budget resolution. The Board discussed various budget items and took no formal action, but these items were posted to the IFS.

Resolution

The County recorded only Board-approved changes to the IFS budget report.

C. **OTHER ITEM FOR CONSIDERATION**

Other Postemployment Benefits (OPEB)

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

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

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

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

If applicable for Winona County, GASB Statements 43 and 45 would be implemented for the years ending December 31, 2007 and 2008, respectively.



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

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
Winona County

We have audited the financial statements of Winona County as of and for the year ended December 31, 2005, and have issued our report thereon dated October 11, 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 Winona 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 reportable 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 Winona 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, Winona 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: October 11, 2006



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

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
Winona County

Compliance

We have audited the compliance of Winona County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Winona County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winona 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, Winona County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Winona 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 the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2005, and have issued our report thereon dated October 11, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Winona 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: October 11, 2006

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 9

**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	\$ 99,750
Passed Through Minnesota Department of Human Services Food Stamps	10.561	10,699
Total U.S. Department of Agriculture		\$ 110,449
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant/State's Program	14.228	\$ 11,767
Lead Hazard Mitigation Grant	14.905	1,500
Total U.S. Department of Housing and Urban Development		\$ 13,267
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	\$ 32,513
Byrne Formula Grant Program	16.579	26,831
Violence Against Women	16.588	25,936
Underage Compliance Check	16.727	2,500
Total U.S. Department of Justice		\$ 87,780
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Grants-in-Aid Railroad Safety	20.303	\$ 1,181,472
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	30,895
Alcohol Traffic Safety	20.601	6,022
Total U.S. Department of Transportation		\$ 1,218,389
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Health Water Pollution Control	66.419	\$ 1,000
Non-Point Source Implementation	66.460	7,076
Total U.S. Environmental Protection Agency		\$ 8,076
U.S. Department of Education		
Passed Through Minnesota Department of Natural Resources Adult Education	84.002	\$ 15,444

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 9
(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		
Dental Program	93.110	\$ 2,200
Center for Disease Control and Prevention - Investigations and		
Technical Assistance	93.283	61,156
Temporary Assistance for Needy Families	93.558	36,035
Maternal and Child Health Services Block Grant	93.994	55,480
Passed Through Minnesota Department of Human Services		
Family Preservation and Support Services	93.556	96,045
Temporary Assistance for Needy Families	93.558	290,696
Child Care Development Block Grant	93.575	17,536
Child Care Mandatory and Matching Funds	93.596	19,897
Child Welfare Services - State Grants	93.645	15,871
Foster Care Title IV-E	93.658	128,095
Social Services Block Grant Title XX	93.667	271,548
Chafee Foster Care Independent Living	93.674	12,496
Community Mental Health Services Block Grant	93.958	12,610
Total U.S. Department of Health and Human Services		\$ 1,019,665
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness	97.004	\$ 38,050
Homeland Security	97.067	18,010
Total U.S. Department of Homeland Security		\$ 56,060
Total Federal Awards		\$ 2,529,130

**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE 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 Winona 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--when 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. Winona County considers all revenues to be available if they are collected within 60 days of the current period. Expenditures are recorded when the liability is incurred.

The information in the 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*.

3. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 2,607,792
Special Supplemental Nutrition for Women, Infants, and Children grant deferred in 2004 and recognized in 2005	<u>(78,662)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 2,529,130</u></u>

4. Passed Through to Subrecipients

During 2005, Winona County did not pass any federal money to subrecipients.

5. Pass-Through Grant Numbers

Pass-through grant numbers were not assigned by the pass-through agencies.