

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

WABASHA COUNTY
WABASHA, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Year Ended December 31, 2004



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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	13
Statement of Activities	Exhibit 2	14
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	15
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	19
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	20
Notes to the Financial Statements		21
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	47
Road and Bridge Fund	Schedule 2	50
Social Service Fund	Schedule 3	51
Notes to the Required Supplementary Information		52

**WABASHA COUNTY
WABASHA, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Financial Section (Continued)		
Supplementary Information		
Governmental Funds		53
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 1	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 2	55
Budgetary Comparison Schedules		
Regional Railroad Fund	Schedule 4	56
Public Health Special Revenue Fund	Schedule 5	57
Building Authority Debt Service Fund	Schedule 6	58
Fiduciary Funds		
Agency Funds		59
Combining Statement of Changes in Assets and Liabilities	Statement 3	60
Component Unit		
Reads Landing Sanitary Sewer		
Statement of Net Assets	Schedule 7	62
Statement of Revenues, Expenses, and Changes in Net Assets	Schedule 8	63
Statement of Cash Flows	Schedule 9	64
Other Schedule		
Schedule of Intergovernmental Revenue	Schedule 10	65
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 11	66
Other Required Reports		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		72
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		74
Schedule of Expenditures of Federal Awards	Schedule 12	76

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2004**

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

*Chair for 2005

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wabasha County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wabasha County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for Wabasha County as of December 31, 2004, 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 Wabasha County's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Wabasha County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2005, on our consideration of Wabasha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: June 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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

INTRODUCTION

The financial management of Wabasha County offers the readers of Wabasha County's financial statements this narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- As of December 31, 2004, the assets of Wabasha County exceeded its liabilities by \$74,128,807. Of this amount, \$5,886,905 (eight percent) represents unrestricted net assets that may be used to meet the County's ongoing obligation to citizens and creditors.
- Wabasha County's total net assets increased by \$2,923,032 (four percent). Most of the increase in capital assets comes from road construction.
- At the end of the fiscal year, Wabasha County governmental funds reported a combined ending fund balance of \$7,004,742.
- Wabasha County's total long-term liabilities decreased by \$148,303 during the fiscal year. The key factor in this decrease was the retirement of the 1996 Certificates of Participation and Capital Leases. These certificates were paid off early.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management's Discussion and Analysis
(required supplementary information)

Government-Wide Financial Statements ↔ Fund Financial Statements

Notes to the Financial Statements

Required Supplementary Information
(other than MD&A)

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

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

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

Fiduciary Funds

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

The County as a Whole

The County's combined net assets increased from \$71,205,795 to \$74,128,807. In contrast, last year, net assets increased by \$577,127. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and other assets	\$ 9,699,218	\$ 9,692,633
Capital assets	67,840,824	64,109,104
Total Assets	\$ 77,540,042	\$ 73,801,737
Liabilities		
Long-term debt outstanding	\$ 1,159,075	\$ 1,307,378
Other liabilities	2,252,160	1,288,584
Total Liabilities	\$ 3,411,235	\$ 2,595,962
Net Assets		
Invested in capital assets, net of debt	\$ 67,588,536	\$ 63,727,008
Restricted	653,366	790,827
Unrestricted	5,886,905	6,687,940
Total Net Assets	\$ 74,128,807	\$ 71,205,775

Net assets of the County governmental activities increased by four percent (\$74,128,807 compared to \$71,205,775). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from \$6,687,940 at December 31, 2003, to \$5,886,905 at the end of 2004.

Table 2
Changes in Net Assets

	Governmental Activities	
	2004	2003
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 1,980,305	\$ 1,986,154
Operating grants and contributions	7,515,312	5,593,763
Capital grants and contributions	46,512	1,854,116
General revenues		
Property taxes	6,070,530	5,626,747
Other taxes	24,814	30,656
Grants and contributions	1,686,457	1,942,854
Other general revenues	458,048	446,332
Total Revenues	<u>\$ 17,781,978</u>	<u>\$ 17,480,622</u>
Program Expenses		
General government	\$ 2,649,129	\$ 3,088,487
Public safety	3,315,842	2,882,930
Highways and streets	2,612,064	4,522,164
Human services	3,936,112	4,082,865
Health	1,242,813	1,193,176
Sanitation	260,556	399,389
Culture and recreation	413,328	267,806
Conservation	345,766	376,173
Economic development	64,413	67,045
Interest	18,923	23,460
Total Expenses	<u>\$ 14,858,946</u>	<u>\$ 16,903,495</u>
Increase (Decrease) in Net Assets	<u>\$ 2,923,032</u>	<u>\$ 577,127</u>

Governmental Activities

Revenues for the County governmental activities increased by two percent (\$301,356), while total expenses decreased 12 percent (\$2,044,549). The increase in net assets for 2004 was \$2,923,032 compared to a \$577,127 increase in net assets in the year ended December 31, 2003.

The cost of all governmental activities in 2004 was \$14,858,946 compared to \$16,903,495 in 2003. However, as shown in the Statement of Activities, Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,337,903, because some of the cost was paid by those who directly benefited from the programs (\$1,959,219) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,561,824). Overall, the County's governmental program revenues, including intergovernmental

aid and fees for services, increased in 2004 from \$9,455,119 to \$9,521,043, principally based on increases in intergovernmental aid, primarily human services grants. The County paid for the remaining public benefits portion of governmental activities with \$8,239,849 in general revenues, primarily taxes.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2004	2003	2004	2003
Human services	\$ 3,936,112	\$ 4,082,865	\$ 1,490,191	\$ 1,569,821
Public safety	3,315,842	2,882,930	2,661,711	2,104,966
General government	2,649,129	3,088,487	2,111,936	2,455,607
Highways and streets	2,612,064	4,522,164	(1,963,260)	305,878
Health	1,242,813	1,193,176	383,003	267,375
All others	1,102,986	1,133,873	633,236	765,815
Totals	<u>\$ 14,858,946</u>	<u>\$ 16,903,495</u>	<u>\$ 5,316,817</u>	<u>\$ 7,469,462</u>

The significant drop in the net cost of services is primarily due to the capitalization of \$5,180,000 of infrastructure (reduction of expenditures) as compared to \$1,820,000 of infrastructure depreciation expense (increase in expenditures). The decrease in human services expenses was offset by an increase in public safety expenses.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wabasha County, assets exceeded liabilities by \$74,128,807, an increase of \$2,923,032.

The County's \$67,588,536 investment in capital assets, net of related debt, is 91 percent of total net assets. Wabasha County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wabasha County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate liabilities.

Less than one percent of Wabasha County's net assets (\$653,366) are subject to restrictions on how they may be used. The remaining eight percent (\$5,886,905 unrestricted net assets) may be used to meet Wabasha County's ongoing obligations to citizens and creditors.

Wabasha County's total liabilities (\$3,411,235) are 4 percent of total assets and 35 percent of current assets.

Financial Analysis of the Government's Funds

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

As of the end of 2004, Wabasha County governmental funds report combined fund balances of \$7,004,742. This is a 12.5 percent decrease of \$1,002,568 from the prior year. The General Fund balance of \$4,539,617 represents 64.8 percent of this total. The fund balances decreased in all major funds.

The General Fund is the chief operating fund of Wabasha County. At the end of 2004, 92 percent of the General Fund fund balance was unreserved and available for future expenditures. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance (58 percent) and total fund balance (63 percent) as a percent of expenditures. During the year, the fund balance decreased by \$35,135.

The Road and Bridge Special Revenue Fund ended the year with a negative fund balance of \$266,436; this was a decrease of \$732,905. The main reason for this decrease was the use of 2005 highway allotment funds for current year projects.

The Social Service Special Revenue Fund fund balance decreased by \$187,390 to \$2,122,780. During the year, the Social Service Fund transferred \$65,000 to the Public Health Fund and \$4,479 to the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the County Board revised the County's General Fund budget several times. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts. There were no material budget adjustments for 2004; both budgeted revenues and expenditures were reduced \$53,840.

Most of the major expenditure functions exceeded budgeted amounts. Total expenditures exceeded budget by \$416,524.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wabasha County's investment in capital assets as of December 31, 2004, amounts to \$67,840,824 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. (See Table 4 below.)

The total increase in Wabasha County investment in capital assets for the current year was \$3,731,720 (six percent). If you need more information on Wabasha County's capital assets, please see the notes to the financial statements.

Table 4
Capital Assets at December 31, 2004
(Net of depreciation)

	Governmental Activities	
	2004	2003
Land	\$ 3,649,205	\$ 3,308,394
Construction in progress	2,173,892	192,654
Buildings and improvements	1,439,583	1,224,742
Machinery, vehicles, furniture, and equipment	1,466,825	1,433,551
Infrastructure	59,111,319	57,949,763
Total	<u>\$ 67,840,824</u>	<u>\$ 64,109,104</u>

- Construction in progress and infrastructure both increased for County highway improvement projects started during the year and for projects completed during the year.
- Equipment increased for the purchase of sheriff vehicles, road equipment, and an AS-400.

Debt

Wabasha County had total debt outstanding of \$252,288 on December 31, 2004. Capital leases totaled \$220,405, and a promissory note totaled \$31,883. Certificates of participation were paid off in 2004. The decrease in debt outstanding was due to the retirement of principal on the certificates of participation. Current and future County tax levies are used to finance the entire indebtedness. Wabasha County entered into a capital lease totaling \$144,811 during 2004. The increase was not significant and should not affect the financing of future projects. See notes if more information is needed on debt outstanding.

Table 5
Outstanding Debt at December 31, 2004

	Governmental Activities	
	2004	2003
Certificates of participation	\$ -	\$ 285,000
Capital leases	220,405	137,495
Promissory note	31,883	-
Total	<u>\$ 252,288</u>	<u>\$ 422,495</u>

New debt resulted mainly from entering into a capital lease and a promissory note.

Minn. Stat. § 475.53 limits the amount of general obligation debt a county can incur to no more than two percent of taxable market value without the approval of the majority of the voters of the county voting on the questions of issuing the obligation at an election. Wabasha County's taxable market value is \$1,609,215,100 for 2004. The current debt limitation for Wabasha County is \$32,184,302, which is in excess of Wabasha County's outstanding debt. Wabasha County's outstanding net debt is significantly below this \$32,184,302 state-imposed limit.

Other obligations include accrued vacation pay and sick leave payable.

ECONOMIC FACTORS

The Wabasha County elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged.

- The State of Minnesota has projected a significant budget deficit which could result in less funding at the county level.
- Wabasha County is having a need analysis completed on the local jail. This needs study will help determine if a jail is needed at Wabasha County and the size of the jail, if needed.
- Property tax levies have increased six percent for 2005.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Wabasha County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or additional financial information, should be addressed to the Finance Director, Wabasha County, 625 Jefferson Street, Wabasha, Minnesota 55981.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 1

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

	Primary Government Governmental Activities	Reads Landing Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 8,451,839	\$ 2,912
Petty cash and change funds	3,200	-
Cash with fiscal agent	298	-
Taxes receivable		
Prior - net	117,272	-
Accounts receivable - net	86,950	8,513
Accrued interest receivable	14,382	1
Due from other governments	909,312	-
Inventories	115,965	-
Restricted assets		
Cash and pooled investments	-	11,159
Capital assets		
Non-depreciable	5,823,097	-
Depreciable - net of accumulated depreciation	62,017,727	1,290,086
Total Assets	\$ 77,540,042	\$ 1,312,671
<u>Liabilities</u>		
Accounts payable	\$ 374,252	\$ 113
Salaries payable	371,949	-
Contracts payable	203,583	-
Due to other governments	1,300,356	3,442
Accrued interest payable	2,020	-
Unearned revenue	-	40
Payable from restricted assets		
Long-term liabilities		
Due within one year	147,828	1,015
Due in more than one year	1,011,247	99,013
Total Liabilities	\$ 3,411,235	\$ 103,623
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 67,588,536	\$ 1,201,217
Restricted for		
General government	54,234	-
Public safety	210,874	-
Highways and streets	250,431	-
Health	35,204	-
Conservation	102,623	-
Equipment replacement	-	405
Unrestricted	5,886,905	7,426
Total Net Assets	\$ 74,128,807	\$ 1,209,048

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 2

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Reads Landing Component Unit
Primary Government						
Governmental activities						
General government	\$ 2,649,129	\$ 461,621	\$ 60,452	\$ 15,120	\$ (2,111,936)	
Public safety	3,315,842	316,511	337,620	-	(2,661,711)	
Highways and streets	2,612,064	94,681	4,449,251	31,392	1,963,260	
Sanitation	260,556	120,827	19,303	-	(120,426)	
Human services	3,936,112	353,065	2,092,856	-	(1,490,191)	
Health	1,242,813	611,541	248,269	-	(383,003)	
Culture and recreation	413,328	4,129	116,245	-	(292,954)	
Conservation of natural resources	345,766	17,930	191,316	-	(136,520)	
Economic development	64,413	-	-	-	(64,413)	
Interest	18,923	-	-	-	(18,923)	
Total Primary Government	\$ 14,858,946	\$ 1,980,305	\$ 7,515,312	\$ 46,512	\$ (5,316,817)	
Component Unit						
Reads Landing Sanitary Sewer	\$ 82,693	\$ 56,185	\$ -	\$ -		\$ (26,508)
General Revenues						
Property taxes					\$ 6,070,530	\$ -
Mortgage registry and deed tax					24,814	-
Payments in lieu of tax					162,688	-
Grants and contributions not restricted to specific programs					1,686,457	-
Unrestricted investment earnings					173,048	58
Miscellaneous					114,701	-
Gain on sale of capital assets					7,611	-
Total general revenues and other items					\$ 8,239,849	\$ 58
Change in Net Assets					\$ 2,923,032	\$ (26,450)
Net Assets - Beginning					71,205,775	1,235,498
Net Assets - Ending					\$ 74,128,807	\$ 1,209,048

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

Page 14

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

***EXHIBIT 3
(Continued)***

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 4,912,980	\$ 837,018	\$ 2,131,883	\$ 569,958	\$ 8,451,839
Petty cash and change funds	3,200	-	-	-	3,200
Cash with escrow agent	298	-	-	-	298
Taxes receivable					
Prior	75,407	15,352	22,063	4,450	117,272
Accounts receivable	4,248	1,732	43,550	37,420	86,950
Accrued interest receivable	14,382	-	-	-	14,382
Due from other governments	93,752	357,893	308,631	149,036	909,312
Inventories	-	115,965	-	-	115,965
Total Assets	<u><u>\$ 5,104,267</u></u>	<u><u>\$ 1,327,960</u></u>	<u><u>\$ 2,506,127</u></u>	<u><u>\$ 760,864</u></u>	<u><u>\$ 9,699,218</u></u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT 3
(Continued)**

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

	General	Road and Bridge	Social Service	Other Governmental Funds	Total Governmental Funds
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 150,756	\$ 9,862	\$ 200,650	\$ 12,984	\$ 374,252
Salaries payable	201,751	57,749	62,352	50,097	371,949
Contracts payable	-	122,195	-	81,388	203,583
Due to other governments	160,941	1,050,754	88,477	184	1,300,356
Deferred revenue - unavailable	51,202	353,836	31,868	7,430	444,336
Total Liabilities	\$ 564,650	\$ 1,594,396	\$ 383,347	\$ 152,083	\$ 2,694,476
Fund Balances					
Reserved for					
Inventories	\$ -	\$ 115,965	\$ -	\$ -	\$ 115,965
Law library	38,416	-	-	-	38,416
Recorder's equipment purchases	5,587	-	-	-	5,587
E-911	180,931	-	-	-	180,931
Extension publications	1,127	-	-	-	1,127
Sheriff's contingency	4,964	-	-	-	4,964
Sheriff's forfeited property	7,942	-	-	-	7,942
Attorney's forfeited property	10,231	-	-	-	10,231
Restorative justice	6,410	-	-	-	6,410
Conservation	101,496	-	-	-	101,496
Sheriff's K-9 Fund	3,363	-	-	-	3,363
Sheriff's permit to carry	7,264	-	-	-	7,264
Highway projects	-	250,431	-	-	250,431
Health	-	-	-	35,204	35,204
Unreserved					
Designated for future expenditures	1,417,055	-	-	-	1,417,055
Designated for cash flows	2,156,489	-	660,000	-	2,816,489
Designated for compensated absences	472,794	-	160,121	-	632,915
Designated for contingencies	8,000	-	-	-	8,000
Designated for debt service	298	-	-	-	298
Undesignated	117,250	(632,832)	1,302,659	-	787,077
Unreserved, reported in nonmajor special revenue funds	-	-	-	573,577	573,577
Total Fund Balances	\$ 4,539,617	\$ (266,436)	\$ 2,122,780	\$ 608,781	\$ 7,004,742
Total Liabilities and Fund Balances	\$ 5,104,267	\$ 1,327,960	\$ 2,506,127	\$ 760,864	\$ 9,699,218

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)	\$ 7,004,742
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.	67,840,824
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	444,336
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Promisory note	\$ (31,883)
Capital leases	(220,405)
Compensated absences	(906,787)
Accrued interest payable	(2,020)
	<u>(1,161,095)</u>
Net assets of governmental activities (Exhibit 1)	<u>\$ 74,128,807</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 5

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

	General	Road and Bridge	Social Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 4,032,968	\$ 771,831	\$ 1,035,592	\$ 260,709	\$ 6,101,100
Licenses and permits	198,702	-	-	697	199,399
Intergovernmental	1,926,669	4,577,752	2,446,295	402,546	9,353,262
Charges for services	626,471	40,008	74,368	627,397	1,368,244
Fines and forfeits	64,576	-	-	-	64,576
Interest on investments	172,954	-	-	94	173,048
Gifts and contributions	15,766	-	-	12,365	28,131
Miscellaneous	207,922	54,673	278,697	38,133	579,425
Total Revenues	\$ 7,246,028	\$ 5,444,264	\$ 3,834,952	\$ 1,341,941	\$ 17,867,185
Expenditures					
Current					
General government	\$ 2,824,631	\$ -	\$ -	\$ 20	\$ 2,824,651
Public safety	3,372,654	-	-	-	3,372,654
Highways and streets	-	6,266,179	-	-	6,266,179
Sanitation	251,516	-	-	-	251,516
Human services	-	-	3,952,863	-	3,952,863
Health	10,348	-	-	1,226,012	1,236,360
Culture and recreation	245,929	-	-	141,140	387,069
Conservation	329,149	-	-	-	329,149
Economic development	64,367	-	-	46	64,413
Debt service					
Principal retirement	49,201	12,699	-	288,117	350,017
Interest	6,003	2,349	-	14,136	22,488
Administrative (fiscal) charges	1,250	-	-	719	1,969
Total Expenditures	\$ 7,155,048	\$ 6,281,227	\$ 3,952,863	\$ 1,670,190	\$ 19,059,328
Excess of Revenues Over (Under) Expenditures	\$ 90,980	\$ (836,963)	\$ (117,911)	\$ (328,249)	\$ (1,192,143)
Other Financing Sources (Uses)					
Transfers in	\$ 11,694	\$ -	\$ -	\$ 265,568	\$ 277,262
Transfers out	(200,568)	(3,981)	(69,479)	(3,234)	(277,262)
Loans issued	-	-	-	35,000	35,000
Capital lease issued	57,390	87,420	-	-	144,810
Proceeds from sale of capital assets	5,369	4,396	-	-	9,765
Total Other Financing Sources (Uses)	\$ (126,115)	\$ 87,835	\$ (69,479)	\$ 297,334	\$ 189,575
Net Change in Fund Balance	\$ (35,135)	\$ (749,128)	\$ (187,390)	\$ (30,915)	\$ (1,002,568)
Fund Balance - January 1	4,574,752	466,469	2,310,170	639,696	7,991,087
Increase (decrease) in reserved for inventories	-	16,223	-	-	16,223
Fund Balance - December 31	\$ 4,539,617	\$ (266,436)	\$ 2,122,780	\$ 608,781	\$ 7,004,742

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 6

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

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(1,002,568)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for general capital assets and infrastructure	\$ 5,992,373	
Current year depreciation	<u>(2,255,379)</u>	3,736,994

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

(5,274)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

23,820

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

Net proceeds for debt issuance

(179,810)

Principal repayments		
Certificates of participation	\$ 285,000	
Loans	3,117	
Capital lease	<u>61,900</u>	350,017

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	\$ 5,534	
Change in compensated absences	(21,904)	
Change in inventories	<u>16,223</u>	(147)

Change in net assets of governmental activities (Exhibit 2)	\$	<u>2,923,032</u>
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FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 7

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

	<u>Agency</u>
<u>Assets</u>	
Cash and cash equivalents	<u><u>\$ 1,257,769</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 13,160
Due to other governments	<u>1,244,609</u>
Total Liabilities	<u><u>\$ 1,257,769</u></u>

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

Blended Component Units

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Component Unit	Component Unit of Reporting Entity Because	Separate Financial Statements
Regional Railroad Authority (RRA) provides for the preservation or improvement of rail transportation within the County.	County Commissioners are the members of the RRA Board.	Separate financial statements are not prepared.
Wabasha County Building Authority provides office space for various County departments. This component unit ceased to exist during the year.	County Commissioners are the members of the Wabasha County Building Authority Board.	Separate financial statements are not prepared.

Discretely Presented Component Unit

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

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

Joint Ventures

Wabasha County participates in joint ventures that are described in Note 6.B. Wabasha County also participates in jointly-governed organizations which are described in Note 6.C.

**WABASHA COUNTY
WABASHA, 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 and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities are supported by taxes and intergovernmental revenues.

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

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

2. Fund Financial Statements

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

**WABASHA COUNTY
WABASHA, 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 required to be accounted for in another fund.

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

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

Additionally, Wabasha County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Wabasha County considers all revenues to be *available* if collected within 60 days after the end of the

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 Finance Director for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$ 173,048.

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;

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

2. Receivables and Payables

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

**WABASHA COUNTY
WABASHA, 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 that are 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. Stewardship, Compliance, and Accountability

Deficit Equity Balances

The Road and Bridge Special Revenue Fund has a deficit fund balance of \$266,436. The deficit will be eliminated in January 2005 when state allotments are allocated for 2005.

The Regional Railroad Special Revenue Fund has a deficit fund balance of \$5,880. This deficit will be eliminated when future grant funds are received and are available.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Primary government	
Cash and pooled investments	\$ 8,451,839
Change funds	3,200
Cash with escrow agent	298
Component units	
Cash and pooled investments	2,912
Restricted assets	
Cash and pooled investments	11,159
Fiduciary funds	
Agency funds	
Cash and pooled investments	<u>1,257,769</u>
Total Cash and Investments	<u>\$ 9,727,177</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize Wabasha County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Wabasha County Finance Director. At December 31, 2004, the carrying amount of the County's deposits totaled \$9,623,655. The bank balance deposit amount was \$10,014,272. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

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

	<u>Bank Balance</u>
Covered deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 484,272
Collateralized with securities held by the pledging financial institution's agent in the County's name	<u>9,530,000</u>
Total covered deposits	\$ 10,014,272
Uncollateralized	<u>-</u>
Total	<u>\$ 10,014,272</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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

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

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

	Category			Fair Value
	1	2	3	
U.S. government securities	<u>\$ 100,024</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 100,024
Add				
Money market mutual funds				298
Petty cash and change fund				3,200
Deposits				<u>9,623,655</u>
Total Cash and Investments				<u>\$ 9,727,177</u>

2. Receivables

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

Accounts receivable	\$ 352,217
Less: allowance for uncollectible accounts	<u>(65,267)</u>
Net Accounts Receivable	<u>\$ 86,950</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 128,909	\$ -	\$ -	\$ 128,909
Land highway right of way	3,179,485	343,931	3,120	3,520,296
Construction in progress	192,654	2,173,892	192,654	2,173,892
Total capital assets not depreciated	<u>\$ 3,501,048</u>	<u>\$ 2,517,823</u>	<u>\$ 195,774</u>	<u>\$ 5,823,097</u>
Capital assets depreciated				
Buildings	\$ 1,739,720	\$ 260,096	\$ 5	\$ 1,999,811
Improvements other than Buildings	97,503	-	-	97,503
Machinery, furniture, and Equipment	4,147,861	396,727	206,965	4,337,623
Infrastructure - trails	525,178	-	-	525,178
Infrastructure - highways	93,973,008	3,010,381	229,320	96,754,069
Total capital assets depreciated	<u>\$ 100,483,270</u>	<u>\$ 3,667,204</u>	<u>\$ 436,290</u>	<u>\$ 103,714,184</u>
Less: accumulated depreciation for				
Buildings	\$ 562,012	\$ 40,393	\$ 5	\$ 602,400
Improvements other than buildings	50,469	4,862	-	55,331
Machinery, furniture, and equipment	2,714,310	361,299	204,811	2,870,798
Infrastructure - trails	78,777	26,259	-	105,036
Infrastructure - highways	36,469,646	1,822,566	229,320	38,062,892
Total accumulated depreciation	<u>\$ 39,875,214</u>	<u>\$ 2,255,379</u>	<u>\$ 434,136</u>	<u>\$ 41,696,457</u>
Total capital assets depreciated - net	<u>\$ 60,608,056</u>	<u>\$ 1,411,825</u>	<u>\$ 2,154</u>	<u>\$ 62,017,727</u>
Governmental Activities Capital Assets - Net	<u>\$ 64,109,104</u>	<u>\$ 3,929,648</u>	<u>\$ 197,928</u>	<u>\$ 67,840,824</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 52,915
Public safety	74,626
Highways and streets, including depreciation of infrastructure assets	2,062,497
Human services	26,756
Health	3,849
Culture and recreation	26,259
Sanitation	<u>8,477</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 2,255,379</u></u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

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

Transfers to Building Authority Debt Service Fund from General Fund	\$ 200,568	To reimburse Building Authority Fund.
 Transfer to General Fund from Social Service, Public Health, and Road and Bridge Special Revenue Funds	 11,694	 Reimburse for self-insured dental.
Transfers to Public Health from Social Service Special Revenue Fund	<u>65,000</u>	Provide funds for services provided by Public Health.
 Total Interfund Transfers	 <u><u>\$ 277,262</u></u>	

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2004:

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
Honeywell	2005	Semi-annual	\$ 22,209	\$ 341,300	\$ 42,728
John Deere tractor	2008	Annual	15,048	69,245	41,498
Case excavator	2009	Annual	24,941	87,420	87,420
IBM AS-400	2009	Monthly	12,943	57,390	48,759
Total Governmental Activities Capital Leases					<u>\$ 220,405</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2005	\$ 97,349
2006	52,932
2007	52,932
2008	37,883
2009	2,157
Total minimum lease payments	\$ 243,253
Less: amount representing interest	<u>(22,848)</u>
Present Value of Minimum Lease Payments	<u>\$ 220,405</u>

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

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

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
Promissory Note	2009	\$3,117 - \$7,519	5.00	\$ 35,000	<u>\$ 31,883</u>

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

Year Ending December 31	Promissory Note	
	Principal	Interest
2005	\$ 6,485	\$ 1,513
2006	6,813	1,185
2007	7,158	840
2008	7,519	480
2009	3,908	97
Total	<u>\$ 31,883</u>	<u>\$ 4,115</u>

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of participation	\$ 285,000	\$ -	\$ 285,000	\$ -	\$ -
Capital leases	137,495	144,811	61,901	220,405	86,935
Promissory note	-	35,000	3,117	31,883	6,485
Compensated absences	884,883	113,463	91,559	906,787	54,408
Governmental Activity Long-Term Liabilities	<u>\$ 1,307,378</u>	<u>\$ 293,274</u>	<u>\$ 441,577</u>	<u>\$ 1,159,075</u>	<u>\$ 147,828</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

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

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

B. Funding Policy

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

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

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

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

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 257,102	\$ 67,600	\$ 40,130
2003	259,323	67,078	37,620
2002	248,006	67,138	37,265

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

5. Risk Management

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

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

	Year Ended December 31	
	2004	2003
Unpaid claims, beginning of fiscal year	\$ 9,020	\$ 4,006
Incurred claims (including IBNR's)	58,953	67,929
Claims payments	(61,592)	(62,915)
Unpaid Claims, End of Fiscal Year	<u>\$ 6,381</u>	<u>\$ 9,020</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

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

B. Joint Ventures

Family Services Collaborative

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

Control of the Collaborative is vested in a Board of Directors. Wabasha County Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2004, Wabasha County did not provide any funding. Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of the termination shall be distributed by the Wabasha County Family Services Collaborative Board of Directors.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

South Central Health Alliance

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

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

In the event the SCHA incurs operating deficits, the member counties would maintain the SCHA's reserves to meet statutory and regulatory reserves and requirements. Minnesota statutes require the SCHA to maintain capital surplus equal to or greater than one month's expenditures, but less than three month's expenditures. The SCHA is in compliance with these requirements at December 31, 2004. During the year, Wabasha County made no payments to the SCHA.

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

C. Jointly-Governed Organizations

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

The Southeastern Minnesota Multi-County Housing Redevelopment Authority (HRA) provides housing and redevelopment services for several counties. During the year, Wabasha County paid \$64,086 to the HRA.

The Minnesota Computer Co-operative provides computer-programming service to several counties. During 2004, the County paid \$67,776 for dues, membership, and services.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

The Southeast Services Co-operative provides employee insurance programs. During 2004, the County paid \$69,143 to the Co-operative.

The Southeast Minnesota Recycling Exchange (SEMREX) provides recycling services to several counties. During 2004, the County made no payment to SEMREX.

The Southeast Minnesota Water Quality Board provides regional water quality services to several counties. During the year, Wabasha County paid \$3,000 to the Board.

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

The South Central Narcotics Task Force provides specialized law enforcement services to several counties. During the year, Wabasha County made no payments to the Task Force.

The Southeastern Minnesota Library provides library services to several counties. Wabasha County paid \$103,075 to the Library during the year.

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During the year, Wabasha County paid \$3,636 to the Project.

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

The Southeastern Minnesota Private Industry Council provides various job training services to several counties. During the year, the County paid \$63,188 to the Council.

D. Related Organizations

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2004, the County paid \$3,566 to the Bear Valley Watershed.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Related Organizations (Continued)

Wabasha County appoints Board members to the Cooks Valley Watershed. The County has no other control over this Board. The County is assisting the Watershed in terminating operations.

7. Reads Landing Sanitary District - Component Unit

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Cash and Pooled Investments

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

Receivables

No allowance has been made for uncollectible accounts.

Restricted Assets

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

Capital Assets

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

Deferred Revenue

Deferred revenue is made up of prepaid sewer usage fees.

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Sanitary District - Component Unit (Continued)

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

Capital Assets

Component unit capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	(42,718)	(34,174)	-	(76,892)
Total Capital Assets, Net	<u>\$ 1,324,260</u>	<u>\$ (34,174)</u>	<u>\$ -</u>	<u>\$ 1,290,086</u>

Depreciation expense of \$34,174 was charged to sewer operations.

C. Liabilities

1. Long-Term Debt

Reads Landing issued General Obligation Sewer Revenue bonds in 2004.

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General Obligation Bonds	2044	\$972 - \$5,166	4.375	\$ 101,000	<u>\$ 100,028</u>

2. Debt Service Requirements

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Sanitary District - Component Unit

C. Liabilities

2. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2005	\$ 1,015	\$ 4,376
2006	1,059	4,332
2007	1,106	4,285
2008	1,154	4,237
2009	1,204	4,187
2010-2014	6,861	20,095
2015-2019	8,498	18,457
2020-2024	10,529	16,428
2025-2029	13,040	13,915
2030-2034	16,154	10,801
2035-2039	20,010	6,945
2040-2044	19,398	2,167
Total	<u>\$ 100,028</u>	<u>\$ 110,225</u>

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ -	\$ 101,000	\$ 972	\$ 100,028	\$ 1,015

REQUIRED SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,974,714	\$ 3,974,714	\$ 4,032,968	\$ 58,254
Licenses and permits	154,540	154,540	198,702	44,162
Intergovernmental	1,758,666	1,704,826	1,926,669	221,843
Charges for services	509,202	509,202	626,471	117,269
Fines and forfeits	37,250	37,250	64,576	27,326
Investment earnings	170,000	170,000	172,954	2,954
Gifts and contributions	29,552	29,552	15,766	(13,786)
Miscellaneous	155,640	155,640	207,922	52,282
Total Revenues	\$ 6,789,564	\$ 6,735,724	\$ 7,246,028	\$ 510,304
Expenditures				
Current				
General government				
Commissioners	\$ 220,315	\$ 220,315	\$ 199,496	\$ 20,819
Courts	231,276	231,276	185,529	45,747
Court services	2,000	2,000	-	2,000
Law library	16,600	16,600	26,991	(10,391)
County administration	210,864	210,864	191,609	19,255
County auditor/auditor-treasurer	265,718	265,718	264,694	1,024
County assessor	305,920	305,920	295,496	10,424
Elections	43,374	43,374	45,682	(2,308)
Data processing	135,294	135,294	155,364	(20,070)
Central services	8,700	8,700	-	8,700
Attorney	250,560	250,560	250,588	(28)
Recorder	269,094	269,094	275,003	(5,909)
Surveyor	30,000	30,000	30,000	-
Planning and zoning	145,393	91,553	183,222	(91,669)
Geographical Information Systems (GIS)	64,260	64,260	57,167	7,093
Buildings and plant	366,285	366,285	271,584	94,701
Veterans service officer	63,671	63,671	64,149	(478)
Other general government	-	-	328,057	(328,057)
Total general government	\$ 2,629,324	\$ 2,575,484	\$ 2,824,631	\$ (249,147)
Public safety				
Sheriff	\$ 1,311,176	\$ 1,311,176	\$ 1,600,709	\$ (289,533)
Boat and water safety	14,590	14,590	14,713	(123)
Emergency services	56,321	56,321	96,109	(39,788)
Coroner	16,151	16,151	16,943	(792)
E-911 system	17,350	17,350	24,206	(6,856)
County jail	977,815	977,815	1,113,730	(135,915)
Community corrections	511,763	511,763	506,244	5,519
Total public safety	\$ 2,905,166	\$ 2,905,166	\$ 3,372,654	\$ (467,488)

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Hazardous waste	\$ 28,995	\$ 28,995	\$ 31,812	\$ (2,817)
SCORE	149,191	149,191	118,020	31,171
Environmental services	105,926	105,926	101,684	4,242
Total sanitation	\$ 284,112	\$ 284,112	\$ 251,516	\$ 32,596
Health				
Health center	\$ -	\$ -	\$ 10,348	\$ (10,348)
Culture and recreation				
Historical society	\$ 5,400	\$ 5,400	\$ 5,400	\$ -
Snowmobile	80,000	80,000	128,400	(48,400)
Regional library	110,700	110,700	112,129	(1,429)
Total culture and recreation	\$ 196,100	\$ 196,100	\$ 245,929	\$ (49,829)
Conservation of natural resources				
County extension	\$ 109,140	\$ 109,140	\$ 120,309	\$ (11,169)
Soil and water conservation	124,815	124,815	126,663	(1,848)
Agricultural inspections	600	600	335	265
Agricultural society/county fair	19,800	19,800	19,936	(136)
Soil survey	23,144	23,144	23,144	-
Predator control	5,000	5,000	7,084	(2,084)
Water planning	18,665	18,665	16,660	2,005
Wetland challenge	13,807	13,807	6,134	7,673
Other	16,513	16,513	8,884	7,629
Total conservation of natural resources	\$ 331,484	\$ 331,484	\$ 329,149	\$ 2,335
Economic development				
Housing development	\$ 61,914	\$ 61,914	\$ 63,917	\$ (2,003)
Tourism	450	450	450	-
Total economic development	\$ 62,364	\$ 62,364	\$ 64,367	\$ (2,003)
Unallocated				
Insurance	\$ 96,000	\$ 96,000	\$ -	\$ 96,000
Other	242,814	242,814	-	242,814
Total unallocated	\$ 338,814	\$ 338,814	\$ -	\$ 338,814

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal retirement	\$ 40,570	\$ 40,570	\$ 49,201	\$ (8,631)
Interest	\$ 3,930	\$ 3,930	\$ 6,003	\$ (2,073)
Administrative (fiscal) charges	\$ 500	\$ 500	\$ 1,250	\$ (750)
Total Expenditures	\$ 6,792,364	\$ 6,738,524	\$ 7,155,048	\$ (416,524)
Excess of Revenues Over (Under)				
Expenditures	\$ (2,800)	\$ (2,800)	\$ 90,980	\$ 93,780
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 11,694	\$ 11,694
Transfers out	-	-	(200,568)	(200,568)
Capital lease issued	-	-	57,390	57,390
Proceeds from sale of assets	-	-	5,369	5,369
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (126,115)	\$ (126,115)
Net Change in Fund Balance	\$ (2,800)	\$ (2,800)	\$ (35,135)	\$ (32,335)
Fund Balance - January 1	4,574,752	4,574,752	4,574,752	-
Fund Balance - December 31	\$ 4,571,952	\$ 4,571,952	\$ 4,539,617	\$ (32,335)

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 787,746	\$ 787,746	\$ 771,831	\$ (15,915)
Intergovernmental	5,581,543	5,581,543	4,577,752	(1,003,791)
Charges for services	13,200	13,200	40,008	26,808
Miscellaneous	11,800	11,800	54,673	42,873
Total Revenues	\$ 6,394,289	\$ 6,394,289	\$ 5,444,264	\$ (950,025)
Expenditures				
Current				
Highways and streets				
Administration	\$ 349,760	\$ 349,760	\$ 310,870	\$ 38,890
Engineering	814,350	814,350	1,055,977	(241,627)
Maintenance	1,316,845	1,316,845	1,200,732	116,113
Construction	3,493,500	3,493,500	3,182,574	310,926
Equipment maintenance and shop	411,160	411,160	516,026	(104,866)
Total highways and streets	\$ 6,385,615	\$ 6,385,615	\$ 6,266,179	\$ 119,436
Debt service				
Principal retirement	-	-	12,699	(12,699)
Interest	-	-	2,349	(2,349)
Total Expenditures	\$ 6,385,615	\$ 6,385,615	\$ 6,281,227	\$ 104,388
Excess of Revenues Over (Under) Expenditures	\$ 8,674	\$ 8,674	\$ (836,963)	\$ (845,637)
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (3,981)	\$ (3,981)
Capital lease issued	-	-	87,420	87,420
Proceeds from sale of assets	-	-	4,396	4,396
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 87,835	\$ 87,835
Net Change in Fund Balance	\$ 8,674	\$ 8,674	\$ (749,128)	\$ (757,802)
Fund Balance - January 1	466,469	466,469	466,469	-
Increase (decrease) in reserved for inventories	-	-	16,223	16,223
Fund Balance - December 31	\$ 475,143	\$ 475,143	\$ (266,436)	\$ (741,579)

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,054,052	\$ 1,054,052	\$ 1,035,592	\$ (18,460)
Intergovernmental	2,411,622	2,411,622	2,446,295	34,673
Charges for services	80,456	80,456	74,368	(6,088)
Miscellaneous	176,461	176,461	278,697	102,236
Total Revenues	\$ 3,722,591	\$ 3,722,591	\$ 3,834,952	\$ 112,361
Expenditures				
Current				
Human services				
Income maintenance	\$ 741,921	\$ 741,921	\$ 777,114	\$ (35,193)
Social services	3,331,350	3,331,350	3,175,749	155,601
Total Expenditures	\$ 4,073,271	\$ 4,073,271	\$ 3,952,863	\$ 120,408
Excess of Revenues Over (Under) Expenditures	\$ (350,680)	\$ (350,680)	\$ (117,911)	\$ 232,769
Other Financing Sources (Uses)				
Transfers out	-	-	(69,479)	(69,479)
Net Change in Fund Balance	\$ (350,680)	\$ (350,680)	\$ (187,390)	\$ 163,290
Fund Balance - January 1	2,310,170	2,310,170	2,310,170	-
Fund Balance - December 31	\$ 1,959,490	\$ 1,959,490	\$ 2,122,780	\$ 163,290

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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

Budgetary Information

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

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

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made supplemental budgetary appropriations of \$200,568 in the Social Service Building Fund, \$65,000 in the Public Health Fund, and \$11,694 in the General Fund. Supplemental budgetary appropriations in other funds were not considered significant.

The General Fund expenditures of \$7,155,048 exceeded the amended budget of \$6,738,524 by \$416,524.

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

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

DEBT SERVICE FUND

The Building Authority Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of the 1996 Social Service Certificates of Participation. This fund was closed in 2004.

CAPITAL PROJECTS FUND

The Reads Landing Fund is used for the construction of sewer and waste systems in the Reads Landing area. This fund was closed in 2004.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 1

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

	Regional Railroad Special Revenue	Public Health Special Revenue	Total Nonmajor Governmental Funds
	<hr/>	<hr/>	<hr/>
<u>Assets</u>			
Cash and pooled investments	\$ 22,304	\$ 547,654	\$ 569,958
Taxes receivable			
Prior	-	4,450	4,450
Accounts receivable	-	37,420	37,420
Due from other governments	59,902	89,134	149,036
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 82,206	\$ 678,658	\$ 760,864
	<hr/>	<hr/>	<hr/>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 6,698	\$ 6,286	\$ 12,984
Salaries payable	-	50,097	50,097
Contracts payable	81,388	-	81,388
Due to other governments	-	184	184
Deferred revenue - unavailable	-	7,430	7,430
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 88,086	\$ 63,997	\$ 152,083
	<hr/>	<hr/>	<hr/>
Fund Balances			
Reserved for health	\$ -	\$ 35,204	\$ 35,204
Unreserved			
Designated for cash flows	-	143,000	143,000
Designated for compensated absences	-	102,496	102,496
Undesignated	(5,880)	333,961	328,081
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ (5,880)	\$ 614,661	\$ 608,781
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 82,206	\$ 678,658	\$ 760,864
	<hr/>	<hr/>	<hr/>

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 2

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

	Regional Railroad Special Revenue	Public Health Special Revenue	Building Authority Debt Service	Reads Landing Capital Projects	Total Nonmajor Governmental Funds
Revenues					
Taxes	\$ -	\$ 208,309	\$ 52,400	\$ -	\$ 260,709
Licenses and permits	-	697	-	-	697
Intergovernmental	96,450	306,096	-	-	402,546
Charges for services	-	627,397	-	-	627,397
Investment earnings	-	-	94	-	94
Gifts and contributions	8,075	4,290	-	-	12,365
Miscellaneous	4,129	34,004	-	-	38,133
Total Revenues	\$ 108,654	\$ 1,180,793	\$ 52,494	\$ -	\$ 1,341,941
Expenditures					
Current					
General government	\$ -	\$ -	\$ 20	\$ -	\$ 20
Health	-	1,226,012	-	-	1,226,012
Culture and recreation	141,140	-	-	-	141,140
Economic development	-	-	-	46	46
Debt service					
Principal retirement	3,117	-	285,000	-	288,117
Interest	882	-	13,254	-	14,136
Administrative (fiscal) charges	-	-	719	-	719
Total Expenditures	\$ 145,139	\$ 1,226,012	\$ 298,993	\$ 46	\$ 1,670,190
Excess of Revenues Over (Under) Expenditures	\$ (36,485)	\$ (45,219)	\$ (246,499)	\$ (46)	\$ (328,249)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 65,000	\$ 200,568	\$ -	\$ 265,568
Transfers out	-	(3,234)	-	-	(3,234)
Loans issued	35,000	-	-	-	35,000
Total Other Financing Sources (Uses)	\$ 35,000	\$ 61,766	\$ 200,568	\$ -	\$ 297,334
Net Change in Fund Balance	\$ (1,485)	\$ 16,547	\$ (45,931)	\$ (46)	\$ (30,915)
Fund Balance - January 1	(4,395)	598,114	45,931	46	639,696
Fund Balance - December 31	<u>(5,880)</u>	<u>614,661</u>	<u>-</u>	<u>-</u>	<u>608,781</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 4

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 678,550	\$ 678,550	\$ 96,450	\$ (582,100)
Gifts and contributions	9,850	9,850	8,075	(1,775)
Miscellaneous	-	-	4,129	4,129
Total Revenues	\$ 688,400	\$ 688,400	\$ 108,654	\$ (579,746)
Expenditures				
Current				
Culture and recreation				
Trails	\$ 688,400	\$ 688,400	\$ 141,140	\$ 547,260
Debt service				
Principal retirement	-	-	3,117	(3,117)
Interest	-	-	882	(882)
Total Expenditures	\$ 688,400	\$ 688,400	\$ 145,139	\$ 543,261
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (36,485)	\$ (36,485)
Other Financing Sources (Uses)				
Proceeds from loan	-	-	35,000	35,000
Net Change in Fund Balance	\$ -	\$ -	\$ (1,485)	\$ (1,485)
Fund Balance - January 1	(4,395)	(4,395)	(4,395)	-
Fund Balance - December 31	\$ (4,395)	\$ (4,395)	\$ (5,880)	\$ (1,485)

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 5

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 212,851	\$ 212,851	\$ 208,309	\$ (4,542)
Licenses and permits	-	-	697	697
Intergovernmental	262,142	262,142	306,096	43,954
Charges for services	712,826	712,826	627,397	(85,429)
Gifts and contributions	3,000	3,000	4,290	1,290
Miscellaneous	49,737	49,737	34,004	(15,733)
Total Revenues	\$ 1,240,556	\$ 1,240,556	\$ 1,180,793	\$ (59,763)
Expenditures				
Current				
Health				
Nursing service	\$ 581,710	\$ 581,710	\$ 506,921	\$ 74,789
Family health	179,368	179,368	176,895	2,473
Disease prevention	48,018	48,018	44,300	3,718
Health education	23,656	23,656	37,876	(14,220)
Community health services	424,862	424,862	460,020	(35,158)
Total Expenditures	\$ 1,257,614	\$ 1,257,614	\$ 1,226,012	\$ 31,602
Excess of Revenues Over (Under)				
Expenditures	\$ (17,058)	\$ (17,058)	\$ (45,219)	\$ (28,161)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 65,000	\$ 65,000
Transfers out	-	-	(3,234)	(3,234)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 61,766	\$ 61,766
Net Change in Fund Balance	\$ (17,058)	\$ (17,058)	\$ 16,547	\$ 33,605
Fund Balance - January 1	598,114	598,114	598,114	-
Fund Balance - December 31	\$ 581,056	\$ 581,056	\$ 614,661	\$ 33,605

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
BUILDING AUTHORITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 105,000	\$ 105,000	\$ 52,400	\$ (52,600)
Investment earnings	-	-	94	94
Total Revenues	\$ 105,000	\$ 105,000	\$ 52,494	\$ (52,506)
Expenditures				
Current				
General government				
Other general government	\$ -	\$ -	\$ 20	\$ (20)
Debt service				
Principal retirement	85,000	85,000	285,000	(200,000)
Interest	20,000	20,000	13,254	6,746
Administrative (fiscal) charges	-	-	719	(719)
Total Expenditures	\$ 105,000	\$ 105,000	\$ 298,993	\$ (193,993)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (246,499)	\$ (246,499)
Other Financing Sources (Uses)				
Transfers in	-	-	200,568	200,568
Net Change in Fund Balance	\$ -	\$ -	\$ (45,931)	\$ (45,931)
Fund Balance - January 1	45,931	45,931	45,931	-
Fund Balance - December 31	\$ 45,931	\$ 45,931	\$ -	\$ (45,931)

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FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 3

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>REVOLVING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 138,804	\$ 1,281,928	\$ 1,309,824	\$ 110,908
<u>Liabilities</u>				
Due to other governments	\$ 138,804	\$ 1,281,928	\$ 1,309,824	\$ 110,908
<u>FAMILY SERVICE COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 580,117	\$ 734,234	\$ 447,239	\$ 867,112
<u>Liabilities</u>				
Due to other governments	\$ 580,117	\$ 734,234	\$ 447,239	\$ 867,112
<u>PRE-TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,515	\$ 210,124	\$ 127,003	\$ 88,636
<u>Liabilities</u>				
Due to other governments	\$ 5,515	\$ 210,124	\$ 127,003	\$ 88,636

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 3
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 156,712	\$ 14,940,951	\$ 14,906,550	\$ 191,113
<u>Liabilities</u>				
Accounts payable	\$ 8,294	\$ 13,160	\$ 8,294	\$ 13,160
Due to other funds	-	6,234,296	6,234,296	-
Due to other governments	148,418	8,693,495	8,663,960	177,953
Total Liabilities	\$ 156,712	\$ 14,940,951	\$ 14,906,550	\$ 191,113
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 881,148	\$ 17,167,237	\$ 16,790,616	\$ 1,257,769
<u>Liabilities</u>				
Accounts payable	\$ 8,294	\$ 13,160	\$ 8,294	\$ 13,160
Due to other funds	-	6,234,296	6,234,296	-
Due to other governments	872,854	10,919,781	10,548,026	1,244,609
Total Liabilities	\$ 881,148	\$ 17,167,237	\$ 16,790,616	\$ 1,257,769

COMPONENT UNIT

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 7

**STATEMENT OF NET ASSETS
READS LANDING COMPONENT UNIT
DECEMBER 31, 2004**

Assets

Current assets

Cash and pooled investments	\$ 2,912
Accounts receivable - net	8,513
Accrued interest receivable	<u>1</u>

Total current assets	\$ 11,426
-----------------------------	------------------

Restricted assets

Cash and pooled investments	11,159
-----------------------------	--------

Noncurrent assets

Capital assets	
Depreciable - net	<u>1,290,086</u>

Total Assets	\$ 1,312,671
---------------------	---------------------

Liabilities

Current liabilities

Accounts payable	\$ 113
Due to other governments	3,442
Revenue bonds payable - current	1,015
Deferred revenue	<u>40</u>

Total current liabilities	\$ 4,610
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Noncurrent liabilities

Revenue bonds payable - long-term	<u>99,013</u>
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Total Liabilities	\$ 103,623
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Net Assets

Invested in capital assets - net of related debt	\$ 1,201,217
Restricted for equipment replacement	405
Unrestricted	<u>7,426</u>

Total Net Assets	\$ 1,209,048
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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
READS LANDING COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2004**

Operating Revenues	
Charges for services	\$ 56,185
Operating Expenses	
Professional services	\$ 565
Contracted services	42,345
Other services and charges	50
Telephone	546
Utilities	821
Insurance	1,585
Postage	40
Depreciation	34,174
Total Operating Expenses	\$ 80,126
Operating Income (Loss)	\$ (23,941)
Nonoperating Revenues (Expenses)	
Interest income	\$ 58
Interest expense	(2,567)
Total Nonoperating Revenues (Expenses)	\$ (2,509)
Change in Net Assets	\$ (26,450)
Net Assets - January 1	1,235,498
Net Assets - December 31	\$ 1,209,048

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 9

**STATEMENT OF CASH FLOWS
READS LANDING COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 52,034
Payments to suppliers	(44,853)
	<hr/>
Net cash provided by (used in) operating activities	\$ 7,181
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Principal received on revenue bonds issued	\$ 101,000
Repaid advance from Wabasha County	(101,000)
Principal paid on long-term debt	(972)
Interest paid on long-term debt	(2,567)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (3,539)
	<hr/>
Cash Flows from Investing Activities	
Investment earnings received	\$ 57
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,699
	<hr/>
Cash and Cash Equivalents at January 1	10,372
	<hr/>
Cash and Cash Equivalents at December 31	\$ 14,071
	<hr/>
Cash and Cash Equivalents - Schedule 4	
Cash and pooled investments	\$ 2,912
Restricted cash and pooled investments	11,159
	<hr/>
Total Cash and Cash Equivalents	\$ 14,071
	<hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (23,941)
	<hr/>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 34,174
(Increase) decrease in accounts receivable	(4,152)
Increase (decrease) in accounts payable	(30)
Increase (decrease) in due to other governments	1,129
Increase (decrease) in deferred revenue	1
	<hr/>
Total adjustments	\$ 31,122
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Net Cash Provided by (Used in) Operating Activities	\$ 7,181
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OTHER SCHEDULE

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 10

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

Shared Revenue

State

Highway users tax	\$ 3,506,814
HACA	530,059
Market value credit	1,025,294
Temporary court aid	86,524
PERA rate reimbursement	22,637
Disparity reduction aid	21,943
Police aid	62,079
Enhanced 911	48,041
Sales tax rebate	19,303

Total Shared Revenue	\$ 5,322,694
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Reimbursement for Services

Minnesota Department of Human Services	\$ 1,032,367
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Payments in Lieu of Taxes

	\$ 162,688
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Grants

State

Minnesota Department/Board of	
Corrections	\$ 152,829
Public Safety	2,267
Health	108,438
Natural Resources	158,198
Human Services	626,041
Soil and Water Resources	108,034
Office of Environmental Assistance	50,250
Pollution Control Agency	3,199
Peace Officer's Board	5,013
Short-Term Offender	5,777

Total State	\$ 1,220,046
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Federal

Department of	
Agriculture	\$ 60,322
Interior	4,575
Justice	5,113
Transportation	910,735
Health and Human Services	573,731
Homeland Security	60,991

Total Federal	\$ 1,615,467
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Total State and Federal Grants	\$ 2,835,513
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Total Intergovernmental Revenue	\$ 9,353,262
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MANAGEMENT AND COMPLIANCE SECTION

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Schedule 11

I. SUMMARY OF AUDITOR'S RESULTS

- CFDA #20.205

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

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

Minn. Stat. § 375.12 requires County Board minutes to be published within 30 days of the meeting, and this publication is to include an individualized itemized list of County Board-approved payments over \$300. A statement showing the total number of claims that do not exceed the threshold amount and their dollar amount must be stated. Minn. Stat. § 375.17 requires the County Board to prepare financial statements not later than March, and these financial statements, or a summary in a form prescribed by the State Auditor, must be published in a duly qualified legal newspaper in the County. If the full statements are published, they must include a listing of all claims paid unless the publication of the minutes contained this data. In that case, this listing would only include vendors being paid more than \$5,000 during the year. Minn. Stat. § 331A.01 discusses how the County can publish summaries. This section does not change the publication of year-end vendor payments as discussed in Minn. Stat. § 375.17. Also, this section requires that the full data be available at a specified County location or by standard or electronic mail.

When the County published the Board minutes, only a summary of fund payments was published. The County's published financial statements included a list of vendors paid more than \$5,000 during year-end. Because the published minutes did not include an individualized, itemized list of vendor payments, the year-end

individualized itemized list should have been of all vendors that received payments over the threshold amounts, and not just those who were paid more than \$5,000 during the year. The number and aggregate value of claims under the threshold amount should have been included.

The County Board should comply with the above-noted statutes and publish the County Board minutes with vendor payments and annual County financial statements with vendor payments as required. The State Auditor's Office worked with the Association of Minnesota Counties to propose revisions to the publication requirements for County financial data during the 2005 legislative session.

Client's Response:

Starting in 2004, Wabasha County will publish all vendors over the threshold, which is \$300, in the year-end financial statement. Wabasha County will publish vendors that meet the threshold that is set by statute.

03-3

Financial Statement Preparation

Minn. Stat. § 375.17 states that the County Board is responsible for having annual financial statements prepared by the first part of March following year-end. The County Board has oversight responsibility to ensure that the annual financial report is prepared in a timely manner.

Generally, the County Board should provide the necessary directives to County staff for the preparation and timely completion of the annual financial report, including providing sufficient guidance as to detail to be prepared, staff training in preparing the annual report, and staff time needed to prepare the annual report. The annual financial report consists of a Management's Discussion and Analysis (MD&A), entity-wide statements, fund level statements, notes to the financial statements, required supplementary information, detailed fund data as needed, and other data as deemed necessary. This data should be prepared in accordance with generally accepted accounting principles for government. As part of the fund financial statements, summary schedules/worksheets should be prepared by County staff to demonstrate how the accounts in the financial records are classified/summarized for the financial report. After the trial balances are completed, the next step is to complete the financial statements, schedules, notes, and the MD&A.

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

We recommend that the County Board provide the necessary directives to County staff to prepare the annual financial statements. In order to accomplish this, the County Board should ensure that County staff assigned to prepare this information have a good understanding of generally accepted accounting principles for government and the time necessary to prepare the draft financial report by the agreed dates.

Client's Response:

Wabasha County had all items completed on time. There are times when Wabasha County needs to wait to hear back from Auditors before Wabasha County proceeds to the next step in the audit. In the future, Wabasha County may be asked to prepare more information.

ITEM ARISING THIS YEAR

04-1

Failure to Obtain a Certificate of Compliance

On August 27, 2004, the County made final payment to Road Constructors, Inc., on projects SAP 79-656-02 and SAP 79-657-03 without obtaining a certificate of compliance (IC-134) from the Minnesota Department of Revenue certifying that income taxes were withheld on employee wages.

Minn. Stat. § 290.97 provides that final settlement with any contractor under a contract requiring the employment of employees for wages shall not be made until a withholding affidavit has been filed and a certificate of compliance has been issued by the Minnesota Department of Revenue.

We recommend the County obtain a certificate of compliance before payment is made on a contract, in accordance with the provisions of Minn. Stat. § 290.97.

Client's Response:

As per the letter from Mark Gieseke, MN/Dot Program Delivery Engineer, dated November 6, 2003, the State asked that the local agencies close out projects prior to 2001.

So therefore, Wabasha County processed the final payment to contractor (which was approved by the Board of Commissioners in November 2004) and sent in the State Aid Payment Request to the DSAE, who approved final payment to the County and forwarded the request to the State of MN for payment to Wabasha County.

PREVIOUSLY REPORTED ITEMS RESOLVED

Negative Cash Balance Capital Projects Fund (01-2)

The Reads Landing Capital Projects Fund had an operating cash balance deficit of \$100,954 as of December 31, 2003.

Resolution

As of December 31, 2004, the Reads Landing Capital Projects Fund had been closed.

**Lease Agreement Signed by County Highway Maintenance
Supervisor (03-1)**

The County entered into a lease purchase agreement and did not have an authorized person sign the contract.

Resolution

New lease purchase agreements reviewed had the proper authorized individual signing the agreement.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-10 Disaster Recovery Plan

While reviewing the Data Processing Department, we noted Wabasha County has a data processing disaster recovery agreement with Goodhue County but has no disaster recovery plan to ensure continued operations if a disaster or major computer breakdown were to occur. A disaster recovery plan would give greater

assurance that the County is prepared for a disaster or major computer breakdown. The County needs to provide for the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements.

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

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

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

PREVIOUSLY REPORTED ITEM RESOLVED

Social Service Budget (02-3)

During 2003, the Social Service Fund budgeted \$447,491 for both revenues and expenditures for the Family Service Collaborative funds passed through the Social Service Department of the Social Service Fund.

Resolution

During 2004, the Social Service Fund did not budget revenues or expenditures for Family Service Collaborative funds passed through the Social Service Department of the Social Service Fund.

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners
Wabasha County

We have audited the financial statements of Wabasha County as of and for the year ended December 31, 2004, and have issued our report thereon dated June 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wabasha County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 Wabasha County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Wabasha County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 03-2, 03-3, and 04-1.

This report is intended solely for the information and use of the Board of County Commissioners and management 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: June 20, 2005



PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Wabasha County

Compliance

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

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

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

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Wabasha County as of and for the year ended December 31, 2004, and have issued our report thereon dated June 20, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Wabasha County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: June 20, 2005

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 12

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

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	\$ 57,912
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	2,410
Total U.S. Department of Agriculture		\$ 60,322
U.S. Department of Interior		
Direct Cooperative Agreement USGS NMD NSDI	15.809	\$ 4,575
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Block Grant	16.523	\$ 5,113
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 906,372
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	4,363
Total U.S. Department of Transportation		\$ 910,735
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 30,949
Maternal and Child Health Services Block Grant	93.994	26,200
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	2,948
Temporary Assistance for Needy Families	93.558	76,097
Child Care Mandatory and Matching Funds	93.596	109,714
Foster Care Title IV-E	93.658	135,635
Social Services Block Grant Title XX	93.667	138,435
Chafee Foster Care Independent Living	93.674	16,137
Community Mental Health Services Block Grant	93.958	5,941
Total U.S. Department of Health and Human Services		\$ 542,056

**WABASHA COUNTY
WABASHA, MINNESOTA**

**Schedule 12
(Continued)**

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 5,000
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	39,343
Emergency Management Performance Grants	97.042	15,120
Supplemental Planning Grant	97.051	1,528
Total U.S. Department of Homeland Security		\$ 60,991
Total Federal Awards		\$ 1,583,792

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Wabasha County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Expenditures differ from revenues on the modified accrual basis due to reimbursements receivable, not yet available.
3. Pass-through grant numbers were not assigned by the pass-through agencies.