

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

---

**WINONA COUNTY**  
**WINONA, 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.

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

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

**WINONA COUNTY  
WINONA, MINNESOTA**

**Year Ended December 31, 2004**



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

This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	14
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	16
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	20
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	21
Statement of Changes in Fiduciary Net Assets	Exhibit 8	22
Notes to the Financial Statements		23
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedules		
General Fund	Schedule 1	49
Road and Bridge Fund	Schedule 2	52
Social Services Fund	Schedule 3	53
Notes to the Required Supplementary Information		54

**WINONA COUNTY  
WINONA, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Financial Section (Continued)</b>		
Supplementary Information		
Governmental Funds		
Nonmajor Governmental Funds		55
Combining Balance Sheet	Statement 1	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	57
Budgetary Comparison Schedule - Health Service Fund	Schedule 4	58
Fiduciary Funds		
Agency Funds		59
Combining Statement of Changes in Assets and Liabilities	Statement 3	60
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 5	62
Schedule of Investments	Schedule 6	63
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	Schedule 7	65
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs	Schedule 8	66
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>		70
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		72
Schedule of Expenditures of Federal Awards	Schedule 9	74



This page was left blank intentionally.



**WINONA COUNTY  
WINONA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2004**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1st District	Duane M. Bell	January 2007
2nd District	Dwayne Voegeli	January 2007
3rd District	Charles Meyer	January 2005
4th District	David Stoltman	January 2005
5th District	Marcia Ward	January 2007
<b>Officials</b>		
<b>Elected</b>		
Attorney	Charles E. MacLean	January 2007
Auditor	Cherie MacLennan	January 2007
Recorder	Robert Bambenek	January 2007
Sheriff	Dave Brand	January 2007
Treasurer	Suzanne Rivers	January 2007
<b>Appointed</b>		
Administrator	Robert Reinert	Indefinite
Community Health Director	Lynn Theurer	Indefinite
County Assessor	Steven Hacken	June 2005
Environmental Services Director	Jill Johnson	Indefinite
Facility Manager	Pam Wolf	Indefinite
Finance Director	Blake Pickart	Indefinite
Highway Engineer	David Rholl	May 2006
Human Services Director	W. Craig Brooks	Indefinite
Information Technology Director	Mark Anderson	Indefinite
Personnel Director	Maureen Holte	Indefinite
Planning Director	Eric Johnson (interim)	Indefinite
Veterans Service Officer	Steven Johnson	June 2007

**ORGANIZATION OF THE COUNTY**

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

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

This page was left blank intentionally.



This page was left blank intentionally.



# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON  
STATE AUDITOR

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Winona County

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 6, 2005, on our consideration of Winona County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: July 6, 2005

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

This page was left blank intentionally.



**WINONA COUNTY  
WINONA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2004

(Unaudited)

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Winona County, Minnesota, for the year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the basic financial statements (including the notes) to enhance their understanding of the County's financial activity and performance. All amounts are expressed in dollars, unless specifically noted.

**FINANCIAL HIGHLIGHTS**

- At the end of 2004, Winona County's assets exceeded liabilities by \$69.2 million (net assets). Of that amount, \$21.8 million is unrestricted net assets and may be used to meet the County's ongoing obligations to citizens and creditors. The remaining \$47.4 million is invested in capital assets or restricted by law.
- At the close of the current year, the ending fund balances for all governmental funds were \$23.8 million. This is an increase of \$2.2 million from the previous year. Of the combined ending fund balances, \$3.3 million is unreserved, undesignated fund balance available for spending by the County.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$0.2 million. The amount represents 1.3 percent of the expenditures for the year.
- Total bonded debt decreased by \$585,000, or 5.6 percent, during the year. Debt was decreased by payments of principal.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The three main sections of this report are: introduction, financial, and the auditor's reports.

The **introduction** contains the County's organizational structure and principal officials.

The **financial section** includes the MD&A and is intended to serve as a roadmap of the basic financial statements. The basic financial statements have three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

The **required supplementary information section** contains the budget to actual presentation for the County's major funds.

Other supplementary information is included to enhance reader understanding of County financial activity. An example is information about federal grant programs.

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

### **Government-Wide Financial Statements**

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

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

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

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

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

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

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

**Notes to the Financial Statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Government-Wide Financial Analysis

**Net Assets** may be a useful indicator of a government's financial position over time. As of December 31, 2004, assets exceeded liabilities by \$69.3 million. The following table provides a summary of Winona County's governmental net assets.

	Governmental Activities		Percent Change
	2004	2003 (Restated)	
<b>Assets</b>			
Current and other assets	\$ 27,419,963	\$ 26,298,436	4%
Capital assets	<u>54,771,679</u>	<u>53,394,834</u>	3%
Total Assets	<u>\$ 82,191,642</u>	<u>\$ 79,693,270</u>	3%
<b>Liabilities</b>			
Current and other liabilities	\$ 2,032,275	\$ 3,556,037	(43%)
Long-term liabilities	<u>10,903,935</u>	<u>10,517,623</u>	4%
Total Liabilities	<u>\$ 12,936,210</u>	<u>\$ 14,073,660</u>	(8%)
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 45,785,142	\$ 43,653,003	5%
Restricted	1,649,773	2,032,733	(19%)
Unrestricted	<u>21,820,517</u>	<u>19,933,874</u>	9%
Total Net Assets	<u>\$ 69,255,432</u>	<u>\$ 65,619,610</u>	6%

The largest portion of Winona County's net assets, 66 percent, or \$45.8 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utility to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt. However, resources needed to repay the debt must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

An additional \$1.6 million of the County's net assets, or two percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as land acquisition and public safety projects.

The remaining \$21.8 million of net assets, or 32 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors.

At the end of both 2003 and 2004, Winona County had positive balances in all categories of net assets.

**Change in Net Assets.** In 2004, government-wide revenue exceeded expenses by \$3.6 million, thereby increasing net assets. Net assets changed as follows:

	Change in Net Assets		
	2004	2003 (Restated)	Percent Change
<b>Revenues</b>			
<b>Program revenues</b>			
Charges for services	\$ 4,614,148	\$ 4,160,496	11%
Operating grants and contributions	12,358,056	11,277,420	10%
Capital grants and contributions	820,512	3,299,514	(75%)
<b>General revenues</b>			
Property taxes	12,107,513	11,296,295	7%
Unrestricted grants	3,140,289	3,584,048	(12%)
Investment income	350,417	299,351	17%
Other	572,556	745,394	(23%)
<b>Total Revenues</b>	<b>\$ 33,963,491</b>	<b>\$ 34,662,518</b>	<b>(2%)</b>
<b>Expenses</b>			
General government	\$ 6,162,000	\$ 5,809,365	6%
Public safety	4,875,032	4,867,377	-
Transportation	5,931,400	6,273,774	(5%)
Sanitation	822,051	857,694	(4%)
Human services	8,984,183	9,930,899	(10%)
Health	2,368,297	2,305,034	3%
Interest on long-term debt	437,953	423,084	4%
Other	746,753	1,032,149	(28%)
<b>Total Expenses</b>	<b>\$ 30,327,669</b>	<b>\$ 31,499,376</b>	<b>(4%)</b>
<b>Increase in Net Assets</b>	<b>\$ 3,635,822</b>	<b>\$ 3,163,142</b>	<b>15%</b>
<b>Net Assets - January 1, restated</b>	<b>65,619,610</b>	<b>62,456,468</b>	<b>5%</b>
<b>Net Assets - December 31</b>	<b>\$ 69,255,432</b>	<b>\$ 65,619,610</b>	<b>6%</b>

The following three statements depict relationships:

- *Program revenues* indicate the proportion of program revenue available to fund expenses. Program revenues derive from the program itself or outside the government's taxpayers or citizenry and help reduce the cost of the program.
- *General revenues* indicate the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 36 percent of the total revenue for the County.

- *Expenses* depict the relationship between governmental activities functions. Property taxes of \$12.1 million are leveraged to provide \$30.3 million in services.

**Governmental activities** increased Winona County's net assets by \$3,635,822, which is 11 percent of current year's revenues, 12 percent of current expenses, or 6 percent of beginning net assets. Below are the major components of this portion of the growth:

- Charges for services increased for two reasons. Human Services was able to secure one-time funding through its vendor relationship, and Community Health increased its service revenues.
- Transportation, due to decreased funding, was not able to complete some projects that were planned and, therefore, decreased expenditures.
- Human Services managed expenses according to the reductions in grants and state funding.

### **Fund Level Financial Analysis**

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

The funds are separated into two categories:

1. Governmental funds
2. Fiduciary funds

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

The focus of Winona County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account on the governmental fund financial statements, while it is disregarded in the government-wide statements. This information may be useful in evaluating a government's near-term financing requirements as well as the available resources. A reconciliation of governmental funds to government-wide net assets appears in Exhibit 4.

For the year ended December 31, 2004, the combined ending fund balances of governmental funds were \$23.8 million. Approximately 89 percent, or \$21.2 million, of the combined ending fund balances consists of unreserved fund balances. Unreserved fund balances are available as

working capital and for current spending consistent with the purposes of each of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes:

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

Winona County has three major governmental funds. These funds are:

- General Fund
- Road and Bridge Special Revenue Fund
- Social Services Special Revenue Fund

The **General Fund** is the primary operating fund of the Winona County government. The General Fund balance was \$9.9 million at the end of 2004. Of that amount, \$0.5 million is reserved for acquisition of assets, forfeited property, donations, and loans receivable. In addition, the Board of Commissioners has designated \$9.2 million for cash flow, compensated absences, recycling, and future expenditures. The remaining \$0.2 million is unreserved, undesignated and available for spending on current and future needs. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unreserved, undesignated fund balance is 1.3 percent of 2004 expenditures while total fund balance is 80 percent of the same amount. The second purpose is to compare the fund balance percentages to the recommended percentage given by the Office of the State Auditor (OSA). The recommended percentages are 35 to 50 percent of General Fund operating expenditures, or no less than five months of expenditures. Winona County's total fund balance percentage of 80 percent is above the OSA recommendation.

When compared to 2003, ending General Fund balance decreased by \$615,454. A major component of the change was the \$659,248 transfer of cash reserves to the capital projects fund to complete the remodeling of the courthouse, jail annex, and courthouse waterproofing.

The **Road and Bridge Special Revenue Fund** accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$5.8 million fund balance at the end of 2004 that represented a \$317,174 increase from 2004. The increase in fund balance was due to reductions in expenditures for capital projects and increases in inventories.

The **Social Services Special Revenue Fund** exists to account for resources expended to operate income maintenance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$5.1 million fund balance at the end of 2004 that represented a

\$1,350,474 increase from 2003. The increase in fund balance was due to better collections and identifying additional funding sources. The increased revenue is one time and cannot be anticipated in the future.

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

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

**General Fund Budgetary Highlights**

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

For 2004, the Board of Commissioners adopted the following budget:

<u>County Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources</u>
General Fund	\$ 11,121,116	\$ 11,901,642	\$ 29,504

The adopted General Fund budget anticipated using \$751,022 of fund balance. Instead of using \$751,022 of fund balance, the General Fund used fund balance of \$615,454.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Winona County’s investment in capital assets for its governmental activities as of December 31, 2004, was \$54.8 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in process.

Major capital asset events during the year includes the following:

- Completion of courthouse waterproofing and near completion of the jail annex in the basement of the LEC
- Upgrades in technology

Additional information about capital assets can be found in Note 2 to the financial statements.

	Changes in Capital Assets		
	2004	2003	Percent Change
Capital assets not depreciated			
Land			
General	\$ 1,536,635	\$ 1,536,635	-
Highway	50,085	50,085	-
Highway right-of-way	2,873,788	2,873,788	-
Construction in progress	2,270,748	1,904,770	19%
Total capital assets not depreciated	\$ 6,731,256	\$ 6,365,278	6%
Capital assets depreciated			
Buildings	\$ 18,440,418	\$ 18,324,570	1%
Improvements other than buildings	293,599	2,201,935	(87%)
Machinery, furniture, and equipment	6,094,483	5,905,020	3%
Infrastructure	36,804,708	34,842,618	6%
Total capital assets depreciated	\$ 61,633,208	\$ 61,274,143	1%
Less: accumulated depreciation for			
Buildings	\$ 1,848,194	\$ 1,664,512	11%
Improvements other than buildings	107,100	2,020,938	(95%)
Machinery, furniture, and equipment	2,750,687	2,341,555	17%
Infrastructure	8,886,804	8,217,582	8%
Total accumulated depreciation	\$ 13,592,785	\$ 14,244,587	(5%)
Total capital assets depreciated, net	\$ 48,040,423	\$ 47,029,556	2%
Governmental Activities Capital Assets, Net	\$ 54,771,679	\$ 53,394,834	3%

**Capital Lease Agreement and Outstanding Bonds.** At the end of the current year, Winona County had general obligation bonds and notes, an installment purchase agreement, and capital lease purchase agreements outstanding.

#### Outstanding Long-Term Debt

	Governmental Activities	
	2004	2003
Capital leases/installment purchases	\$ 308,413	\$ 312,446
General obligation notes	345,000	510,000
General obligation bonds	9,445,000	9,865,000
Total	\$ 10,098,413	\$ 10,687,446



The outstanding debt, listed previously, of Winona County decreased by \$589,033 during 2004. The decrease was due to principal payments made during the year.

The most recent bond rating the County has received is “AA3.”

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

## **ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

### Unemployment

The 12-month average for unemployment in 2004 was 4.3 percent, compared to 4.6 percent in 2003. Winona County’s unemployment rate was also better than the state or national rate in both years.

### New Construction

New construction was valued at \$77.5 million in 2004. An increase of 19.2 percent was experienced from the previous year.

### Mortgage Recording

Recordings of mortgages and satisfactions of mortgages decreased from a record high in 2003. These two types of recordings decreased a total of 26 percent.

### State-Projected Deficit

Not including inflation on the expenditure side of the state’s forecast for the next biennium, the projected deficit is close to \$466 million dollars. Since the state has not fixed its problem, concern remains for stable state-aid funding.

### Budgeting Approach

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

All of these factors are being considered in preparing the Winona County budget for 2006. The County is also researching the adoption of a two-year budget cycle.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Winona County's finances for those with an interest in the government's financial activities. Questions concerning any of the information provided in this, or for additional financial information, should be addressed to Blake Pickart, Finance Director, 177 Main Street, Winona, Minnesota 55987, 1-507-457-6459.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 1**

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

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 13,285,513
Petty cash and change funds	3,195
Investments	9,290,844
Taxes receivable	
Current	194,884
Prior	67,927
Special assessments receivable	
Current	5,735
Prior	2,151
Accounts receivable - net	751,382
Accrued interest receivable	81,422
Loans receivable	268,611
Due from other governments	2,898,936
Inventories	562,696
Deferred charges	6,667
Capital assets	
Non-depreciable	6,731,256
Depreciable - net of accumulated depreciation	48,040,423
	<b>\$ 82,191,642</b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 687,969
Salaries payable	422,107
Accrued payroll taxes	53,037
Contracts payable	162,191
Due to other governments	536,148
Accrued interest payable	170,823
Long-term liabilities	
Due within one year	876,718
Due in more than one year	10,027,217
	<b>\$ 12,936,210</b>
<b><u>Net Assets</u></b>	
Invested in capital assets - net of related debt	\$ 45,785,142
Restricted for	
Highways and streets	1,367,868
General government	97,649
Public safety	156,647
Conservation of natural resources	20,000
Debt service	7,609
Unrestricted	21,820,517
	<b>\$ 69,255,432</b>

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

Page 14

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 2**

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

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b><u>Functions/Programs</u></b>				
<b>Governmental activities</b>				
General government	\$ 6,162,000	\$ 1,363,340	\$ 91,433	\$ -
Public safety	4,875,032	256,058	507,235	-
Transportation	5,931,400	89,564	4,197,438	820,512
Sanitation	822,051	656,769	-	-
Human services	8,984,183	213,427	6,709,496	-
Health	2,368,297	1,905,062	504,664	-
Culture and recreation	398,968	-	113,325	-
Conservation of natural resources	340,261	129,928	234,465	-
Economic development	7,524	-	-	-
Interest	437,953	-	-	-
<b>Total governmental activities</b>	<b><u>\$ 30,327,669</u></b>	<b><u>\$ 4,614,148</u></b>	<b><u>\$ 12,358,056</u></b>	<b><u>\$ 820,512</u></b>
<b>General Revenues</b>				
Property taxes				\$ 11,853,252
Property taxes - tax increments				3,781
Mortgage registry and deed tax				42,403
Payments in lieu of tax				208,077
Grants and contributions not restricted to specific programs				3,140,289
Unrestricted investment earnings				350,417
Miscellaneous				572,556
<b>Total general revenues</b>				<b><u>\$ 16,170,775</u></b>
<b>Change in net assets</b>				<b>\$ 3,635,822</b>
<b>Net Assets - Beginning, restated (Note 1.E.)</b>				<b><u>65,619,610</u></b>
<b>Net Assets - Ending</b>				<b><u>\$ 69,255,432</u></b>



**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 3**

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

	<b>General</b>	<b>Road and Bridge</b>	<b>Social Services</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 10,119,331	\$ 125,025	\$ 181,601	\$ 2,859,556	\$ 13,285,513
Petty cash and change funds	3,020	75	-	100	3,195
Investments	-	4,890,844	4,210,349	189,651	9,290,844
Taxes receivable					
Current	102,127	21,350	43,355	28,052	194,884
Prior	35,526	11,899	14,256	6,246	67,927
Special assessments receivable					
Current	5,735	-	-	-	5,735
Prior	2,151	-	-	-	2,151
Accounts receivable	26,672	2,568	692,380	29,762	751,382
Accrued interest receivable	61,260	6,165	13,406	591	81,422
Loans receivable	268,611	-	-	-	268,611
Due from other funds	5,992	-	-	122,329	128,321
Due from other governments	268,653	1,687,835	857,274	85,174	2,898,936
Inventories	-	562,696	-	-	562,696
<b>Total Assets</b>	<b><u>\$ 10,899,078</u></b>	<b><u>\$ 7,308,457</u></b>	<b><u>\$ 6,012,621</u></b>	<b><u>\$ 3,321,461</u></b>	<b><u>\$ 27,541,617</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

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

	<b>General</b>	<b>Road and Bridge</b>	<b>Social Services</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 246,897	\$ 50,479	\$ 362,355	\$ 28,238	\$ 687,969
Salaries payable	222,847	42,027	98,371	58,862	422,107
Accrued payroll taxes	27,744	5,437	12,283	7,573	53,037
Contracts payable	-	40,500	-	121,691	162,191
Due to other funds	122,329	19	5,973	-	128,321
Due to other governments	248,485	5,800	281,230	633	536,148
Deferred revenue - unavailable	102,127	1,392,534	198,843	57,178	1,750,682
<b>Total Liabilities</b>	<b>\$ 970,429</b>	<b>\$ 1,536,796</b>	<b>\$ 959,055</b>	<b>\$ 274,175</b>	<b>\$ 3,740,455</b>
<b>Fund Balances</b>					
Reserved for					
Inventories	\$ -	\$ 562,696	\$ -	\$ -	\$ 562,696
Apple Blossom Drive	20,000	-	-	-	20,000
Loans receivable	268,611	-	-	-	268,611
Recorder's equipment	41,624	-	-	-	41,624
E-911	93,308	-	-	-	93,308
Sheriff's contingent advance	2,161	-	-	-	2,161
Sheriff's contingency	5,000	-	-	-	5,000
DARE	10,299	-	-	-	10,299
Sheriff's forfeited property	5,407	-	-	-	5,407
Attorney's forfeited property	54,293	-	-	-	54,293
Sheriff's posse operations	7,792	-	-	-	7,792
Gun permit	15,278	-	-	-	15,278
Police dog donations	17,402	-	-	-	17,402
Veterans' van donations	1,400	-	-	-	1,400
Debt service	-	-	-	1,283,641	1,283,641
Equipment replacement	-	-	-	191,110	191,110
Investments unrealized gains	332	-	-	-	332
Unreserved					
Designated for future expenditures	2,043,441	-	1,400,465	-	3,443,906
Designated for cash flows	6,000,000	1,000,000	1,620,000	-	8,620,000
Designated for capital improvements	-	2,295,640	-	-	2,295,640
Designated for compensated absences	443,997	94,522	150,885	-	689,404
Designated for retired employees' insurance	20,853	-	-	-	20,853
Designated for recycling	697,991	-	-	-	697,991
Designated for capital equipment	-	524,500	-	-	524,500
Designated for employee wellness	18,296	-	-	-	18,296
Undesignated	161,164	1,294,303	1,882,216	-	3,337,683
In nonmajor special revenue fund	-	-	-	1,572,535	1,572,535
<b>Total Fund Balances</b>	<b>\$ 9,928,649</b>	<b>\$ 5,771,661</b>	<b>\$ 5,053,566</b>	<b>\$ 3,047,286</b>	<b>\$ 23,801,162</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,899,078</b>	<b>\$ 7,308,457</b>	<b>\$ 6,012,621</b>	<b>\$ 3,321,461</b>	<b>\$ 27,541,617</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 4**

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

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>23,801,162</b>
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.		54,771,679
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,750,682
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Notes payable	\$ (345,000)	
Bonds payable	(9,445,000)	
Capital leases payable	(308,413)	
Compensated absences and retiree health insurance	(805,522)	
Accrued interest payable	(170,823)	
Deferred debt issuance charges	6,667	
	(11,068,091)	(11,068,091)
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>69,255,432</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 5**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 6,272,788	\$ 1,283,267	\$ 2,599,786	\$ 1,679,005	\$ 11,834,846
Special assessments	229,859	-	-	-	229,859
Licenses and permits	230,820	-	12,150	17,225	260,195
Intergovernmental	3,054,939	5,796,452	7,404,575	866,950	17,122,916
Charges for services	1,634,222	4,670	60,676	1,857,714	3,557,282
Fines and forfeits	167,193	-	-	3,725	170,918
Gifts and contributions	34,779	-	2,500	235	37,514
Interest on investments	216,719	77,183	54,559	1,956	350,417
Miscellaneous	507,289	189,611	196,282	49,357	942,539
<b>Total Revenues</b>	<b>\$ 12,348,608</b>	<b>\$ 7,351,183</b>	<b>\$ 10,330,528</b>	<b>\$ 4,476,167</b>	<b>\$ 34,506,486</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 5,885,428	\$ 146,560	\$ -	\$ 109,691	\$ 6,141,679
Public safety	4,810,730	-	-	-	4,810,730
Highways and streets	-	7,017,902	-	-	7,017,902
Sanitation	811,264	-	-	-	811,264
Human services	-	-	8,979,574	-	8,979,574
Health	-	-	-	2,358,273	2,358,273
Culture and recreation	398,968	-	-	-	398,968
Conservation of natural resources	335,976	-	-	-	335,976
Economic development	7,524	-	-	-	7,524
<b>Capital outlay</b>	-	-	-	549,557	549,557
<b>Debt service</b>					
Principal retirement	105,503	1,819	-	639,771	747,093
Interest	14,675	828	-	423,383	438,886
Administrative (fiscal) charges	-	-	-	1,477	1,477
<b>Total Expenditures</b>	<b>\$ 12,370,068</b>	<b>\$ 7,167,109</b>	<b>\$ 8,979,574</b>	<b>\$ 4,082,152</b>	<b>\$ 32,598,903</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (21,460)</b>	<b>\$ 184,074</b>	<b>\$ 1,350,954</b>	<b>\$ 394,015</b>	<b>\$ 1,907,583</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 65,761	\$ -	\$ -	\$ 1,005,069	\$ 1,070,830
Transfers out	(815,915)	-	(480)	(254,435)	(1,070,830)
Lease purchase	149,410	9,012	-	10,560	168,982
Proceeds from sale of capital assets	6,750	10,944	-	-	17,694
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (593,994)</b>	<b>\$ 19,956</b>	<b>\$ (480)</b>	<b>\$ 761,194</b>	<b>\$ 186,676</b>
<b>Net Change in Fund Balance</b>	<b>\$ (615,454)</b>	<b>\$ 204,030</b>	<b>\$ 1,350,474</b>	<b>\$ 1,155,209</b>	<b>\$ 2,094,259</b>
<b>Fund Balance - January 1 (Note 1.E.)</b>	<b>10,544,103</b>	<b>5,454,487</b>	<b>3,703,092</b>	<b>1,892,077</b>	<b>21,593,759</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>113,144</b>	<b>-</b>	<b>-</b>	<b>113,144</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,928,649</b>	<b>\$ 5,771,661</b>	<b>\$ 5,053,566</b>	<b>\$ 3,047,286</b>	<b>\$ 23,801,162</b>



**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 6**

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

**Net change in fund balances - total governmental funds (Exhibit 5)** **\$ 2,094,259**

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

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

Deferred revenue - December 31	\$ 1,750,682	
Deferred revenue - January 1	(2,293,677)	(542,995)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for capital assets and infrastructure	\$ 2,830,257	
Current year depreciation	(1,412,961)	
Net book value of assets disposed of	(40,451)	1,376,845

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

Capital leases entered into		(168,982)
Principal repayments		
General obligation bonds	\$ 420,000	
General obligation notes	165,000	
Capital leases	162,093	
Capital leases canceled when asset traded in	10,922	758,015
Amortization of deferred debt issuance costs		(3,333)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 5,743	
Change in inventories	113,144	
Change in compensated absences and retiree health insurance payable	3,126	122,013

**Change in net assets of governmental activities (Exhibit 2)** **\$ 3,635,822**

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 7**

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

	<b>HC Garvin Private-Purpose Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 506	\$ 1,285,553
Investments	47,715	-
Receivables		
Interest	198	-
<b>Total Assets</b>	<b>\$ 48,419</b>	<b>\$ 1,285,553</b>
<b><u>Liabilities</u></b>		
Accounts payable		\$ 33,338
Due to other governments		1,252,215
<b>Total Liabilities</b>		<b>\$ 1,285,553</b>
<b><u>Net Assets</u></b>		
Net assets held in trust	<b>\$ 48,419</b>	

WINONA COUNTY  
WINONA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>HC Garvin Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Interest on investments	\$ 660
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<u>698</u>
<b>Change in Net Assets</b>	<b>\$ (38)</b>
<b>Net Assets--Beginning of the Year</b>	<u>48,457</u>
<b>Net Assets--End of the Year</b>	<u><u>\$ 48,419</u></u>

**WINONA COUNTY  
WINONA, 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

Winona County was established February 22, 1854, when Fillmore County was divided and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the County Board, serves as the clerk of the Board of Commissioners but has no vote.

Component Units

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

Joint Ventures

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

**WINONA COUNTY  
WINONA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are activities normally supported by taxes and intergovernmental revenues. The County has no business-type activities to report on.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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

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

2. Fund Financial Statements

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



**WINONA COUNTY  
WINONA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those 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 Services Special Revenue Fund is used to account for economic assistance and community social services programs.

Additionally, the County reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred,

**WINONA COUNTY  
WINONA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 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 \$216,719.

**WINONA COUNTY  
WINONA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

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

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

**WINONA COUNTY  
WINONA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

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

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

3. Inventories

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

4. Capital Assets

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

**WINONA COUNTY  
WINONA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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

5. Compensated Absences

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

**WINONA COUNTY  
WINONA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

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.

**WINONA COUNTY  
WINONA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

9. Use of Estimates

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

E. Prior Period Adjustment/Correction of Errors

The County made the following prior period adjustments:

- (a) The County changed its estimate of escheat property ultimately to be reclaimed and paid. The General Fund balance reserved for missing heirs has been restated as accounts payable.
- (b) The Social Services Special Revenue Fund recorded receivables and related allowance for uncollectibles previously omitted.
- (c) The County omitted equipment and related accumulated depreciation from its prior inventory.
- (d) A capital lease and related interest payable were omitted from prior financial statements.

The following table summarizes these changes in fund balances and net assets.

**WINONA COUNTY  
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Prior Period Adjustment Correcting Errors (Continued)

	<u>General Fund</u>	<u>Social Services Fund</u>	<u>Governmental Activities</u>
Fund Balance/Net Assets December 31, 2003, as previously reported	\$ 10,579,092	\$ 3,338,310	\$ 65,351,050
Prior period adjustments			
Missing heirs	(34,989)	-	(34,989)
Human Service receivables	-	939,399	939,399
Allowance for uncollectibles	-	(574,617)	(574,617)
Omitted equipment	-	-	196,073
Accumulated depreciation	-	-	(41,123)
Capital lease payable	-	-	(210,958)
Capital lease accrued interest payable	-	-	(5,225)
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Assets, January 1, 2004, as restated	<u>\$ 10,544,103</u>	<u>\$ 3,703,092</u>	<u>\$ 65,619,610</u>

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 13,285,513
Petty cash and change funds	3,195
Investments	9,290,844
Private-purpose trust fund	
Cash and cash equivalents	506
Investments	47,715
Agency funds	<hr/> 1,285,553
Total Cash and Investments	<hr/> <u>\$ 23,913,326</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$10,947,460. The bank balance deposit amount was \$12,171,241. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.



**WINONA COUNTY  
WINONA, MINNESOTA**

---

---

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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	\$ 700,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	<u>11,471,241</u>
Total covered deposits	\$ 12,171,241
Uncollateralized	<u>-</u>
Total	<u><u>\$ 12,171,241</u></u>

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 the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

**WINONA COUNTY  
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ -	\$ -	\$ 490,500	\$ 490,500
Negotiable certificates of deposit	6,690,000	-	-	6,690,000
Commercial paper	-	-	5,671,939	5,671,939
Total Investments	\$ 6,690,000	\$ -	\$ 6,162,439	\$ 12,852,439
Add				
Money market mutual funds				36,802
MAGIC Fund				73,430
Petty cash and change funds				3,195
Certificates of deposit				6,712,715
Deposits				4,234,745
Total Cash and Investments				\$ 23,913,326

2. Receivables

Receivables as of December 31, 2004, for Winona County's governmental activities, including the applicable allowances for uncollectible (Social Services and Health Service Special Revenue Funds) accounts, are as follows:

Accounts receivable	\$ 1,839,282
Less: allowance for uncollectible	(1,087,900)
Net Accounts Receivable	\$ 751,382

3. Capital Assets

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

**WINONA COUNTY  
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
General	\$ 1,536,635	\$ -	\$ -	\$ 1,536,635
Highway	50,085	-	-	50,085
Highway right-of-way	2,873,788	-	-	2,873,788
Construction in progress	1,904,770	2,328,068	1,962,090	2,270,748
	<u>\$ 6,365,278</u>	<u>\$ 2,328,068</u>	<u>\$ 1,962,090</u>	<u>\$ 6,731,256</u>
Total capital assets not depreciated				
Capital assets depreciated				
Buildings	\$ 18,324,570	\$ 115,848	\$ -	\$ 18,440,418
Improvements other than buildings	2,201,935	13,500	1,921,836	293,599
Machinery, furniture, and equipment	5,905,020	372,841	183,378	6,094,483
Infrastructure	34,842,618	1,962,090	-	36,804,708
	<u>\$ 61,274,143</u>	<u>\$ 2,464,279</u>	<u>\$ 2,105,214</u>	<u>\$ 61,633,208</u>
Total capital assets depreciated				
Less: accumulated depreciation for				
Buildings	\$ 1,664,512	\$ 183,682	\$ -	\$ 1,848,194
Improvements other than buildings	2,020,938	7,998	1,921,836	107,100
Machinery, furniture, and equipment	2,341,555	552,059	142,927	2,750,687
Infrastructure	8,217,582	669,222	-	8,886,804
	<u>\$ 14,244,587</u>	<u>\$ 1,412,961</u>	<u>\$ 2,064,763</u>	<u>\$ 13,592,785</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 47,029,556</u>	<u>\$ 1,051,318</u>	<u>\$ 40,451</u>	<u>\$ 48,040,423</u>
Governmental Activities Capital Assets, Net	<u>\$ 53,394,834</u>	<u>\$ 3,379,386</u>	<u>\$ 2,002,541</u>	<u>\$ 54,771,679</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

---

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	285,749
Public safety		152,085
Highways and streets, including depreciation of infrastructure assets		952,536
Human services		1,171
Health		791
Sanitation		10,787
Conservation		9,842
		9,842
Total Depreciation Expense	\$	1,412,961

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge Special Revenue Social Services Special Revenue	\$ 19 5,973
Total Due to General Fund		\$ 5,992
Health Service Special Revenue Courthouse Capital Projects	General General	\$ 638 121,691
Total Due to Other Governmental		\$ 122,329
Total Due To/From Other Funds		\$ 128,321

**WINONA COUNTY  
WINONA, MINNESOTA**

---

2. Detailed Notes on All Funds

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

2. Interfund Transfers

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

Transfers to General Fund from		
Social Services Special Revenue	\$ 480	Took over program formerly operated by Extension.
Health Service Special Revenue	<u>65,281</u>	Moved property tax revenue not needed to balance next year's budget.
Total Transfers to General Fund	<u>\$ 65,761</u>	
Transfers to Debt Service Fund from General Fund		
	<u>\$ 156,667</u>	To reimburse for excess project costs.
Transfers to Capital Projects Fund from		
General Fund	\$ 659,248	For lead removal and Law Enforcement Center remodeling.
Debt Service Fund	<u>189,154</u>	To transfer operating funds.
Total Transfers to Capital Projects Fund	<u>\$ 848,402</u>	
Total Interfund Transfers	<u>\$ 1,070,830</u>	

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2004. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities Roads and bridges	\$ 1,500,709	\$ 40,500

**WINONA COUNTY  
WINONA, MINNESOTA**

---

2. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Other Post-Employment Benefits

Retirees or Terminating Employees

Employees who leave in good standing with more than 10 years of service, who have a minimum accumulation of 100 days of unused sick leave, may convert it to paid-up health insurance for the employee only, according to the following schedule:

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

As of year-end, the County has 58 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2004, the County expended \$11,960 for these benefits.

Elected Officials

After completing two full terms as an elected County Commissioner and being at least 50 years of age, a Commissioner may receive one year of single health insurance. This benefit is provided pursuant to County Board Resolution 95-27. The County did not have any former Commissioners participating in 2004.

3. Capital Leases/Installment Purchases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The Energy Efficiency lease is paid from the Debt Service Fund. The IT equipment, dispatch equipment, and Sheriff's cars are paid from the General Fund. Copier leases are paid from the General, Road and Bridge Special Revenue, and Health Service Special Revenue Funds. These capital leases consist of the following at December 31, 2004:

**WINONA COUNTY  
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

3. Capital Leases/Installment Purchases (Continued)

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Energy efficiency	2005	Semi-annual	\$ 28,604	\$ 425,750	\$ 27,562
IT equipment	2006	Monthly	2,785	87,630	56,704
Dispatch equipment	2007	Annually	36,467	123,328	95,579
Sheriff's cars	2008	Semi-annual	19,545	110,413	73,572
Copier	2009	Monthly	204	9,012	7,997
Copier	2009	Monthly	324	10,560	9,729
Copier	2009	Monthly	736	38,997	37,270
Total Capital Leases					<u>\$ 308,413</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	\$ 133,203
2006	96,244
2007	71,180
2008	34,713
2009	8,208
Total minimum lease payments	\$ 343,548
Less: amount representing interest	<u>(35,135)</u>
Present Value of Minimum Lease Payments	<u>\$ 308,413</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Bonded Debt

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
General obligation bonds					
2001A G.O. Capital Improvement Bonds	2017	\$135,000 - \$465,000	3.20 - 5.00	\$ 5,000,000	\$ 4,605,000
2002A G.O. Capital Improvement Bonds	2018	\$160,000 - \$450,000	3.00 - 4.60	5,000,000	4,840,000
2003A G.O. Equipment Notes	2006	\$165,000 - \$175,000	1.70 - 2.30	<u>510,000</u>	<u>345,000</u>
Total General Obligation Bonds and Notes				<u>\$ 10,510,000</u>	<u>\$ 9,790,000</u>

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

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 710,000	\$ 394,186
2006	730,000	372,051
2007	575,000	349,879
2008	600,000	327,749
2009	620,000	304,308
2010 - 2014	3,550,000	1,101,764
2015 - 2018	<u>3,005,000</u>	<u>257,145</u>
Total	<u>\$ 9,790,000</u>	<u>\$ 3,107,082</u>

5. Changes in Long-Term Liabilities

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



**WINONA COUNTY  
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

B. Liabilities

5. Changes in Long-Term Liabilities (Continued)

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 9,865,000	\$ -	\$ 420,000	\$ 9,445,000	\$ 540,000
G.O. capital notes	510,000	-	165,000	345,000	170,000
Total bonds payable	\$ 10,375,000	\$ -	\$ 585,000	\$ 9,790,000	\$ 710,000
Capital leases	312,446	168,982	173,015*	308,413	117,033
Compensated absences	771,667	768,390	764,282	775,775	22,031
Retiree health insurance	36,981	-	7,234	29,747	27,654
Governmental Activity Long-Term Liabilities	\$ 11,496,094	\$ 937,372	\$ 1,529,531*	\$ 10,903,935	\$ 876,718

\* Includes \$10,922 of debt that was deleted when the copier was traded for updated copier.

3. Pension Plans

A. Defined Benefit Plans

Plan Description

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

**WINONA COUNTY  
WINONA, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have no direct contact with inmates are covered by the Public Employees Correctional Fund.

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

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

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

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

**WINONA COUNTY  
WINONA, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Funding Policy

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

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:

**WINONA COUNTY  
WINONA, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 488,783	\$ 87,719	\$ 48,288
2003	514,665	83,488	45,999
2002	510,094	82,560	41,825

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

B. Defined Contribution Plan

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

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

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

The County's contributions for the years ending December 31, 2004, 2003, and 2002, were \$3,818, \$5,522, and \$6,037, respectively, equal to the contractually required contributions for each year as set by state statute.

**WINONA COUNTY  
WINONA, MINNESOTA**

---

---

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 and \$760,000 per claim in 2004 and 2005, respectively. If any insurance and self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

The Property and Casualty Division of the MCIT is self-sustaining, and the 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, the MCIT may assess the County in a method and amount to be determined by the MCIT.

Premiums are paid by the fund receiving the benefits.

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

**WINONA COUNTY  
WINONA, MINNESOTA**

---

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

B. Subsequent Events

The following event was resolved after the close of 2004:

- OSHA fined the County for demolition that took place in the basement of the Law Enforcement Center. The \$4,000 fine was paid on March 1, 2005.

C. Contingent Liabilities

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

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

D. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA)

Winona County is a member of the Southeastern Minnesota Multi-County HRA that provides housing and redevelopment services to the County. Each member county appoints members to the governing body that consists of a Board of Commissioners. The HRA approves its own budget. Winona County did not contribute to the operations of the HRA in 2004. However, the Board of Commissioners approves the levy for the HRA each year. Complete financial statements for the HRA can be obtained at 730 West Sixth Street, Wabasha, Minnesota 55981.

**WINONA COUNTY  
WINONA, MINNESOTA**

---

4. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Family Services Collaborative

Winona County has created the Winona Family Services Collaborative pursuant to an interagency agreement and Minn. Stat. § 124D.23. The Collaborative is represented by the following: Winona County; City of Winona; Independent School Districts 861, 857, and 858; Department of Economic Security Workforce Center; SEMCAC; Hiawatha Valley Mental Health Center; and Hiawatha Valley Special Education District. The Collaborative Board consists of 21 members of which Winona County appoints two. The Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. Winona County is the fiscal agent for the Collaborative. The Collaborative had \$963,027 of expenditures in 2004 for the benefit of County services.

E. Jointly-Governed Organizations

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

Southeast Minnesota Water Quality Board

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

Southeast Minnesota Emergency Management Services (EMS)

The EMS provides various health services to several counties. During the year, the County did not make any payments to the EMS.

Southeastern Minnesota Narcotics Task Force

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

Southeastern Libraries Cooperative

The Cooperative provides library services within the County. The County contributed \$11,370 during the year.

**WINONA COUNTY  
WINONA, MINNESOTA**

---

4. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Southeastern Community Action Council

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

Counties Computer Cooperative

The Cooperative was established to provide computer programming to member counties. During the year, Winona County expended \$66,852 to the Cooperative.

Whitewater Watershed Project

The Project is composed of three counties and three county soil and water conservation boards. It provides soil and water conservation services to its members. During the year, Winona County made a \$4,000 payment to the Project.

Southeastern Minnesota Recyclers' Exchange (SEMREX)

SEMREX provides recycling services. During the year, Winona County did not make any payments to SEMREX.

F. Related Organizations

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2004, the County settled \$3,306 of property taxes to the Watershed.



**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

**Schedule 1**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 7,265,974	\$ 7,265,974	\$ 6,272,788	\$ (993,186)
Special assessments	228,546	228,546	229,859	1,313
Licenses and permits	168,415	168,415	230,820	62,405
Intergovernmental	1,327,272	1,387,538	3,054,939	1,667,401
Charges for services	1,438,169	1,474,467	1,634,222	159,755
Fines and forfeits	143,065	142,525	167,193	24,668
Gifts and contributions	9,000	10,000	34,779	24,779
Investment earnings	275,000	275,000	216,719	(58,281)
Miscellaneous	227,767	168,651	507,289	338,638
<b>Total Revenues</b>	<b>\$ 11,083,208</b>	<b>\$ 11,121,116</b>	<b>\$ 12,348,608</b>	<b>\$ 1,227,492</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 158,938	\$ 158,938	\$ 155,302	\$ 3,636
Courts	503,420	545,178	430,049	115,129
Court services	36,392	36,392	40,369	(3,977)
Law library	23,821	23,821	33,848	(10,027)
County administration	162,345	162,345	186,989	(24,644)
County auditor	207,661	207,661	193,820	13,841
License bureau	204,910	204,910	203,186	1,724
County treasurer	114,646	114,646	112,976	1,670
County assessor	389,608	389,608	371,336	18,272
Elections	49,800	49,800	40,574	9,226
Accounting and auditing	186,599	186,599	196,928	(10,329)
Data processing	308,052	308,052	540,206	(232,154)
Personnel	182,753	182,753	261,681	(78,928)
Attorney	828,875	828,875	782,349	46,526
Recorder	225,278	225,278	214,409	10,869
Vital statistics	60,539	60,539	52,898	7,641
Planning and zoning	631,809	631,809	541,870	89,939
Telecommunications	182,555	182,555	75	182,480
Maintenance	1,051,020	1,052,520	914,945	137,575
Veterans service officer	123,736	123,736	118,327	5,409
Other general government	311,045	309,345	493,291	(183,946)
<b>Total general government</b>	<b>\$ 5,943,802</b>	<b>\$ 5,985,360</b>	<b>\$ 5,885,428</b>	<b>\$ 99,932</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

***Schedule 1  
(Continued)***

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,521,271	\$ 1,513,671	\$ 1,689,472	\$ (175,801)
Boat and water safety	32,099	32,099	29,738	2,361
Emergency services	74,248	74,248	109,723	(35,475)
E-911 system	75,000	75,000	61,444	13,556
County jail	1,134,773	1,134,773	1,483,135	(348,362)
Law enforcement center	955,967	955,967	774,933	181,034
Probation and parole	542,087	542,087	628,728	(86,641)
DARE program	8,420	8,420	11,708	(3,288)
Other	-	-	21,849	(21,849)
<b>Total public safety</b>	<b>\$ 4,343,865</b>	<b>\$ 4,336,265</b>	<b>\$ 4,810,730</b>	<b>\$ (474,465)</b>
<b>Sanitation</b>				
Recycling	\$ 881,111	\$ 884,861	\$ 811,264	\$ 73,597
Other sanitation	14,579	14,579	-	14,579
<b>Total sanitation</b>	<b>\$ 895,690</b>	<b>\$ 899,440</b>	<b>\$ 811,264</b>	<b>\$ 88,176</b>
<b>Culture and recreation</b>				
Historical society	\$ 48,450	\$ 48,450	\$ 48,450	\$ -
Parks	18,663	18,663	18,663	-
Regional library	224,847	224,847	225,316	(469)
Other	27,300	27,500	106,539	(79,039)
<b>Total culture and recreation</b>	<b>\$ 319,260</b>	<b>\$ 319,460</b>	<b>\$ 398,968</b>	<b>\$ (79,508)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 126,582	\$ 126,582	\$ 122,144	\$ 4,438
Soil and water conservation	57,525	57,525	57,525	-
Environmental services	169,486	169,486	156,307	13,179
<b>Total conservation of natural resources</b>	<b>\$ 353,593</b>	<b>\$ 353,593</b>	<b>\$ 335,976</b>	<b>\$ 17,617</b>
<b>Economic development</b>				
Other	\$ 7,524	\$ 7,524	\$ 7,524	\$ -
<b>Unallocated</b>				
Other	\$ (393,000)	\$ -	\$ -	\$ -
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 105,503	\$ (105,503)
Interest	\$ -	\$ -	\$ 14,675	\$ (14,675)
<b>Total Expenditures</b>	<b>\$ 11,470,734</b>	<b>\$ 11,901,642</b>	<b>\$ 12,370,068</b>	<b>\$ (468,426)</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (387,526)</b>	<b>\$ (780,526)</b>	<b>\$ (21,460)</b>	<b>\$ 759,066</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 65,761	\$ 65,761
Transfers out	-	-	(815,915)	(815,915)
Lease purchase	-	-	149,410	149,410
Proceeds from sale of assets	29,504	29,504	6,750	(22,754)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 29,504</b>	<b>\$ 29,504</b>	<b>\$ (593,994)</b>	<b>\$ (623,498)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (358,022)</b>	<b>\$ (751,022)</b>	<b>\$ (615,454)</b>	<b>\$ 135,568</b>
Fund Balance - January 1	\$ 10,579,092	\$ 10,579,092	\$ 10,579,092	\$ -
Prior period adjustment	-	-	(34,989)	(34,989)
<b>Fund Balance - January 1, as restated</b>	<b>\$ 10,579,092</b>	<b>\$ 10,579,092</b>	<b>\$ 10,544,103</b>	<b>\$ (34,989)</b>
<b>Fund Balance - December 31</b>	<b>\$ 10,221,070</b>	<b>\$ 9,828,070</b>	<b>\$ 9,928,649</b>	<b>\$ 100,579</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*Schedule 2*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,290,929	\$ 1,290,929	\$ 1,283,267	\$ (7,662)
Intergovernmental	6,118,415	6,118,415	5,796,452	(321,963)
Charges for services	1,000	1,000	4,670	3,670
Investment earnings	80,000	80,000	77,183	(2,817)
Miscellaneous	178,000	178,000	189,611	11,611
<b>Total Revenues</b>	<b>\$ 7,668,344</b>	<b>\$ 7,668,344</b>	<b>\$ 7,351,183</b>	<b>\$ (317,161)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Surveyor	\$ 149,315	\$ 149,315	\$ 146,560	\$ 2,755
<b>Highways and streets</b>				
Administration	\$ 428,443	\$ 428,443	\$ 406,724	\$ 21,719
Maintenance	1,370,309	1,370,309	1,877,291	(506,982)
Construction	4,954,461	4,954,461	4,195,221	759,240
Equipment maintenance and shop	458,377	458,377	466,262	(7,885)
Materials and services for resale	535,556	535,556	72,404	463,152
<b>Total highways and streets</b>	<b>\$ 7,747,146</b>	<b>\$ 7,747,146</b>	<b>\$ 7,017,902</b>	<b>\$ 729,244</b>
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 1,819	\$ (1,819)
Interest	\$ -	\$ -	\$ 828	\$ (828)
<b>Total Expenditures</b>	<b>\$ 7,896,461</b>	<b>\$ 7,896,461</b>	<b>\$ 7,167,109</b>	<b>\$ 729,352</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (228,117)</b>	<b>\$ (228,117)</b>	<b>\$ 184,074</b>	<b>\$ 412,191</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	\$ 20,000	\$ 20,000	\$ 10,944	\$ (9,056)
Lease purchase	-	-	9,012	9,012
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 19,956</b>	<b>\$ (44)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (208,117)</b>	<b>\$ (208,117)</b>	<b>\$ 204,030</b>	<b>\$ 412,147</b>
<b>Fund Balance - January 1</b>	<b>5,454,487</b>	<b>5,454,487</b>	<b>5,454,487</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>113,144</b>	<b>113,144</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,246,370</b>	<b>\$ 5,246,370</b>	<b>\$ 5,771,661</b>	<b>\$ 525,291</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**Schedule 3**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,616,442	\$ 2,616,442	\$ 2,599,786	\$ (16,656)
Licenses and permits	15,000	15,000	12,150	(2,850)
Intergovernmental	6,485,875	6,485,875	7,404,575	918,700
Charges for services	151,351	151,351	60,676	(90,675)
Gifts and contributions	20,000	20,000	2,500	(17,500)
Interest on investments	30,100	30,100	54,559	24,459
Miscellaneous	17,226	17,226	196,282	179,056
<b>Total Revenues</b>	<b>\$ 9,335,994</b>	<b>\$ 9,335,994</b>	<b>\$ 10,330,528</b>	<b>\$ 994,534</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,663,719	\$ 2,663,719	\$ 2,690,544	\$ (26,825)
Social services	6,814,253	6,814,253	6,289,030	525,223
<b>Total Expenditures</b>	<b>\$ 9,477,972</b>	<b>\$ 9,477,972</b>	<b>\$ 8,979,574</b>	<b>\$ 498,398</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (141,978)</b>	<b>\$ (141,978)</b>	<b>\$ 1,350,954</b>	<b>\$ 1,492,932</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(480)	(480)
<b>Net Change in Fund Balance</b>	<b>\$ (141,978)</b>	<b>\$ (141,978)</b>	<b>\$ 1,350,474</b>	<b>\$ 1,492,452</b>
Fund Balance - January 1	\$ 3,338,310	\$ 3,338,310	\$ 3,338,310	\$ -
Prior period adjustment	364,782	364,782	364,782	-
<b>Fund Balance - January 1, as restated</b>	<b>\$ 3,703,092</b>	<b>\$ 3,703,092</b>	<b>\$ 3,703,092</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,561,114</b>	<b>\$ 3,561,114</b>	<b>\$ 5,053,566</b>	<b>\$ 1,492,452</b>

This page was left blank intentionally.



**WINONA COUNTY  
WINONA, MINNESOTA**

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

---

1. Budgetary Information

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

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the Finance Director so that a budget can be prepared. The Finance Director takes the requests to the Budget Committee who makes a recommendation to the Board. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County Administrator may make changes of appropriations within a department. The County Administrator has been given authority by the Board to make line-item adjustments that have a zero affect on the budget in total. Adjustments to the budget that increase the budget require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made supplemental budgetary appropriations for the General Fund.

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2004, expenditures exceeded appropriations in the General Fund by \$468,426. These over-expenditures were funded by a prior year fund equity.

This page was left blank intentionally.

**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUND**

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

**DEBT SERVICE FUND**

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

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

**CAPITAL PROJECTS FUND**

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

This page was left blank intentionally.



**WINONA COUNTY  
WINONA, MINNESOTA**

*Statement 1*

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

	<b>Health Service Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,582,656	\$ 1,276,032	\$ 868	\$ 2,859,556
Petty cash and change funds	100	-	-	100
Investments	-	-	189,651	189,651
Taxes receivable				
Current	7,918	20,134	-	28,052
Prior	2,995	3,251	-	6,246
Accounts receivable	29,762	-	-	29,762
Accrued interest receivable	-	-	591	591
Due from other funds	638	-	121,691	122,329
Due from other governments	85,174	-	-	85,174
<b>Total Assets</b>	<b>\$ 1,709,243</b>	<b>\$ 1,299,417</b>	<b>\$ 312,801</b>	<b>\$ 3,321,461</b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 28,238	\$ -	\$ -	\$ 28,238
Salaries payable	58,862	-	-	58,862
Accrued vacation	7,573	-	-	7,573
Contracts payable	-	-	121,691	121,691
Due to other governments	633	-	-	633
Deferred revenue - unavailable	41,402	15,776	-	57,178
<b>Total Liabilities</b>	<b>\$ 136,708</b>	<b>\$ 15,776</b>	<b>\$ 121,691</b>	<b>\$ 274,175</b>
<b>Fund Balances</b>				
Reserved for debt service	\$ -	\$ 1,283,641	\$ -	\$ 1,283,641
Reserved for equipment replacement	-	-	191,110	191,110
Unreserved				
Designated for future expenditures	30,000	-	-	30,000
Designated for cash flows	300,000	-	-	300,000
Designated for compensated absences	116,118	-	-	116,118
Undesignated	1,126,417	-	-	1,126,417
<b>Total Fund Balances</b>	<b>\$ 1,572,535</b>	<b>\$ 1,283,641</b>	<b>\$ 191,110</b>	<b>\$ 3,047,286</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,709,243</b>	<b>\$ 1,299,417</b>	<b>\$ 312,801</b>	<b>\$ 3,321,461</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*Statement 2*

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

	<u>Health Service Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 475,093	\$ 1,203,912	\$ -	\$ 1,679,005
Licenses and permits	17,225	-	-	17,225
Intergovernmental	658,984	207,966	-	866,950
Charges for services	1,857,714	-	-	1,857,714
Fines and forfeits	3,725	-	-	3,725
Gifts and contributions	235	-	-	235
Investment earnings	-	-	1,956	1,956
Miscellaneous	30,123	19,234	-	49,357
<b>Total Revenues</b>	<b>\$ 3,043,099</b>	<b>\$ 1,431,112</b>	<b>\$ 1,956</b>	<b>\$ 4,476,167</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ -	\$ 109,691	\$ 109,691
Health	2,358,273	-	-	2,358,273
<b>Capital outlay</b>	-	-	549,557	549,557
<b>Debt service</b>				
Principal retirement	1,937	637,834	-	639,771
Interest	2,095	421,288	-	423,383
Administrative (fiscal) charges	-	1,477	-	1,477
<b>Total Expenditures</b>	<b>\$ 2,362,305</b>	<b>\$ 1,060,599</b>	<b>\$ 659,248</b>	<b>\$ 4,082,152</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 680,794</b>	<b>\$ 370,513</b>	<b>\$ (657,292)</b>	<b>\$ 394,015</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 156,667	\$ 848,402	\$ 1,005,069
Transfers out	(65,281)	(189,154)	-	(254,435)
Lease purchase	10,560	-	-	10,560
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (54,721)</b>	<b>\$ (32,487)</b>	<b>\$ 848,402</b>	<b>\$ 761,194</b>
<b>Net Change in Fund Balance</b>	<b>\$ 626,073</b>	<b>\$ 338,026</b>	<b>\$ 191,110</b>	<b>\$ 1,155,209</b>
<b>Fund Balance - January 1</b>	<b>946,462</b>	<b>945,615</b>	<b>-</b>	<b>1,892,077</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,572,535</b>	<b>\$ 1,283,641</b>	<b>\$ 191,110</b>	<b>\$ 3,047,286</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*Schedule 4*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 556,096	\$ 556,096	\$ 475,093	\$ (81,003)
Licenses and permits	29,000	29,000	17,225	(11,775)
Intergovernmental	529,951	529,951	658,984	129,033
Charges for services	1,124,122	1,124,122	1,857,714	733,592
Fines and forfeits	888	888	3,725	2,837
Gifts and contributions	-	-	235	235
Miscellaneous	35,000	35,000	30,123	(4,877)
<b>Total Revenues</b>	<b>\$ 2,275,057</b>	<b>\$ 2,275,057</b>	<b>\$ 3,043,099</b>	<b>\$ 768,042</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	\$ 1,388,706	\$ 1,388,706	\$ 1,377,358	\$ 11,348
Maternal and child health	378,030	378,030	422,087	(44,057)
County health officer	22,130	22,130	27,783	(5,653)
Health center	486,191	486,191	531,045	(44,854)
<b>Total health</b>	<b>\$ 2,275,057</b>	<b>\$ 2,275,057</b>	<b>\$ 2,358,273</b>	<b>\$ (83,216)</b>
<b>Debt service</b>				
Principal retirement	-	-	1,937	(1,937)
Interest	-	-	2,095	(2,095)
<b>Total Expenditures</b>	<b>\$ 2,275,057</b>	<b>\$ 2,275,057</b>	<b>\$ 2,362,305</b>	<b>\$ (87,248)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 680,794</b>	<b>\$ 680,794</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (65,281)	\$ (65,281)
Lease purchase	-	-	10,560	10,560
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (54,721)</b>	<b>\$ (54,721)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 626,073</b>	<b>\$ 626,073</b>
<b>Fund Balance - January 1</b>	<b>946,462</b>	<b>946,462</b>	<b>946,462</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 946,462</b>	<b>\$ 946,462</b>	<b>\$ 1,572,535</b>	<b>\$ 626,073</b>

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

**AGENCY FUNDS**

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

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

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

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

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

This page was left blank intentionally.



**WINONA COUNTY  
WINONA, MINNESOTA**

*Statement 3*

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>EMPLOYEE BENEFIT PLANS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 40,427	\$ 522,308	\$ 529,397	\$ 33,338
<b><u>Liabilities</u></b>				
Accounts payable	\$ 40,427	\$ 522,308	\$ 529,397	\$ 33,338
 <b><u>WINONA COUNTY FAMILY COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,090,212	\$ 727,415	\$ 963,017	\$ 854,610
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,090,212	\$ 727,415	\$ 963,017	\$ 854,610
 <b><u>SETTLEMENT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 239,813	\$ 31,897,466	\$ 31,928,887	\$ 208,392
<b><u>Liabilities</u></b>				
Due to other governments	\$ 239,813	\$ 31,897,466	\$ 31,928,887	\$ 208,392

**WINONA COUNTY  
WINONA, 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
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 150,207	\$ 2,109,925	\$ 2,125,016	\$ 135,116
<b><u>Liabilities</u></b>				
Due to other governments	\$ 150,207	\$ 2,109,925	\$ 2,125,016	\$ 135,116
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 5,679	\$ 92,180	\$ 43,762	\$ 54,097
<b><u>Liabilities</u></b>				
Due to other governments	\$ 5,679	\$ 92,180	\$ 43,762	\$ 54,097
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,526,338	\$ 35,349,294	\$ 35,590,079	\$ 1,285,553
<b><u>Liabilities</u></b>				
Accounts payable	\$ 40,427	\$ 522,308	\$ 529,397	\$ 33,338
Due to other governments	1,485,911	34,826,986	35,060,682	1,252,215
<b>Total Liabilities</b>	<b>\$ 1,526,338</b>	<b>\$ 35,349,294</b>	<b>\$ 35,590,079</b>	<b>\$ 1,285,553</b>

## **OTHER SCHEDULES**

This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

*Schedule 5*

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

**Shared Revenue**

**State**

Highway users tax	\$	4,607,138
HACA		1,066,100
Market value credit		1,906,407
PERA rate reimbursement		54,309
Disparity reduction aid		57,551
Police aid		82,594
Agricultural conservation credit		22,987
Enhanced 911		67,392
		67,392

**Total Shared Revenue** **\$ 7,864,478**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	3,278,603
		3,278,603

**Payments**

**Local**

Local contributions	\$	58,611
Payments in lieu of taxes		208,077
		208,077

**Total Payments** **\$ 266,688**

**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	155,891
Public Safety		45,659
Health		179,789
Natural Resources		95,891
Commerce		15,007
Human Services		2,794,925
Soil and Water Resources		113,325
Office of Environmental Assistance		138,574
		138,574

**Total State** **\$ 3,539,061**

**Federal**

Department of		
Agriculture	\$	132,477
Justice		148,775
Transportation		808,274
Education		24,494
Health and Human Services		920,997
Homeland Security		113,882
Environmental Protection Agency		25,187
		25,187

**Total Federal** **\$ 2,174,086**

**Total State and Federal Grants** **\$ 5,713,147**

**Total Intergovernmental Revenue** **\$ 17,122,916**

**WINONA COUNTY  
WINONA, MINNESOTA**

**SCHEDULE OF INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>December 31, 2004</b>	<b>30 Days</b>
<b>Financial Institution Investments</b>		
Certificates of deposit	\$ 6,712,715	\$ 700,000
Negotiable certificates of deposit	6,690,000	-
	<b>\$ 13,402,715</b>	<b>\$ 700,000</b>
<b>Other Investments</b>		
U.S. government securities	\$ 490,500	\$ -
Commercial paper	5,671,939	2,392,866
Mutual funds	110,232	110,232
	<b>\$ 6,272,671</b>	<b>\$ 2,503,098</b>
<b>Total All Investments</b>	<b>\$ 19,675,386</b>	<b>\$ 3,203,098</b>
Deposits	4,234,745	4,234,745
Petty Cash	3,195	3,195
	<b>\$ 23,913,326</b>	<b>\$ 7,441,038</b>
<b>Totals</b>	<b>\$ 23,913,326</b>	<b>\$ 7,441,038</b>

**Schedule 6**

<b>Mature Within</b>				
<b>60</b>	<b>90</b>	<b>180</b>	<b>One</b>	<b>More Than</b>
<b>Days</b>	<b>Days</b>	<b>Days</b>	<b>Year</b>	<b>One Year</b>
\$ 2,000,000	\$ 2,075,000	\$ 1,300,000	\$ 290,000	\$ 347,715
970,000	2,813,000	2,134,000	485,000	288,000
<b>\$ 2,970,000</b>	<b>\$ 4,888,000</b>	<b>\$ 3,434,000</b>	<b>\$ 775,000</b>	<b>\$ 635,715</b>
\$ -	\$ -	\$ -	\$ -	\$ 490,500
996,594	694,750	1,587,729	-	-
-	-	-	-	-
<b>\$ 996,594</b>	<b>\$ 694,750</b>	<b>\$ 1,587,729</b>	<b>\$ -</b>	<b>\$ 490,500</b>
<b>\$ 3,966,594</b>	<b>\$ 5,582,750</b>	<b>\$ 5,021,729</b>	<b>\$ 775,000</b>	<b>\$ 1,126,215</b>
<b>\$ 3,966,594</b>	<b>\$ 5,582,750</b>	<b>\$ 5,021,729</b>	<b>\$ 775,000</b>	<b>\$ 1,126,215</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*Schedule 7*

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS  
FOR CALENDAR YEARS 2003 THROUGH 2005**

	<u>Tax Year 2003</u>		<u>Tax Year 2004</u>		<u>Tax Year 2005</u>	
	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>
<b>Tax Capacity</b>						
Real property	\$ 25,438,377		\$ 27,955,377		\$ 30,993,883	
Personal property	387,954		425,978		411,612	
Tax increment financing	(678,575)		(732,967)		(774,645)	
<b>Net Tax Capacity</b>	<b><u>\$ 25,147,756</u></b>		<b><u>\$ 27,648,388</u></b>		<b><u>\$ 30,630,850</u></b>	
<b>Tax Levied for County</b>						
Revenue	\$ 5,998,712	25.286	\$ 7,199,474	27.035	\$ 7,924,515	27.035
Road and Bridge	1,978,962	7.869	1,499,046	5.422	2,045,930	5.422
Human Services	2,595,008	10.319	3,044,064	13.021	2,819,581	13.021
Community Health	525,319	2.089	556,096	-	531,450	-
Internal Services	676,918	2.692	-	-	-	-
Honeywell G.O. Bond	60,068	0.239	60,068	0.217	28,354	0.217
2001 Courthouse Bond	497,961	1.980	499,043	1.805	499,195	1.805
2002 Courthouse Bond	478,212	1.902	485,268	1.755	482,013	1.755
2003 Equipment Bond	-	-	369,393	1.336	370,374	1.336
<b>Net Tax Levy</b>	<b><u>\$ 12,811,160</u></b>	<b><u>52.376</u></b>	<b><u>\$ 13,712,452</u></b>	<b><u>50.591</u></b>	<b><u>\$ 14,701,412</u></b>	<b><u>50.591</u></b>
	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>
<b>Taxable Valuations</b>						
Light and Power Tax						
Transmission lines	\$ 30,838	\$ 1,541,900	\$ 31,032	\$ 1,589,100	\$ 32,232	\$ 1,589,100
Distribution lines	10,106	505,300	10,024	538,700	10,764	538,700
<b>Total Taxable Valuations Light and Power</b>	<b><u>\$ 40,944</u></b>	<b><u>\$ 2,047,200</u></b>	<b><u>\$ 41,056</u></b>	<b><u>\$ 2,127,800</u></b>	<b><u>\$ 42,996</u></b>	<b><u>\$ 2,127,800</u></b>
<b>Light and Power Tax Levy</b>						
Transmission lines	\$ 47,775	\$ 1,292	\$ 46,398	\$ 1,676	\$ 47,320	\$ 1,554
Distribution lines	15,656	424	14,986	570	15,483	542
<b>Total Light and Power Tax Levy</b>	<b><u>\$ 63,431</u></b>	<b><u>\$ 1,716</u></b>	<b><u>\$ 61,384</u></b>	<b><u>\$ 2,246</u></b>	<b><u>\$ 62,803</u></b>	<b><u>\$ 2,096</u></b>

Percentage of tax collections for all purposes                      99.17%                                              98.65%





This page was left blank intentionally.

**WINONA COUNTY  
WINONA, MINNESOTA**

*Schedule 8*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

- A. Our report expresses an unqualified opinion on the basic financial statements of Winona County.
- B. No matters involving internal control over financial reporting were reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of Winona County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Winona County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:

Highway Planning and Construction	CFDA #20.205
-----------------------------------	--------------
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Winona County was determined to be a low-risk auditee.

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

None.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM 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, then 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 the year. Also, when the approved credit card was used, the credit card company and not actual vendors providing goods and services to the County were identified when publishing the disbursements. Because the published minutes did not include an individualized, itemized list of

vendor payments, the year-end individualized, itemized list should have included 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 Office of the State Auditor will continue to work with the Association of Minnesota Counties to revise publication requirements for County financial data during the 2006 legislative session.

Client's Response:

*The County will continue to work with MICA and AMC to get the current legislation updated to allow usage of the Internet for posting of financial information. Until the law is updated, the County will make decisions in the best financial interest for the County and comply with the spirit of the law. Our actions will be to post a box ad in the local newspaper indicating that the financial statements are available on the County's website.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

99-9 Account Balances

While reviewing the Integrated Financial System (IFS) Account Activity Report, we again noted liability accounts within the funds that contain positive and negative balances when they should have a zero balance.

We recommend the County review the IFS balance sheet accounts that should have a zero balance and make appropriate correcting entries if they have a balance before using the data to prepare year-end financial statements.

Client's Response:

*The liability accounts exist due to an incompatibility in the PayMate payroll software and the IFS Accounting System. The County will use the Trial Balance to post the change in the liability accounts. This action will eliminate the problem.*

ITEM ARISING THIS YEAR

04-1 County Board-Approved Budget

While reviewing the County Board 2004 budget resolution, we noted the General Fund budget was not recorded in the IFS as approved by the Board in the budget resolution. We were informed that the Board made no formal changes to the approved budget. We were also informed that the Board discussed various budget items and took no formal action, but these items were posted to the IFS.

We recommend the original budget be posted to the IFS as approved by County Board resolution. We also recommend that budget changes be posted to the IFS only after the County Board takes formal action on these budget changes.

Client's Response:

*The reason the recording difference exists is that the Board agreed to balance the budget with expectations for expenditure reductions that were not formally recorded into the budget. In preparing the 2005 budget, the situation was corrected and the adopted budget matches the budget entered into the IFS. The new process will remove the possibility for this situation to reoccur.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Financial Statement Preparation (03-1)**

The County Board was to provide directives to County staff to prepare the annual financial statements.

**Resolution**

County staff has improved in preparing data used in the annual financial statements.



**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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

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

PATRICIA ANDERSON  
STATE AUDITOR

**REPORT ON COMPLIANCE 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  
Winona County

We have audited the financial statements of Winona County as of and for the year ended December 31, 2004, and have issued our report thereon dated July 6, 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 Winona County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

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

## Minnesota Legal Compliance

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

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

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

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: July 6, 2005





**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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

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

PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Winona County

Compliance

We have audited the compliance of Winona County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. Winona 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 Winona County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

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

### Internal Control Over Compliance

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

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

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Winona County as of and for the year ended December 31, 2004, and have issued our report thereon dated July 6, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Winona County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: July 6, 2005

**WINONA COUNTY  
WINONA, MINNESOTA**

**Schedule 9**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 147,494
Passed Through Minnesota Department of Human Services Food Stamps	10.561	<u>9,200</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 156,694</u></b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	\$ 17,384
Byrne Formula Grant Program	16.579	125,268
Violence Against Women	16.588	<u>6,123</u>
<b>Total U.S. Department of Justice</b>		<b><u>\$ 148,775</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 786,751
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>21,523</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 808,274</u></b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Minnesota Department of Health State Indoor Radon Grant	66.032	\$ 3,959
Non-Point Source Implementation	66.460	<u>21,228</u>
<b>Total U.S. Environmental Protection Agency</b>		<b><u>\$ 25,187</u></b>
<b>U.S. Department of Education</b>		
Passed Through Minnesota Department of Natural Resources Adult Education	84.002	\$ 21,426
Passed Through Minnesota Department of Corrections Assistive Technology	84.224	<u>3,068</u>
<b>Total U.S. Department of Education</b>		<b><u>\$ 24,494</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

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

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Injury Prevention and Control Research	93.136	\$ 2,500
Immunization Grant	93.268	1,550
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	71,275
Temporary Assistance for Needy Families	93.558	30,257
Developmental Disability	93.630	5,551
Maternal and Child Health Services Block Grant	93.994	55,462
Passed Through Minnesota Department of Human Services Family Preservation and Support Services	93.556	39,303
Temporary Assistance for Needy Families	93.558	295,014
Child Care Mandatory and Matching Funds	93.596	25,036
Children's Justice Grants to States	93.643	1,000
Child Welfare Services - State Grants	93.645	3,483
Foster Care Title IV-E	93.658	127,153
Social Services Block Grant Title XX	93.667	335,705
Chafee Foster Care Independent Living	93.674	13,944
Community Mental Health Services Block Grant	93.958	4,542
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,011,775</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

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

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness	97.004	\$ 52,652
Hazard Mitigation Grant	97.039	12,280
Emergency Management Performance Grant	97.042	25,863
State and Local All Hazards Emergency Operations Planning	97.051	204
Community Emergency Response Teams	97.054	22,883
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 113,882</b>
<b>Total Federal Awards</b>		<b>\$ 2,289,081</b>

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 Winona County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Because some reimbursements receivable are not available at year-end, expenditures do not equal revenue reported in the financial statements.
3. During 2004, Winona County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.