

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

LE SUEUR COUNTY
LE CENTER, 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

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**LE SUEUR COUNTY
LE SUEUR, MINNESOTA**

Year Ended December 31, 2004



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

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

TABLE OF CONTENTS

| | Reference | Page |
|---|------------|------|
| Introductory Section | | |
| Organization | | 1 |
| Financial Section | | |
| Independent Auditor's Report | | 2 |
| Management's Discussion and Analysis | | 4 |
| Basic Financial Statements | | |
| Government-Wide Financial Statements | | |
| Statement of Net Assets | Exhibit 1 | 13 |
| Statement of Activities | Exhibit 2 | 14 |
| Fund Financial Statements | | |
| Balance Sheet - Governmental Funds | Exhibit 3 | 15 |
| Reconciliation of the Fund Balances of Governmental Funds to the Statement of Net Assets--Governmental Activities | Exhibit 3A | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | Exhibit 4 | 18 |
| Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities--Governmental Activities | Exhibit 4A | 19 |
| Budgetary Comparison Schedules | | |
| General Fund | Exhibit 5 | 20 |
| Road and Bridge Special Revenue Fund | Exhibit 6 | 23 |
| Human Services Special Revenue Fund | Exhibit 7 | 24 |
| Statement of Fiduciary Net Assets - Fiduciary Funds | Exhibit 8 | 25 |
| Statement of Changes in Fiduciary Net Assets - Fiduciary Funds | Exhibit 9 | 26 |
| Notes to the Financial Statements | | 27 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

TABLE OF CONTENTS

| | Reference | Page |
|---|-------------|------|
| Financial Section (Continued) | | |
| Combining and Individual Fund Financial Statements and Schedules | | |
| Budgetary Comparison Schedule - Debt Service Fund | Statement 1 | 56 |
| Other Governmental Funds | | 57 |
| Combining Balance Sheet - Nonmajor Governmental Funds | Statement 2 | 58 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds | Statement 3 | 59 |
| Budgetary Comparison Schedules | | |
| Environmental Health Special Revenue Fund | Statement 4 | 60 |
| Victim Witness Special Revenue Fund | Statement 5 | 61 |
| Fiduciary Funds | | 62 |
| Combining Statement of Fiduciary Net Assets - Private-Purpose Trust Funds | Statement 6 | 63 |
| Combining Statement of Changes in Fiduciary Net Assets - Private-Purpose Trust Funds | Statement 7 | 67 |
| Combining Statement of Changes in Assets and Liabilities - All Agency Funds | Statement 8 | 65 |
| Schedule of Intergovernmental Revenue - Governmental Funds | Schedule 1 | 67 |
| Management and Compliance Section | | |
| Schedule of Findings and Questioned Costs | Schedule 2 | 68 |
| Other Required Reports | | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | | 75 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | | 77 |
| Schedule of Expenditures of Federal Awards | Schedule 3 | 79 |

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

ORGANIZATION
2004

| Office | Name | Term Expires |
|--------------------------------------|-----------------------------|------------------|
| Commissioners | | |
| 1st District | Terry Hayes ¹ | January 2009 |
| 2nd District | Joseph Connolly | January 2007 |
| 3rd District | Joseph Doherty ² | January 2009 |
| 4th District | Robert Culhane | January 2007 |
| 5th District | William Stangler | January 2007 |
| Officers | | |
| Elected | | |
| Attorney | Brent Christian | January 2007 |
| Auditor | Ronald Germscheid | January 2007 |
| County Recorder | David Sexe | January 2007 |
| Registrar of Titles | David Sexe | January 2007 |
| Sheriff | David Glisczinski | January 2007 |
| Surveyor | Rory Jensen | January 2007 |
| Treasurer | Joseph M. Boettcher | January 2007 |
| Appointed | | |
| Assessor | David Armstrong | January 2009 |
| Coroner | John Berg, M.D. | Indefinite |
| Court Administrator | Joanne Kopet | Indefinite |
| Highway Engineer | Darrell Pettis | May 2008 |
| Human Services Director | Susan Rynda | Indefinite |
| Motor Vehicle Registrar | Ronald Germscheid | Indefinite |
| Personnel Director | Peg Donovan | Indefinite |
| Planning and Zoning Administrator | Kathy Brockway | Indefinite |
| Probation Officer | Emily Douglas | Indefinite |
| Public Health Director | Cindy Shaughnessy | Indefinite |
| Veterans Service Officer | Jim Goltart | February 1, 2008 |

¹Chair 2004

²Chair 2005

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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
Le Sueur County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur 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 Le Sueur County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Le Sueur County Housing and Redevelopment Authority (HRA), a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Le Sueur County HRA, is based solely on the report of the other auditors.

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, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for Le Sueur County as of December 31, 2004, and the

Le Sueur County HRA as of September 30, 2004, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is 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 Le Sueur County's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Le Sueur 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 presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2005, on our consideration of Le Sueur County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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: November 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

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

As management of Le Sueur County, we offer readers of the Le Sueur County financial statements this narrative overview and analysis of the financial activities of Le Sueur County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of Le Sueur County exceeded its liabilities at the close of 2004 by \$63,429,339. Of this amount, \$7,182,390 (unrestricted net assets) may be used to meet Le Sueur County's ongoing obligations to citizens and creditors.

Le Sueur County's total net assets increased by \$5,267,286 in 2004.

At the close of 2004, Le Sueur County's governmental funds reported combined ending fund balances of \$13,239,307. Approximately \$2,792,362 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.

At the close of 2004, unreserved fund balance for the General Fund was \$4,039,948 or 50.5 percent of total General Fund expenditures.

Le Sueur County's debt decreased by \$1,785,000 due to the payoff of the 1994A G.O. Capital Improvement Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Le Sueur County's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of Le Sueur County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Le Sueur County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The government-wide financial statements list the functions of Le Sueur County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Le Sueur County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, economic development, and conservation of natural resources. There are no business-type activities within Le Sueur County's financial structure that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only Le Sueur County itself (the primary government), but also the legally separate Le Sueur County Housing and Redevelopment Authority (HRA). The HRA, although legally separate, functions for all practical purposes as an integral part of Le Sueur County and, therefore, has been included in the government-wide financial statements.

The government-wide financial statements can be found on Exhibits 1 and 2.

Fund Financial Statements

A "fund" is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Le Sueur County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Le Sueur County can be divided into two categories: governmental funds and fiduciary funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund level financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financing requirements.

Le Sueur County reports four major funds and five nonmajor funds. The major funds are: General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and Debt Service Fund. The nonmajor funds are: Capital Projects Fund, Gravel Tax Special Revenue Fund, Victim Witness Special Revenue Fund, Environmental Health Special Revenue Fund, and County Ditch Special Revenue Fund. Information is presented separately for the major funds and in total for the nonmajor funds on Exhibits 3 and 4.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Le Sueur County's fiduciary funds consist of three agency funds and two private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs.

Le Sueur County's governmental fund financial statements are on Exhibits 3 to 7, and Le Sueur County's fiduciary funds are on Exhibits 8 and 9.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided.

Other Information

In addition to the basic financial statements and notes, Le Sueur County also provides supplementary information on Le Sueur County's intergovernmental revenues (Schedule 1).

Le Sueur County adopts an annual appropriated budget for its General Fund, special revenue funds, Capital Projects Fund, and Debt Service Fund. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Le Sueur County's assets exceeded liabilities by \$63,429,339 at the close of 2004. The largest portion of Le Sueur County's net assets (82.6 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Exhibit 1 Governmental Net Assets

| | <u>2004</u> | <u>2003</u> |
|---|----------------------|----------------------|
| Current and other assets | \$ 17,986,635 | \$ 18,767,401 |
| Capital assets | <u>54,310,730</u> | <u>49,057,801</u> |
| Total Assets | <u>\$ 72,297,365</u> | <u>\$ 67,825,202</u> |
| Long-term liabilities outstanding | \$ 5,818,627 | \$ 6,878,351 |
| Other liabilities | <u>3,049,399</u> | <u>2,784,798</u> |
| Total Liabilities | <u>\$ 8,868,026</u> | <u>\$ 9,663,149</u> |
| Net Assets | | |
| Invested in capital assets, net of related debt | \$ 52,375,546 | \$ 46,888,157 |
| Restricted | 3,871,403 | 5,657,070 |
| Unrestricted | <u>7,182,390</u> | <u>5,616,826</u> |
| Total Net Assets | <u>\$ 63,429,339</u> | <u>\$ 58,162,053</u> |

The unrestricted net asset amount of \$7,182,390 as of December 31, 2004, may be used to meet the County's ongoing obligations to citizens and creditors.

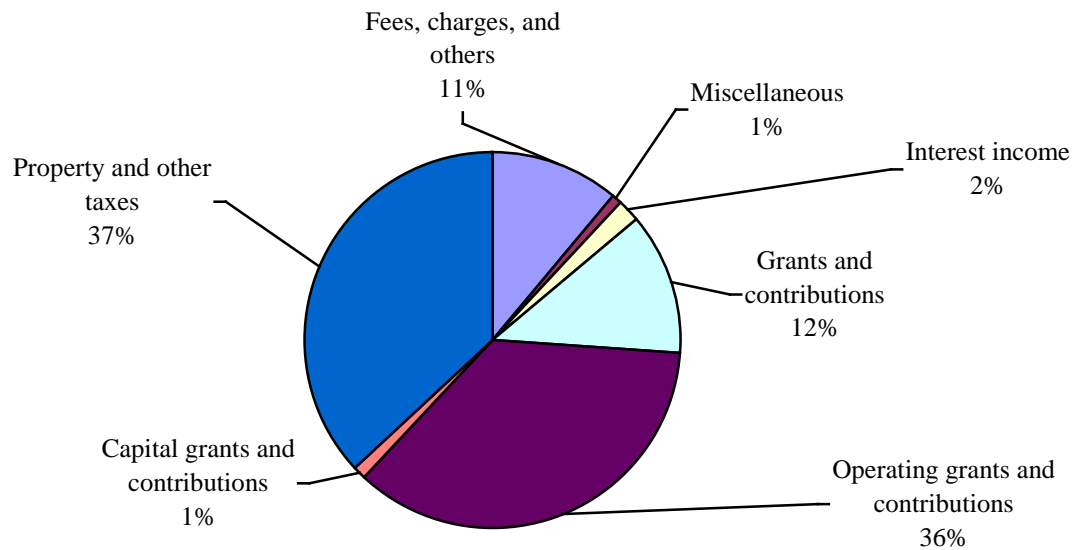
The following table summarizes the changes in net assets for 2004.

Exhibit 2 Changes in Governmental Net Assets

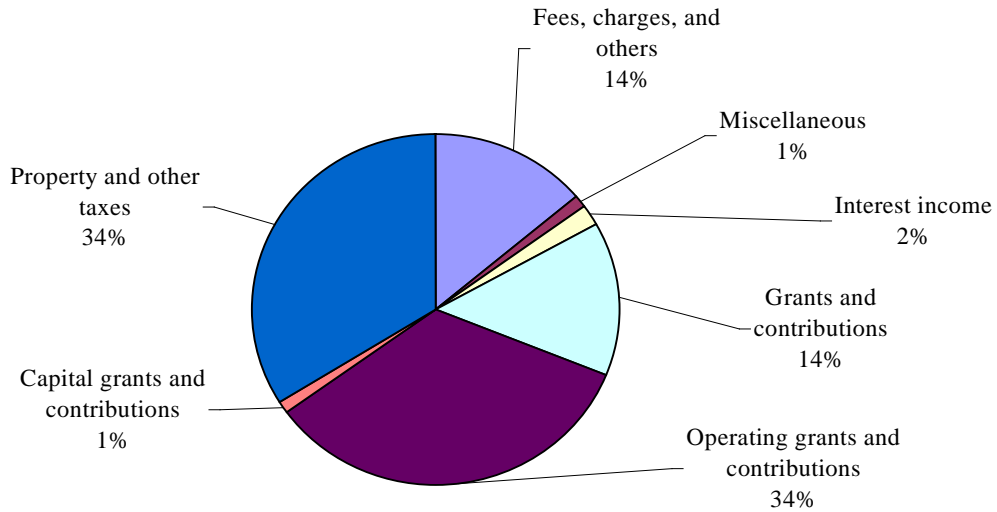
| | <u>2004</u> | <u>2003</u> |
|------------------------------------|----------------------|----------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 2,306,328 | \$ 3,024,381 |
| Operating grants and contributions | 7,505,002 | 7,179,122 |
| Capital grants and contributions | 100,389 | 220,554 |
| General revenues | | |
| Property taxes | 7,697,232 | 7,245,836 |
| Other | <u>3,336,524</u> | <u>3,567,251</u> |
| Total Revenues | <u>\$ 20,945,475</u> | <u>\$ 21,237,144</u> |

| | 2004 | 2003 |
|-----------------------------------|----------------------|----------------------|
| Expenses | | |
| General government | \$ 3,431,971 | \$ 3,511,665 |
| Public safety | 2,836,801 | 2,705,055 |
| Highways and streets | 1,018,013 | 2,572,898 |
| Sanitation | 138,496 | 240,678 |
| Human services | 5,592,185 | 5,441,500 |
| Health | 1,565,376 | 1,571,502 |
| Culture and recreation | 390,522 | 465,670 |
| Conservation of natural resources | 546,463 | 497,674 |
| Economic development | 2,673 | 200 |
| Interest | 155,689 | 193,744 |
| | <hr/> | <hr/> |
| Total Expenses | \$ 15,678,189 | \$ 17,200,586 |
| | | |
| Increase in Net Assets | \$ 5,267,286 | \$ 4,036,558 |
| | | |
| Net Assets - January 1 | 58,162,053 | 54,125,495 |
| | | |
| Net Assets - December 31 | <u>\$ 63,429,339</u> | <u>\$ 58,162,053</u> |

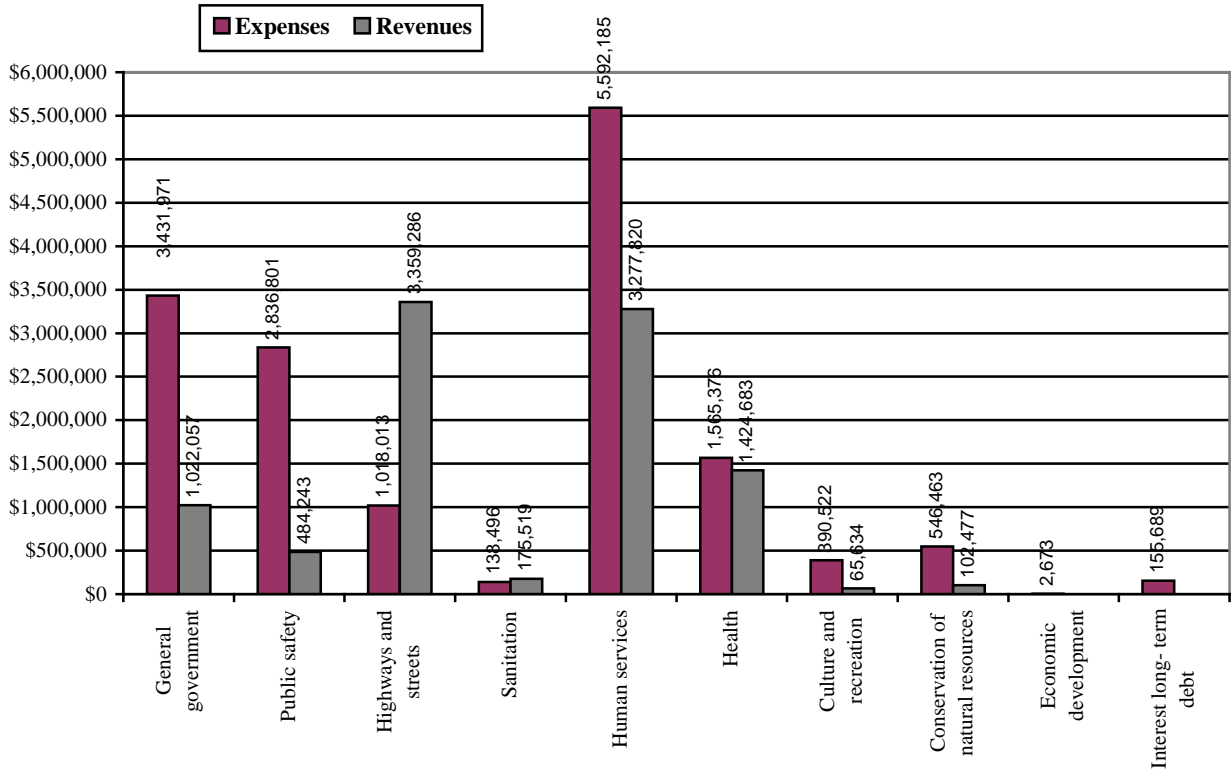
Exhibit 3
2004 Revenues by Source



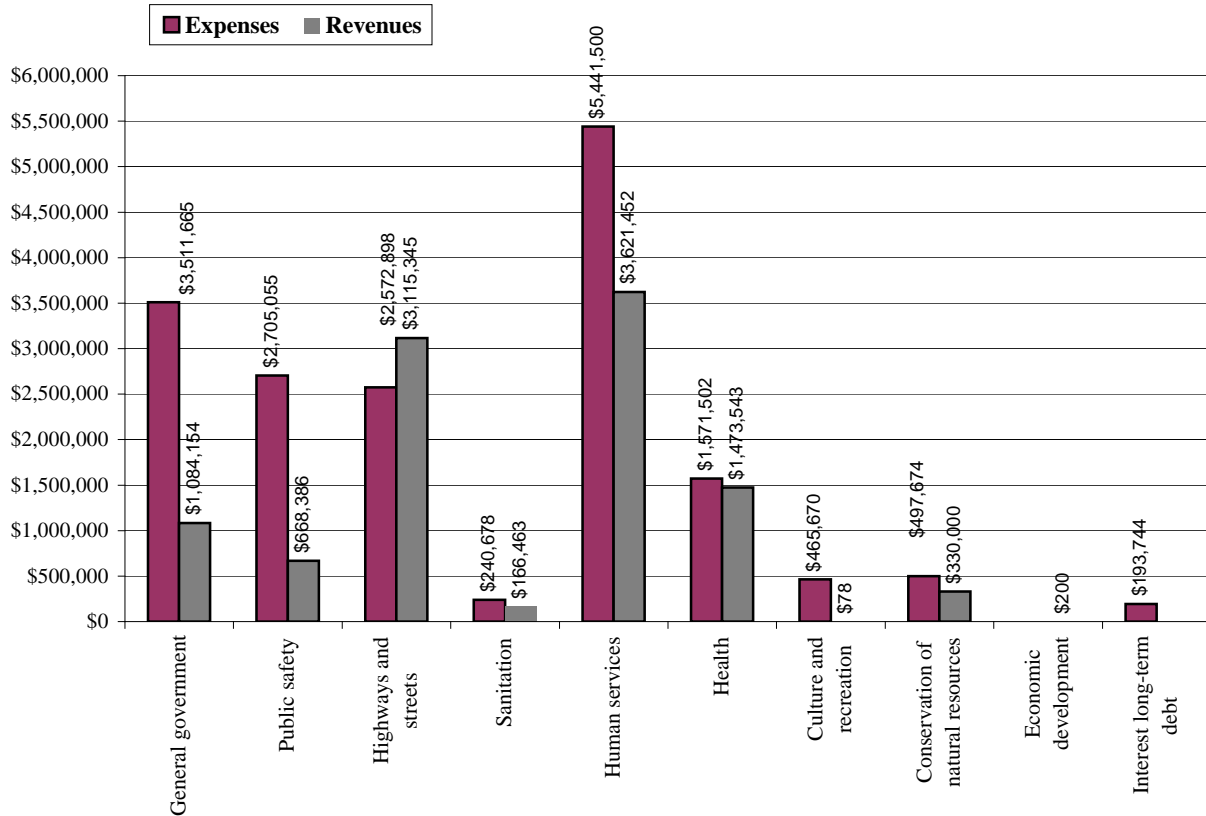
**Exhibit 4
2003 Revenues by Source**



**Exhibit 5
2004 Expenses and Program Revenues**



**Exhibit 6
2003 Expenses and Program Revenues**



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$13,239,307. The majority of this amount (\$9,852,700) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Le Sueur County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,039,948, while total fund balance was \$4,412,783. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 50.5 percent of total General Fund expenditures, while total fund balance represents 55.1 percent of that same amount.

Actual expenses in the Road and Bridge Special Revenue Fund were \$3,626,443 less than budgeted primarily due to the County State-Aid Highway #28 contract that was never let in 2004. Anticipated federal/state revenues on the same project were never received during 2004 resulting in an overestimation of revenues in the 2004 budget.

General Fund Budgetary Highlights

The County made no changes between the original budget and the final budget. Actual revenues in the General Fund exceeded the budget amount by \$5,663. Variance was negligible. The actual expenditures were less than budgeted expenditures by \$627,537. The variance between budget and actual was due partially to the state takeover of the courts system, reduced costs in personnel, and less usage of alternative care grants.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2004, amount to \$54,310,730 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 10.7 percent. The major capital asset event in 2004 was additional infrastructure additions (primarily bridges and County highways).

Exhibit 7 Governmental Capital Assets (Net of Depreciation)

| | 2004 | 2003 |
|-------------------------------------|---------------|---------------|
| Land | \$ 3,951,098 | \$ 3,951,098 |
| Construction in progress | 8,866,049 | 5,416,377 |
| Land improvements | 38,466 | 40,947 |
| Buildings and improvements | 3,942,253 | 4,101,856 |
| Machinery, furniture, and equipment | 2,368,459 | 2,465,514 |
| Infrastructure | 35,144,405 | 33,082,009 |
| Total | \$ 54,310,730 | \$ 49,057,801 |

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$4,585,000, which is backed by the full faith and credit of the government.

Exhibit 8 Governmental Outstanding Debt

| | <u>2004</u> | <u>2003</u> |
|--------------------------|---------------------|---------------------|
| General Obligation Bonds | <u>\$ 4,585,000</u> | <u>\$ 6,370,000</u> |

Le Sueur County's debt decreased by \$1,785,000 during 2004. The primary reason was the payoff of the 1994A G.O. Capital Improvement Bond with monies received from the 2003A Capital Improvement Refunding Bond. This was a payoff of \$1,630,000.

Le Sueur County's bond rating is "A1" from Moody's.

Minnesota statutes limit the amount of debt that a county may levy to two percent of its total market value. As of the end of 2004, Le Sueur County is well below the two percent debt limit imposed by state statutes.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Le Sueur County's unemployment rate was 3.7 percent as of the end of 2004. This was slightly above the statewide rate of 3.4 percent.
- Mortgage interest rates have continued to be low causing many people to refinance their mortgages.

At the end of 2004, Le Sueur County set its 2005 revenue and expenditure budgets. In doing so, it has appropriated \$716,576 from available fund balance to offset the difference between 2005 budgeted revenues and expenditures.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Le Sueur County Auditor, Le Sueur County Courthouse, 88 South Park Avenue, Le Center, Minnesota 56057.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 1

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

| | Primary Government Governmental Activities | Discretely Presented Component Unit |
|--|---|--|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 13,364,191 | \$ 114,114 |
| Cash with fiscal agent | 495 | - |
| Taxes receivable | | |
| Prior | 262,284 | - |
| Special assessments receivable | | |
| Prior | 8,644 | - |
| Noncurrent | 112,072 | - |
| Accounts receivable - net | 228,971 | - |
| Notes receivable | - | 178,561 |
| Loans receivable | - | 34,242 |
| Accrued interest receivable | 465,162 | - |
| Due from other governments | 1,196,733 | - |
| Inventories | 229,132 | - |
| Advances to other governments | 2,072,990 | - |
| Deferred charges | 45,961 | - |
| Capital assets | | |
| Non-depreciable | 12,817,147 | - |
| Depreciable - net of accumulated depreciation | 41,493,583 | - |
| | \$ 72,297,365 | \$ 326,917 |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 534,851 | \$ - |
| Salaries payable | 152,089 | - |
| Contracts payable | 495,649 | - |
| Due to other governments | 132,292 | 27,922 |
| Accrued interest payable | 44,385 | - |
| Unearned revenue | 47,537 | 84,080 |
| Advance from other governments | 1,642,596 | - |
| Long-term liabilities | | |
| Due within one year | 1,439,166 | - |
| Due in more than one year | 4,379,461 | - |
| | \$ 8,868,026 | \$ 112,002 |
| <u>Net Assets</u> | | |
| Invested in capital assets - net of related debt | \$ 52,375,546 | \$ - |
| Restricted for | | |
| Capital projects | 669,883 | - |
| Public safety | 94,350 | - |
| Highways and streets | 2,773,317 | - |
| Culture and recreation | 79,030 | - |
| Debt service | 52,502 | - |
| Health insurance | 87,581 | - |
| Economic development | - | 212,469 |
| Conservation of natural resources | 114,740 | - |
| Unrestricted | 7,182,390 | 2,446 |
| | \$ 63,429,339 | \$ 214,915 |

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

Page 13

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 2

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

| | Program Revenues | | | | Net (Expense) Revenue and Change in Net Assets | |
|--|----------------------|--|--|--|---|--|
| | Expenses | Fees, Charges, Fines, and Other | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Discretely Presented Component Unit |
| <u>Functions/Programs</u> | | | | | | |
| Primary Government | | | | | | |
| Governmental activities | | | | | | |
| General government | \$ 3,431,971 | \$ 890,551 | \$ 131,506 | \$ - | \$ (2,409,914) | |
| Public safety | 2,836,801 | 142,565 | 341,678 | - | (2,352,558) | |
| Highways and streets | 1,018,013 | 69,913 | 3,188,984 | 100,389 | 2,341,273 | |
| Sanitation | 138,496 | 115,765 | 59,754 | - | 37,023 | |
| Human services | 5,592,185 | 528,075 | 2,749,745 | - | (2,314,365) | |
| Health | 1,565,376 | 483,297 | 941,386 | - | (140,693) | |
| Culture and recreation | 390,522 | 65,634 | - | - | (324,888) | |
| Conservation of natural resources | 546,463 | 10,528 | 91,949 | - | (443,986) | |
| Economic development | 2,673 | - | - | - | (2,673) | |
| Interest | 155,689 | - | - | - | (155,689) | |
| Total governmental activities | \$ 15,678,189 | \$ 2,306,328 | \$ 7,505,002 | \$ 100,389 | \$ (5,766,470) | |
| Component Unit | | | | | | |
| Economic development | \$ 262,074 | \$ 9,074 | \$ 251,780 | \$ - | | \$ (1,220) |
| General Revenues | | | | | | |
| Property taxes | | | | \$ 7,697,232 | \$ - | |
| Gravel taxes | | | | 128,860 | - | |
| Mortgage registry and deed tax | | | | 47,149 | - | |
| Grants and contributions not restricted to specific programs | | | | 2,536,240 | - | |
| Payments in lieu of taxes | | | | 20,087 | - | |
| Investment income | | | | 465,294 | 8,563 | |
| Miscellaneous | | | | 138,894 | - | |
| Total general revenues | | | | \$ 11,033,756 | \$ 8,563 | |
| Change in net assets | | | | \$ 5,267,286 | \$ 7,343 | |
| Net Assets - January 1 | | | | 58,162,053 | 207,572 | |
| Net Assets - December 31 | | | | \$ 63,429,339 | \$ 214,915 | |

FUND FINANCIAL STATEMENTS

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 3

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

| | <u>General</u> | <u>Road and Bridge</u> | <u>Human Services</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------|----------------------------|----------------------------|----------------------------|--------------------------|---|---|
| <u>Assets</u> | | | | | | |
| Cash and pooled investments | \$ 3,822,410 | \$ 5,569,089 | \$ 719,441 | \$ 798,716 | \$ 2,454,535 | \$ 13,364,191 |
| Cash with fiscal agent | - | - | - | 495 | - | 495 |
| Taxes receivable | | | | | | |
| Prior | 118,642 | 64,297 | 67,322 | 11,509 | 514 | 262,284 |
| Special assessments receivable | | | | | | |
| Prior | 836 | - | - | - | 7,808 | 8,644 |
| Noncurrent | - | - | - | - | 112,072 | 112,072 |
| Accounts receivable - net | 104,556 | 1,060 | 123,355 | - | - | 228,971 |
| Accrued interest receivable | 461,756 | 1,592 | - | - | 1,814 | 465,162 |
| Interfund receivable | 113,425 | - | - | - | - | 113,425 |
| Due from other funds | 25,982 | 15,193 | 51 | - | - | 41,226 |
| Due from other governments | 40,910 | 723,296 | 422,009 | - | 10,518 | 1,196,733 |
| Inventories | - | 229,132 | - | - | - | 229,132 |
| Advances to other funds | 36,056 | - | - | - | - | 36,056 |
| Advances to other governments | - | 2,072,990 | - | - | - | 2,072,990 |
| Total Assets | <u>\$ 4,724,573</u> | <u>\$ 8,676,649</u> | <u>\$ 1,332,178</u> | <u>\$ 810,720</u> | <u>\$ 2,587,261</u> | <u>\$ 18,131,381</u> |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

**EXHIBIT 3
(Continued)**

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

| | <u>General</u> | <u>Road and Bridge</u> | <u>Human Services</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|---------------------------|-------------------------|---|---|
| <u>Liabilities and Fund Balances</u> | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 87,981 | \$ 87,758 | \$ 256,206 | \$ - | \$ 102,906 | \$ 534,851 |
| Salaries payable | 88,072 | 22,600 | 38,040 | - | 3,377 | 152,089 |
| Contracts payable | - | 495,649 | - | - | - | 495,649 |
| Interfund payable | - | - | - | - | 113,425 | 113,425 |
| Due to other funds | 14,206 | - | 1,224 | - | 25,796 | 41,226 |
| Due to other governments | 8,042 | 88,347 | 23,823 | - | 12,080 | 132,292 |
| Deferred revenue - unavailable | 103,723 | 474,416 | 242,055 | 8,218 | 117,941 | 946,353 |
| Deferred revenue - unearned | 9,766 | - | - | - | 37,771 | 47,537 |
| Capital notes payable - current | - | - | - | 750,000 | - | 750,000 |
| Advance from other funds | - | - | - | - | 36,056 | 36,056 |
| Advance from other governments | - | 1,642,596 | - | - | - | 1,642,596 |
| Total Liabilities | \$ 311,790 | \$ 2,811,366 | \$ 561,348 | \$ 758,218 | \$ 449,352 | \$ 4,892,074 |
| Fund Balances | | | | | | |
| Reserved for | | | | | | |
| Inventories | \$ - | \$ 229,132 | \$ - | \$ - | \$ - | \$ 229,132 |
| Advances to other funds | 36,056 | - | - | - | - | 36,056 |
| Enhanced 911 | 92,350 | - | - | - | - | 92,350 |
| Sheriff's contingency | 2,000 | - | - | - | - | 2,000 |
| Future projects | 75,818 | - | - | - | - | 75,818 |
| Highway projects | - | 2,669,900 | - | - | - | 2,669,900 |
| Gravel pit closure | - | - | - | - | 114,740 | 114,740 |
| Health insurance | 87,581 | - | - | - | - | 87,581 |
| Parks | 79,030 | - | - | - | - | 79,030 |
| Unreserved | | | | | | |
| Designated for debt service | - | - | - | 52,502 | - | 52,502 |
| Designated for cash flows | 3,318,423 | 2,918,583 | 770,830 | - | - | 7,007,836 |
| Undesignated | 721,525 | 47,668 | - | - | - | 769,193 |
| Unreserved, reported in nonmajor | | | | | | |
| Special revenue funds | - | - | - | - | 1,353,286 | 1,353,286 |
| Capital projects funds | - | - | - | - | 669,883 | 669,883 |
| Total Fund Balances | \$ 4,412,783 | \$ 5,865,283 | \$ 770,830 | \$ 52,502 | \$ 2,137,909 | \$ 13,239,307 |
| Total Liabilities and Fund Balances | \$ 4,724,573 | \$ 8,676,649 | \$ 1,332,178 | \$ 810,720 | \$ 2,587,261 | \$ 18,131,381 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 3A

**RECONCILIATION OF THE FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

| | | |
|--|----------------|-----------------------------|
| Fund Balances - total governmental funds (Exhibit 3) | | \$ 13,239,307 |
| 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. | | 54,310,730 |
| Other assets are not available to pay for current period expenditures | | |
| Deferred revenue | \$ 946,353 | |
| Deferred charges reported on Exhibit 1 | 45,961 | 992,314 |
| | | |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| General obligation bonds | \$ (4,585,000) | |
| Less: unamortized discount on bonds payable | 24,825 | |
| Accrued interest payable | (44,385) | |
| Capital leases payable | (27,654) | |
| Compensated absences payable | (480,798) | (5,113,012) |
| | | |
| Net Assets of Governmental Activities (Exhibit 1) | | <u>\$ 63,429,339</u> |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 4

**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>Human Services</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------------|---------------------------|-------------------------|---|---|
| Revenues | | | | | | |
| Taxes | \$ 3,558,350 | \$ 1,859,300 | \$ 2,072,933 | \$ 343,447 | \$ 35,842 | \$ 7,869,872 |
| Special assessments | 75 | - | - | - | 167,922 | 167,997 |
| Licenses and permits | 206,167 | - | - | - | 43,250 | 249,417 |
| Intergovernmental | 2,868,807 | 4,099,256 | 3,136,900 | 58,827 | 220,087 | 10,383,877 |
| Charges for services | 1,098,000 | 83,883 | 88,171 | - | 13,388 | 1,283,442 |
| Fines and forfeits | 102,760 | - | - | - | - | 102,760 |
| Gifts and contributions | 7,310 | - | 160 | - | - | 7,470 |
| Investment earnings | 436,225 | 24,436 | 9 | 2,349 | 4,120 | 467,139 |
| Miscellaneous | 279,208 | 93,669 | 424,905 | - | 14,123 | 811,905 |
| Total Revenues | \$ 8,556,902 | \$ 6,160,544 | \$ 5,723,078 | \$ 404,623 | \$ 498,732 | \$ 21,343,879 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | \$ 3,123,699 | \$ - | \$ - | \$ - | \$ - | \$ 3,123,699 |
| Public safety | 2,631,920 | - | - | - | 49,439 | 2,681,359 |
| Highways and streets | - | 6,666,684 | - | - | - | 6,666,684 |
| Sanitation | 88 | - | - | - | 141,298 | 141,386 |
| Human services | - | - | 5,690,163 | - | - | 5,690,163 |
| Health | 1,469,547 | - | - | - | 90,268 | 1,559,815 |
| Culture and recreation | 437,327 | - | - | - | - | 437,327 |
| Conservation of natural resources | 313,854 | - | - | - | 224,503 | 538,357 |
| Economic development | 2,673 | - | - | - | - | 2,673 |
| Capital outlay | - | - | - | - | 115,800 | 115,800 |
| Debt service | | | | | | |
| Principal retirement | 21,991 | - | - | 1,785,000 | - | 1,806,991 |
| Interest | 2,752 | 103,926 | - | 115,502 | 1,387 | 223,567 |
| Administrative charges | - | 350 | - | 1,225 | - | 1,575 |
| Total Expenditures | \$ 8,003,851 | \$ 6,770,960 | \$ 5,690,163 | \$ 1,901,727 | \$ 622,695 | \$ 22,989,396 |
| Excess of Revenues Over (Under) Expenditures | \$ 553,051 | \$ (610,416) | \$ 32,915 | \$ (1,497,104) | \$ (123,963) | \$ (1,645,517) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - | \$ 766,260 | \$ 766,260 |
| Transfers out | (16,260) | - | - | (750,000) | - | (766,260) |
| Total Other Financing Sources (Uses) | \$ (16,260) | \$ - | \$ - | \$ (750,000) | \$ 766,260 | \$ - |
| Net Change in Fund Balance | \$ 536,791 | \$ (610,416) | \$ 32,915 | \$ (2,247,104) | \$ 642,297 | \$ (1,645,517) |
| Fund Balance - January 1 | 3,875,992 | 6,415,979 | 737,915 | 2,299,606 | 1,495,612 | 14,825,104 |
| Increase (decrease) in reserved for inventories | - | 59,720 | - | - | - | 59,720 |
| Fund Balance - December 31 | \$ 4,412,783 | \$ 5,865,283 | \$ 770,830 | \$ 52,502 | \$ 2,137,909 | \$ 13,239,307 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 4A

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

Net change in fund balances - total governmental funds (Exhibit 4) **\$ (1,645,517)**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|--------------------------------------|--------------------|-----------|
| Capital outlay reported in the funds | \$ 6,812,248 | |
| Depreciation expense | <u>(1,544,365)</u> | 5,267,883 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (280,326)

The issuance of long-term debt (such as bonds and capital leases) 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.

Principal payments 1,806,991

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and retirements) is to decrease net assets. (14,954)

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.

| | | |
|------------------------------|--------------|----------------|
| Interest payable | \$ 75,736 | |
| Inventory | 59,720 | |
| Unamortized discount | (2,690) | |
| Deferred debt issuance costs | (4,980) | |
| Compensated absences payable | <u>5,423</u> | <u>133,209</u> |

Change in Net Assets of Governmental Activities (Exhibit 2) **\$ 5,267,286**

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 5

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 4,143,505 | \$ 3,640,945 | \$ 3,558,350 | \$ (82,595) |
| Special assessments | - | - | 75 | 75 |
| Licenses and permits | 150,900 | 150,900 | 206,167 | 55,267 |
| Intergovernmental | 1,459,106 | 2,031,166 | 2,868,807 | 837,641 |
| Charges for services | 1,928,631 | 1,928,631 | 1,098,000 | (830,631) |
| Fines and forfeits | 160,100 | 160,100 | 102,760 | (57,340) |
| Gifts and contributions | 3,100 | 3,100 | 7,310 | 4,210 |
| Investment earnings | 330,000 | 330,000 | 436,225 | 106,225 |
| Miscellaneous | 375,897 | 306,397 | 279,208 | (27,189) |
| Total Revenues | \$ 8,551,239 | \$ 8,551,239 | \$ 8,556,902 | \$ 5,663 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 189,933 | \$ 189,933 | \$ 176,239 | \$ 13,694 |
| Courts | 452,888 | 452,888 | 225,765 | 227,123 |
| Law library | 15,000 | 15,000 | 15,440 | (440) |
| County administration | 249,524 | 249,524 | 220,433 | 29,091 |
| County auditor | 300,259 | 300,259 | 270,853 | 29,406 |
| License bureau | 75,881 | 75,881 | 71,599 | 4,282 |
| County treasurer | 169,341 | 169,341 | 172,695 | (3,354) |
| County assessor | 316,653 | 316,653 | 317,621 | (968) |
| Elections | 34,900 | 34,900 | 29,971 | 4,929 |
| Machine room | 232,650 | 232,650 | 186,832 | 45,818 |
| Remonumentation | 34,860 | 34,860 | 27,152 | 7,708 |
| Data processing | 199,545 | 199,545 | 158,005 | 41,540 |
| Personnel | 40,954 | 40,954 | 46,031 | (5,077) |
| Attorney | 365,049 | 365,049 | 373,183 | (8,134) |
| Recorder | 275,909 | 275,909 | 265,470 | 10,439 |
| Surveyor | 4,866 | 4,866 | 4,848 | 18 |
| Planning and zoning | 185,109 | 185,109 | 166,332 | 18,777 |
| Maintenance | 280,456 | 280,456 | 274,716 | 5,740 |
| Buildings and plant | 41,560 | 41,560 | 24,700 | 16,860 |
| Veterans service officer | 100,688 | 100,688 | 95,814 | 4,874 |
| Total general government | \$ 3,566,025 | \$ 3,566,025 | \$ 3,123,699 | \$ 442,326 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

**EXHIBIT 5
(Continued)**

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Public safety | | | | |
| Sheriff | \$ 911,213 | \$ 911,213 | \$ 968,044 | \$ (56,831) |
| Criminal investigator | 151,515 | 151,515 | 147,641 | 3,874 |
| Boat and water safety | 37,911 | 37,911 | 36,865 | 1,046 |
| Snowmobile safety | 5,418 | 5,418 | 4,149 | 1,269 |
| Emergency services | 12,840 | 12,840 | 55,109 | (42,269) |
| Coroner | 20,532 | 20,532 | 21,022 | (490) |
| E-911 system | 110,478 | 110,478 | 82,122 | 28,356 |
| County jail | 947,524 | 947,524 | 884,074 | 63,450 |
| Probation and parole | 264,708 | 264,708 | 262,591 | 2,117 |
| Drug task force | 167,828 | 167,828 | 170,303 | (2,475) |
| Total public safety | \$ 2,629,967 | \$ 2,629,967 | \$ 2,631,920 | \$ (1,953) |
| Sanitation | | | | |
| Wastewater treatment | \$ - | \$ - | \$ 88 | \$ (88) |
| Health | | | | |
| Public health | \$ 1,642,196 | \$ 1,642,196 | \$ 1,469,547 | \$ 172,649 |
| Culture and recreation | | | | |
| Historical society | \$ 47,188 | \$ 47,188 | \$ 43,325 | \$ 3,863 |
| Parks | 63,237 | 63,237 | 107,094 | (43,857) |
| Senior citizens | 23,016 | 23,016 | 16,521 | 6,495 |
| Regional library | 274,051 | 274,051 | 250,813 | 23,238 |
| Scott County Library | 20,200 | 20,200 | 19,574 | 626 |
| Total culture and recreation | \$ 427,692 | \$ 427,692 | \$ 437,327 | \$ (9,635) |
| Conservation of natural resources | | | | |
| Cooperative extension | \$ 150,229 | \$ 150,229 | \$ 132,525 | \$ 17,704 |
| Soil and water conservation | 175,215 | 175,215 | 148,742 | 26,473 |
| Agricultural inspection | 11,914 | 11,914 | 7,873 | 4,041 |
| Agricultural society/County fair | 26,550 | 26,550 | 24,714 | 1,836 |
| Total conservation of natural resources | \$ 363,908 | \$ 363,908 | \$ 313,854 | \$ 50,054 |
| Economic development | | | | |
| Housing and redevelopment | \$ 1,600 | \$ 1,600 | \$ 2,673 | \$ (1,073) |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

**EXHIBIT 5
(Continued)**

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Debt service | | | | |
| Principal retirement | \$ - | \$ - | \$ 21,991 | \$ (21,991) |
| Interest | - | - | 2,752 | (2,752) |
| Total debt service | \$ - | \$ - | \$ 24,743 | \$ (24,743) |
| Total Expenditures | \$ 8,631,388 | \$ 8,631,388 | \$ 8,003,851 | \$ 627,537 |
| Excess of Revenues Over (Under) Expenditures | \$ (80,149) | \$ (80,149) | \$ 553,051 | \$ 633,200 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (16,260) | (16,260) |
| Net Change in Fund Balance | \$ (80,149) | \$ (80,149) | \$ 536,791 | \$ 616,940 |
| Fund Balance - January 1 | 3,875,992 | 3,875,992 | 3,875,992 | - |
| Fund Balance - December 31 | \$ 3,795,843 | \$ 3,795,843 | \$ 4,412,783 | \$ 616,940 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 6

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-----------------------|-----------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,163,582 | \$ 1,884,032 | \$ 1,859,300 | \$ (24,732) |
| Intergovernmental | 5,970,143 | 6,363,960 | 4,099,256 | (2,264,704) |
| Charges for services | 87,000 | 87,000 | 83,883 | (3,117) |
| Investment earnings | - | - | 24,436 | 24,436 |
| Miscellaneous | 62,411 | 62,411 | 93,669 | 31,258 |
| Total Revenues | \$ 8,283,136 | \$ 8,397,403 | \$ 6,160,544 | \$ (2,236,859) |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Administration | \$ 368,110 | \$ 368,110 | \$ 388,264 | \$ (20,154) |
| Maintenance | 2,084,027 | 2,094,368 | 1,996,320 | 98,048 |
| Construction | 7,435,626 | 7,435,626 | 3,886,958 | 3,548,668 |
| Equipment maintenance and shop | 395,373 | 395,373 | 395,142 | 231 |
| Total highways and streets | \$ 10,283,136 | \$ 10,293,477 | \$ 6,666,684 | \$ 3,626,793 |
| Debt service | | | | |
| Interest | \$ - | \$ 103,926 | \$ 103,926 | \$ - |
| Administrative charges | - | - | 350 | (350) |
| Total debt service | \$ - | \$ 103,926 | \$ 104,276 | \$ (350) |
| Total Expenditures | \$ 10,283,136 | \$ 10,397,403 | \$ 6,770,960 | \$ 3,626,443 |
| Net Change in Fund Balance | \$ (2,000,000) | \$ (2,000,000) | \$ (610,416) | \$ 1,389,584 |
| Fund Balance - January 1 | 6,415,979 | 6,415,979 | 6,415,979 | - |
| Increase (decrease) in reserved for inventories | - | - | 59,720 | 59,720 |
| Fund Balance - December 31 | \$ 4,415,979 | \$ 4,415,979 | \$ 5,865,283 | \$ 1,449,304 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,421,812 | \$ 2,018,993 | \$ 2,072,933 | \$ 53,940 |
| Intergovernmental | 2,687,942 | 3,090,761 | 3,136,900 | 46,139 |
| Charges for services | 82,050 | 82,050 | 88,171 | 6,121 |
| Gifts and contributions | - | - | 160 | 160 |
| Investment earnings | - | - | 9 | 9 |
| Miscellaneous | 480,280 | 480,280 | 424,905 | (55,375) |
| Total Revenues | \$ 5,672,084 | \$ 5,672,084 | \$ 5,723,078 | \$ 50,994 |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 1,403,549 | \$ 1,403,549 | \$ 1,469,314 | \$ (65,765) |
| Social services | 4,219,370 | 4,219,370 | 4,015,577 | 203,793 |
| Rural outreach | - | - | 205,272 | (205,272) |
| Total Expenditures | \$ 5,622,919 | \$ 5,622,919 | \$ 5,690,163 | \$ (67,244) |
| Net Change in Fund Balance | \$ 49,165 | \$ 49,165 | \$ 32,915 | \$ (16,250) |
| Fund Balance - January 1 | 737,915 | 737,915 | 737,915 | - |
| Fund Balance - December 31 | \$ 787,080 | \$ 787,080 | \$ 770,830 | \$ (16,250) |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 8

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

| | Private-Purpose Trust | Agency |
|-----------------------------|----------------------------------|-------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 45,075 | \$ 541,529 |
| Investments | 3,239 | - |
| Accounts receivable - net | 1,456 | - |
| Accrued interest receivable | 31 | - |
| Total Assets | \$ 49,801 | \$ 541,529 |
| <u>Liabilities</u> | | |
| Cash overdraft | \$ 1,502 | \$ - |
| Due to other governments | - | 541,529 |
| Total Liabilities | \$ 1,502 | \$ 541,529 |
| <u>Net Assets</u> | | |
| Net assets, held in trust | \$ 48,314 | |
| Unrestricted | (15) | |
| Total Net Assets | \$ 48,299 | |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

EXHIBIT 9

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

| | <u>Private-Purpose Trust</u> |
|--|----------------------------------|
| Additions | |
| Investment earnings | |
| Interest | \$ 62 |
| Deductions | |
| Payments in accordance with trust agreements | <u>173</u> |
| Change in Net Assets | \$ (111) |
| Net Assets - January 1 | <u>48,410</u> |
| Net Assets - December 31 | <u><u>\$ 48,299</u></u> |

**LE SUEUR COUNTY
LE CENTER, 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

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

Discretely Presented Component Unit

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

| <u>Component Unit</u> | <u>Component Unit Included in Reporting Entity Because</u> | <u>Separate Financial Statements</u> |
|---|---|---|
| Le Sueur County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047. | County can appoint and remove Board members, as well as appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the HRA. | Le Sueur County HRA c/o Minnesota Valley Action Council 464 Raintree Road Mankato, Minnesota 56001 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures which are described in Note 5.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component unit. 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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

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

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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 major fund displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.
- The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the County reports the following fund types:

- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
- The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- 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, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 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 \$465,294.

Le Sueur 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 2a-7 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;

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either an “interfund receivable/payable” (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.

Accounts receivable in the Human Services Special Revenue Fund are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

The Road and Bridge Special Revenue Fund inventory is valued at cost using the first in/first out method for all inventory items, except for signs and posts, gravel stockpiles, recycled blacktop, and pea rock. These items are valued using the

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Inventories (Continued)

weighted average method. Inventories in governmental funds are recorded as expenditures at the time the item is purchased. Inventories at the County-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are offset by a fund balance reserve to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads and bridges), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 for machinery and equipment; \$25,000 for buildings, building improvements, and land improvements; and \$50,000 for infrastructure, and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Land improvements | 20 - 30 |
| Buildings | 15 - 40 |
| Machinery, furniture, and equipment | 5 - 20 |
| Infrastructure | 50 - 75 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line 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.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds and selected nonmajor special revenue funds. All annual appropriations lapse at year-end.

On or before mid-August of each year, all departments submit requests for appropriations to the County Auditor so that a budget can be prepared. 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. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriations--is the fund level. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

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

B. Excess of Expenditures Over Budget

The Human Services Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2004.

| | <u>Expenditures</u> | <u>Budget</u> | <u>Excess</u> |
|-------------------------------------|---------------------|---------------|---------------|
| Human Services Special Revenue Fund | \$ 5,690,163 | \$ 5,622,919 | \$ 67,244 |

The excess of expenditures over budget was funded by unanticipated revenues and available fund balance.

C. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2004, as follows:

| | |
|---------------------------------------|-----------------------------|
| Fund Balance - modified accrual basis | \$ (173,856) |
| Deferred revenue - unavailable | 112,291 |
| | <u> </u> |
| Fund Balance - Full Accrual Basis | <u>\$ (61,565)</u> |

The deficit will be eliminated with future special assessment levies against benefited properties. Following is a summary of the individual ditch systems:

| | |
|-----------------------------------|-----------------------------|
| 31 ditches with positive balances | \$ 243,371 |
| 37 ditches with deficit balances | (304,936) |
| | <u> </u> |
| Net Fund Balance Deficit | <u>\$ (61,565)</u> |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

| | |
|-----------------------------------|----------------------|
| Primary government | \$ 13,364,191 |
| Cash and pooled investments | 495 |
| Cash with fiscal agent | |
| Fiduciary funds | |
| Cash and pooled investments | |
| Private-purpose trust fund | 45,075 |
| Agency funds | 541,529 |
| Investments | |
| Private-purpose trust fund | 3,239 |
| Cash overdraft | |
| Private-purpose trust fund | (1,502) |
| <u>Private-purpose trust fund</u> | <u>(1,502)</u> |
| Total Cash and Investments | <u>\$ 13,953,027</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 \$8,963,309. The bank balance deposit amount was \$9,780,060. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

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

| | <u>Bank Balance</u> |
|--|---------------------|
| Covered Deposits | |
| Insured, or collateralized with securities held by the County or its agent in the County's name | \$ 617,872 |
| Collateralized with securities held by the pledging financial institution's agent in the County's name | <u>9,162,188</u> |
| Total covered deposits | \$ 9,780,060 |
| Uncollateralized | <u>-</u> |
| Total | <u>\$ 9,780,060</u> |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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

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

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

| | Category | | | Fair Value |
|-------------------------------|------------|------|--------------|---------------|
| | 1 | 2 | 3 | |
| U. S. government securities | \$ 500,000 | \$ - | \$ 2,839,914 | \$ 3,339,914 |
| Jumbo certificates of deposit | - | - | 583,634 | 583,634 |
| Total Investments | \$ 500,000 | \$ - | \$ 3,423,548 | \$ 3,923,548 |
| Add | | | | |
| MAGIC Fund | | | | 1,062,250 |
| Deposits | | | | 8,963,309 |
| Cash with fiscal agent | | | | 495 |
| Change funds | | | | 3,425 |
| Total Cash and Investments | | | | \$ 13,953,027 |

Due to higher cash flows at certain times during the year, the County's investments in repurchase agreements for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in Category 3 at those times were substantially higher than at year-end.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2004, including the applicable allowances for uncollectible accounts, are as follows:

| | Total Receivables | Amounts not Scheduled for Collection During the Subsequent Year |
|----------------------------------|----------------------|---|
| Taxes - prior | \$ 262,284 | \$ - |
| Special assessments - prior | 8,644 | - |
| Special assessments - noncurrent | 112,072 | 79,686 |
| Accounts | 228,971 | - |
| Accrued interest | 465,162 | 224,473 |
| Interfund receivable | 113,425 | - |
| Due from other funds | 41,226 | - |
| Due from other governments | 1,196,733 | - |
| | <u>\$ 2,428,517</u> | <u>\$ 304,159</u> |

3. Capital Assets

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

| | Beginning Balance | Increase | Decrease | Ending Balance |
|-------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 3,951,098 | \$ - | \$ - | \$ 3,951,098 |
| Construction in progress | 5,416,377 | 6,460,366 | 3,010,694 | 8,866,049 |
| | <u>\$ 9,367,475</u> | <u>\$ 6,460,366</u> | <u>\$ 3,010,694</u> | <u>\$ 12,817,147</u> |
| Capital assets depreciated | | | | |
| Buildings | \$ 6,385,359 | \$ - | \$ - | \$ 6,385,359 |
| Land improvements | 49,633 | - | - | 49,633 |
| Machinery, furniture, and equipment | 5,767,180 | 427,889 | 130,474 | 6,064,595 |
| Infrastructure | 41,017,597 | 2,934,687 | - | 43,952,284 |
| | <u>\$ 53,219,769</u> | <u>\$ 3,362,576</u> | <u>\$ 130,474</u> | <u>\$ 56,451,871</u> |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---------------------------------------|------------------------------|---------------------|---------------------|---------------------------|
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 2,283,503 | \$ 159,603 | \$ - | \$ 2,443,106 |
| Land improvements | 8,686 | 2,481 | - | 11,167 |
| Machinery, furniture, and equipment | 3,301,666 | 509,990 | 115,520 | 3,696,136 |
| Infrastructure | <u>7,935,588</u> | <u>872,291</u> | <u>-</u> | <u>8,807,879</u> |
| Total accumulated depreciation | <u>\$ 13,529,443</u> | <u>\$ 1,544,365</u> | <u>\$ 115,520</u> | <u>\$ 14,958,288</u> |
| Total capital assets depreciated, net | <u>\$ 39,690,326</u> | <u>\$ 1,818,211</u> | <u>\$ 14,954</u> | <u>\$ 41,493,583</u> |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>\$ 49,057,801</u> | <u>\$ 8,278,577</u> | <u>\$ 3,025,648</u> | <u>\$ 54,310,730</u> |

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

| | |
|---|---------------------|
| General government | \$ 138,357 |
| Public safety | 162,032 |
| Highways and streets, including depreciation of infrastructure assets | 1,209,868 |
| Sanitation | 8,125 |
| Human services | 14,975 |
| Culture and recreation | 891 |
| Conservation of natural resources | <u>10,117</u> |
| Total Depreciation Expense | <u>\$ 1,544,365</u> |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

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 Fund | Human Services Special Revenue Fund | \$ 1,224 |
| | Environmental Health Special Revenue Fund | 24,758 |
| | | \$ 25,982 |
| Total Due to General Fund | | |
| Road and Bridge Special Revenue Fund | General Fund | \$ 14,155 |
| | County Ditch Special Revenue Fund | 310 |
| | Environmental Health Special Revenue Fund | 728 |
| | | \$ 15,193 |
| Total Due to Road and Bridge Special Revenue Fund | | |
| Human Services Special Revenue Fund | General Fund | \$ 51 |
| | | \$ 41,226 |
| Total Due To/From Other Funds | | |

2. Advances From/To Other Funds

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------------------|-----------|
| General Fund | County Ditch Special Revenue Fund | \$ 36,056 |
| | | \$ 36,056 |

3. Interfund Receivable/Payable

| Receivable Fund | Payable Fund | Amount |
|------------------------------------|-------------------------------------|------------|
| General Fund | County Ditch Special Revenue Fund | \$ 109,814 |
| | Victim Witness Special Revenue Fund | 3,611 |
| | | \$ 113,425 |
| Total Interfund Receivable/Payable | | |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

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

4. Interfund Transfers

| <u>Transfers Out</u> | <u>Transfers In</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------------|--|-------------------|---|
| General Fund | Environmental Health Special Revenue Fund | \$ 16,260 | County's share of grants |
| Debt Service Fund | Capital Projects Fund | <u>750,000</u> | Proceeds of short-term capital equipment notes |
| Total Transfers In/Out | | <u>\$ 766,260</u> | |

C. Liabilities

1. Other Postemployment Benefits

Elected Officials

After their County service, elected County officials are entitled to one year of paid health insurance for every four years of service to the County. This benefit is funded on a pay-as-you-go basis. Le Sueur County had four former elected officials eligible for this benefit. The County expended \$14,948 for this benefit in 2004.

2. Leases

Operating Leases

The County leases eight copy machines, a postage machine, scale, printer, and a meter machine under four noncancelable operating leases. Total costs for such leases were \$38,124 for the year ended December 31, 2004.

The future minimum lease payments for these leases are as follows:

| <u>Year Ending December 31</u> | <u>Amount</u> |
|------------------------------------|---------------|
| 2005 | \$ 22,920 |
| 2006 | 4,665 |
| 2007 | 2,940 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Leases (Continued)

Capital Lease

The County has entered into a lease agreement as lessee for financing the acquisition of telecommunications equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. This capital lease consists of the following at December 31, 2004:

| <u>Lease</u> | <u>Maturity</u> | <u>Installment</u> | <u>Payment Amount</u> | <u>Original</u> | <u>Balance</u> |
|-------------------------------------|-----------------|--------------------|---------------------------|-----------------|------------------|
| 2000 telecommunication equipment | 2006 | Monthly | \$ 2,062 | \$ 104,297 | <u>\$ 27,654</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> | | |
|------------------------------------|---|------------------|
| 2005 | | \$ 24,743 |
| 2006 | | <u>4,124</u> |
| | Total minimum lease payments | \$ 28,867 |
| | Less: amount representing interest | <u>(1,213)</u> |
| | Present Value of Minimum Lease Payments | <u>\$ 27,654</u> |

3. Short-Term Capital Notes

The County issued \$750,000 in short-term capital notes, transferring the proceeds to the Capital Projects Fund. The note proceeds will be used to purchase equipment. The liability at December 31, 2004, is reported in the Capital Projects Fund. The notes are due on May 18, 2005, and the payment will be reimbursed from the Debt Service Fund.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rates (%) | Original Issue Amount | Outstanding Balance December 31, 2004 |
|--|----------------|--------------------------|--------------------|-----------------------|---------------------------------------|
| 2000A G.O. Capital Improvement Bonds | 2006 | \$165,000 - \$170,000 | 4.60 - 4.65 | \$ 775,000 | \$ 335,000 |
| 2003A G.O. Capital Improvement Refunding Bonds | 2014 | \$140,000 - \$180,000 | 2.00 - 3.55 | 1,580,000 | 1,580,000 |
| 2003B G.O. State-Aid Street Bonds | 2014 | \$265,000 - \$270,000 | 2.00 - 3.55 | <u>2,670,000</u> | <u>2,670,000</u> |
| Total General Obligation Bonds | | | | <u>\$ 5,025,000</u> | \$ 4,585,000 |
| Less: unamortized discount | | | | | <u>(24,825)</u> |
| Total General Obligation Bonds, net | | | | | <u>\$ 4,560,175</u> |

Capital Improvement Bonds are being retired by the Debt Service Fund and State-Aid Street Bonds are paid by the Road and Bridge Special Revenue Fund.

5. Debt Service Requirements

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

| Year Ending December 31 | General Obligation | |
|----------------------------|---------------------|-------------------|
| | Principal | Interest |
| 2005 | \$ 575,000 | \$ 128,418 |
| 2006 | 585,000 | 112,420 |
| 2007 | 420,000 | 99,697 |
| 2008 | 420,000 | 89,828 |
| 2009 | 415,000 | 78,664 |
| 2010 - 2014 | <u>2,170,000</u> | <u>188,062</u> |
| Total | <u>\$ 4,585,000</u> | <u>\$ 697,089</u> |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------|---------------------|---------------------|------------------------|
| Bonds payable | | | | | |
| General obligation bonds | \$ 6,370,000 | \$ - | \$ 1,785,000 | \$ 4,585,000 | \$ 575,000 |
| Less: deferred amounts for issuance discounts | (27,515) | - | (2,690) | (24,825) | - |
| Total bonds payable | \$ 6,342,485 | \$ - | \$ 1,782,310 | \$ 4,560,175 | \$ 575,000 |
| Capital leases | 49,645 | - | 21,991 | 27,654 | 23,565 |
| Compensated absences | 486,221 | - | 5,423 | 480,798 | 90,601 |
| Long-Term Liabilities | <u>\$ 6,878,351</u> | <u>\$ -</u> | <u>\$ 1,809,724</u> | <u>\$ 5,068,627</u> | <u>\$ 689,166</u> |

D. Risk Management

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

The Workers' Compensation Division of 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 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

3. Detailed Notes on All Funds

D. Risk Management (Continued)

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.

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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 of service 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.

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from 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,

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

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:

| | Public Employees Retirement Fund | Public Employees Police and Fire Fund | Public Employees Correctional Fund |
|------|---|--|---|
| 2004 | \$ 327,073 | \$ 94,444 | \$ 34,581 |
| 2003 | 314,902 | 80,319 | 31,628 |
| 2002 | 305,637 | 78,799 | 30,050 |

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

5. Summary of Significant Contingencies and Other Items

A. Subsequent Events

On March 22, 2005, the County issued G.O. State-Aid Road Bonds of \$2,650,000 to finance the cost of construction and improvement of various state-aid roads. The interest rate on the bonds ranges from 3.00 to 4.00 percent, and the maturity date is April 1, 2015.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Subsequent Events (Continued)

On October 18, 2005, the County issued G.O. Capital Improvement Bonds of \$2,145,000 to finance capital improvements described in the Capital Improvements Plan. The interest rate on the bonds ranges from 3.60 to 4.05 percent, and the maturity date is February 1, 2022.

B. 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.

C. Joint Ventures

Tri-County Solid Waste

Le Sueur County entered into a joint powers agreement to create and operate Tri-County Solid Waste, pursuant to the Waste Management Act, Minn. Stat. § 471.59, and a joint powers agreement effective November 3, 1987. Management of Tri-County Solid Waste is vested in the Tri-County Solid Waste Joint Powers Board, which consists of six representatives, two for each Board of Commissioners from Le Sueur, Nicollet, and Sibley Counties. The primary function of Tri-County Solid Waste is to coordinate solid waste management programs, excluding the collection and disposal of solid waste, within the multi-county area. Emphasis is placed on planning, recycling, hazardous waste, problem materials, and education.

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Le Sueur

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Tri-County Solid Waste (Continued)

County contributed \$90,331, which represented 34.69 percent of Tri-County Solid Waste financing. Nicollet County was the fiscal agent during 2003. Sibley County took over as fiscal agent in mid-year 2004. Current financial statements are not available.

Minnesota River Board

Le Sueur County entered into a joint powers agreement to promote the orderly water quality improvement and management of the Minnesota River Watershed, pursuant to Minn. Stat. § 471.59. The management of the Joint Powers Board is vested in the Board of Directors consisting of one member and one alternate from each County Board of Commissioners included in this agreement. According to the latest information available, 37 counties are members under this agreement.

Financing is provided by a contribution from each member county based upon its share of the annual budget. Le Sueur County's contribution for 2004 was \$1,370. Complete financial statements for the Minnesota River Board can be obtained from its administrative offices at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

Le Sueur County Drug Task Force

The Le Sueur County Drug Task Force was established in 2002 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Le Sueur County, the City of Le Center, the City of Le Sueur, the City of New Prague, the City of Waterville, the City of Montgomery, and the City of Cleveland. The Drug Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the County.

Control of the Drug Task Force is vested in the Le Sueur County Drug Task Force Board of Directors. The Board of Directors consists of the Le Sueur County Sheriff, the six member police chiefs, the Le Sueur County Attorney, and the Task Force Coordinator. A participating agency may withdraw from the Drug Task Force by written statement of termination with reasons, if any, directed to the chair of the Drug Task Force.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Le Sueur County Drug Task Force (Continued)

Financing is provided by grants, forfeiture money, and contributions from members. In 2004, Le Sueur County levied for \$98,828 in property taxes and collected \$92,885 as its contribution to the Drug Task Force. The Le Sueur County Drug Task Force has not been audited for the fiscal year ended December 31, 2004.

Family Services Collaborative

The Le Sueur County Family Services Collaborative was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The Collaborative includes Le Sueur County and seven other agencies. The purpose of the Collaborative is to support and nurture individuals and families through prevention and intervention so as to ensure success for every child.

Control of the Collaborative is vested in a Governing Board consisting of 12 members. Le Sueur County Human Services acts as fiscal agent for the Collaborative. The Collaborative is financed by Local Collaborative Time Study (LCTS) funds and partner contributions. Any withdrawing partner remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, the Le Sueur County Family Services Collaborative Governing Board shall distribute all property, real and personal, at the time of termination.

Financial information can be obtained by contacting the Le Sueur County Department of Human Services.

6. Housing and Redevelopment Authority Component Unit

A. Summary of Significant Accounting Policies

The LeSueur County Housing and Redevelopment Authority (HRA) was created under the laws of the State of Minnesota. The purpose of the HRA is to promote economic development and to administer the public housing programs authorized by the United States Housing Act of 1937, as amended. These programs are subsidized by the federal government through the U.S. Department of Housing and Urban Development (HUD).

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

6. Housing and Redevelopment Authority Component Unit

A. Summary of Significant Accounting Policies (Continued)

The accounting policies of the HRA conform to generally accepted accounting principles applicable to governmental units. The HRA's fiscal year is October 1 to September 30.

Management Agreement

The HRA has entered into an agreement under which Minnesota Valley Action Council, Inc., (MVAC) manages all of the HRA's programs and acts as its fiscal agent. Payment to MVAC for these services consists solely of the administrative fees allowed under the grant programs operated by the HRA. Generally, for the HRA's cash related to its Section 8 Rental Programs, financial institution accounts for the HRA are not maintained separately from the accounts of MVAC.

Fund Accounting

The accounts of the HRA are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, retained earnings, income, and expenses. Government resources are allocated based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various activities of the HRA are all considered to comprise one proprietary fund, which is considered to be an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises.

Basis of Accounting

The accounts of the HRA are maintained on the basis of accounting principles generally accepted in the United States of America for governmental units. For its proprietary funds, the HRA applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Accrual basis accounting is used for the HRA's enterprise funds. Accordingly, revenues, including contributions from HUD, are recognized when earned, and expenses are recognized when incurred.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

6. Housing and Redevelopment HRA Component Unit

A. Summary of Significant Accounting Policies (Continued)

Cash

For purposes of the statement of cash flows, all cash deposits and temporary investments with original terms of three months or less are considered to be cash.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America require 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. Accordingly, actual results could differ from those estimates.

B. Deposits

At September 30, 2004, the carrying amount of the HRA's deposits with financial institutions was \$114,114, and bank balances were \$114,116. Balances were fully insured as of September 30, 2004.

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral and that securities pledged as collateral be legal instruments and be held in safekeeping by the HRA treasurer or in a financial institution other than that furnishing the collateral. The market value of collateral pledged must generally exceed deposits not covered by insurance or bonds by at least ten percent. The HRA was in compliance with these Minnesota statutes at September 30, 2004.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

6. Housing and Redevelopment HRA Component Unit (Continued)

C. Note Receivable

The note receivable results from an equipment loan made to Rolco, Inc., under the Small Cities Development Program in connection with the Community Development Block Grant. Rolco, Inc., is repaying the loan of \$199,805 to the HRA in monthly installments of \$2,119, including interest at five percent. The loan is due in full in May 2005 unless certain grant requirements are met.

D. Loans Receivable

Loans receivable at September 30, 2004, are as follows:

| | |
|--|-------------------------|
| Loan of June 2004; without interest; secured by property in Kilkenny, Minnesota; payments of \$25 due monthly; principal due in full upon full or partial sale of property | \$ 19,975 |
| Loan of November 2003; without interest; secured by property in Le Center, Minnesota; due in full upon sale of property but no later than November 24, 2005 | <u>14,267</u> |
| Total | \$ 34,242 |
| Current portion | <u>(300)</u> |
| Noncurrent Portion | <u><u>\$ 33,942</u></u> |

E. Deferred Revenue

| | |
|---|-------------------------|
| Community Development Block Grant revolving funds | <u><u>\$ 84,080</u></u> |
|---|-------------------------|

F. Contingent Liability

The HRA is contingently liable to repay HUD principal and interest collected from Rolco, Inc., under the Small Cities Development Grant Program until such time as Rolco, Inc., meets all program requirements. Such amount was \$33,908 as of September 30, 2004.

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

6. Housing and Redevelopment HRA Component Unit (Continued)

G. Reserved Net Assets

The principal amount received under the Community Development Block Grant for the Small Cities Development Grant Program for the Rolco, Inc., project and all interest collected from Rolco, Inc., must be used for economic development projects in accordance with a plan adopted by the HRA. Currently, the HRA's plan is to use such amounts for an economic development revolving loan fund when no longer subject to contingent liabilities.

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**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS AND SCHEDULES**

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Statement 1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE 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> | | |
| Revenues | | | | |
| Taxes | \$ 397,793 | \$ 343,297 | \$ 343,447 | \$ 150 |
| Intergovernmental | - | 54,496 | 58,827 | 4,331 |
| Investment earnings | - | - | 2,349 | 2,349 |
| Total Revenues | \$ 397,793 | \$ 397,793 | \$ 404,623 | \$ 6,830 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal retirement | \$ 1,788,527 | \$ 1,788,527 | \$ 1,785,000 | \$ 3,527 |
| Interest | 117,266 | 117,266 | 115,502 | 1,764 |
| Bond issuance costs | - | - | - | - |
| Administrative charges | 7,000 | 7,000 | 1,225 | 5,775 |
| Total Expenditures | \$ 1,912,793 | \$ 1,912,793 | \$ 1,901,727 | \$ 11,066 |
| Excess of Revenues Over (Under) Expenditures | \$ (1,515,000) | \$ (1,515,000) | \$ (1,497,104) | \$ 17,896 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (750,000) | (750,000) |
| Net Change in Fund Balance | \$ (1,515,000) | \$ (1,515,000) | \$ (2,247,104) | \$ (732,104) |
| Fund Balance - January 1 | 2,299,606 | 2,299,606 | 2,299,606 | - |
| Fund Balance - December 31 | \$ 784,606 | \$ 784,606 | \$ 52,502 | \$ (732,104) |

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

County Ditch Fund - To account for the financing and maintenance of the County ditch system.

Environmental Health Fund - To account for the revenues and expenditures related to health, recycling, and solid waste.

Victim Witness Fund - To account for the revenues and expenditures related to general crime assistance for victims and witnesses.

Gravel Tax Fund- To account for gravel taxes restricted for gravel pit restoration.

Capital Projects Fund - To account for the acquisition and construction of major capital facilities.

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Statement 2

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

| | Special Revenue Funds | | | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|-----------------------|-------------------------|-------------------|-------------------|-----------------------------|--|
| | County Ditch | Environmental Health | Victim Witness | Gravel Tax | | |
| <u>Assets</u> | | | | | | |
| Cash and pooled investments | \$ - | \$ 1,587,558 | \$ - | \$ 114,740 | \$ 752,237 | \$ 2,454,535 |
| Taxes receivable | | | | | | |
| Prior | - | 514 | - | - | - | 514 |
| Special assessments receivable | | | | | | |
| Prior | 1,356 | 6,452 | - | - | - | 7,808 |
| Noncurrent | 112,072 | - | - | - | - | 112,072 |
| Accrued interest receivable | - | - | - | - | 1,814 | 1,814 |
| Due from other governments | - | 2,284 | 8,234 | - | - | 10,518 |
| Total Assets | \$ 113,428 | \$ 1,596,808 | \$ 8,234 | \$ 114,740 | \$ 754,051 | \$ 2,587,261 |
| <u>Liabilities and Fund Balances</u> | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 18,076 | \$ 662 | \$ - | \$ - | \$ 84,168 | \$ 102,906 |
| Salaries payable | - | 2,501 | 876 | - | - | 3,377 |
| Interfund payable | 109,814 | - | 3,611 | - | - | 113,425 |
| Due to other funds | 310 | 25,486 | - | - | - | 25,796 |
| Due to other governments | 10,737 | 1,343 | - | - | - | 12,080 |
| Deferred revenue - unavailable | 112,291 | 5,650 | - | - | - | 117,941 |
| Deferred revenue - unearned | - | 37,771 | - | - | - | 37,771 |
| Advance from other funds | 36,056 | - | - | - | - | 36,056 |
| Total Liabilities | \$ 287,284 | \$ 73,413 | \$ 4,487 | \$ - | \$ 84,168 | \$ 449,352 |
| Fund Balances | | | | | | |
| Reserved for gravel pit closure | \$ - | \$ - | \$ - | \$ 114,740 | \$ - | \$ 114,740 |
| Unreserved | | | | | | |
| Designated for cash flows | - | 1,523,395 | 3,747 | - | - | 1,527,142 |
| Designated for capital equipment | - | - | - | - | 669,883 | 669,883 |
| Undesignated | (173,856) | - | - | - | - | (173,856) |
| Total Fund Balances | \$ (173,856) | \$ 1,523,395 | \$ 3,747 | \$ 114,740 | \$ 669,883 | \$ 2,137,909 |
| Total Liabilities and Fund Balances | \$ 113,428 | \$ 1,596,808 | \$ 8,234 | \$ 114,740 | \$ 754,051 | \$ 2,587,261 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Statement 3

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

| | Special Revenue Funds | | | Gravel Tax | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|-----------------------|-------------------------|-------------------|-------------------|-----------------------------|--|
| | County Ditch | Environmental Health | Victim Witness | | | |
| Revenues | | | | | | |
| Taxes | \$ - | \$ 17,433 | \$ - | \$ 18,409 | \$ - | \$ 35,842 |
| Special assessments | 66,464 | 101,458 | - | - | - | 167,922 |
| Licenses and permits | - | 43,250 | - | - | - | 43,250 |
| Intergovernmental | 12,500 | 169,636 | 37,951 | - | - | 220,087 |
| Charges for services | - | 13,388 | - | - | - | 13,388 |
| Investment earnings | - | - | - | - | 4,120 | 4,120 |
| Miscellaneous | - | 11,103 | 3,020 | - | - | 14,123 |
| Total Revenues | \$ 78,964 | \$ 356,268 | \$ 40,971 | \$ 18,409 | \$ 4,120 | \$ 498,732 |
| Expenditures | | | | | | |
| Current | | | | | | |
| Public safety | \$ - | \$ - | \$ 49,439 | \$ - | \$ - | \$ 49,439 |
| Sanitation | - | 141,298 | - | - | - | 141,298 |
| Health | - | 90,268 | - | - | - | 90,268 |
| Conservation of natural resources | 132,424 | 92,079 | - | - | - | 224,503 |
| Capital outlay | - | - | - | - | 115,800 | 115,800 |
| Debt service | | | | | | |
| Interest | 1,387 | - | - | - | - | 1,387 |
| Total Expenditures | \$ 133,811 | \$ 323,645 | \$ 49,439 | \$ - | \$ 115,800 | \$ 622,695 |
| Excess of Revenues Over (Under) Expenditures | \$ (54,847) | \$ 32,623 | \$ (8,468) | \$ 18,409 | \$ (111,680) | \$ (123,963) |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | 16,260 | - | - | 750,000 | 766,260 |
| Net Change in Fund Balance | \$ (54,847) | \$ 48,883 | \$ (8,468) | \$ 18,409 | \$ 638,320 | \$ 642,297 |
| Fund Balance - January 1 | (119,009) | 1,474,512 | 12,215 | 96,331 | 31,563 | 1,495,612 |
| Fund Balance - December 31 | \$ (173,856) | \$ 1,523,395 | \$ 3,747 | \$ 114,740 | \$ 669,883 | \$ 2,137,909 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Statement 4

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

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 20,401 | \$ 17,597 | \$ 17,433 | \$ (164) |
| Special assessments | 3,500 | 3,500 | 101,458 | 97,958 |
| Licenses and permits | 42,285 | 42,285 | 43,250 | 965 |
| Intergovernmental | 292,228 | 295,032 | 169,636 | (125,396) |
| Charges for services | 14,200 | 14,200 | 13,388 | (812) |
| Miscellaneous | 7,192 | 7,192 | 11,103 | 3,911 |
| Total Revenues | \$ 379,806 | \$ 379,806 | \$ 356,268 | \$ (23,538) |
| Expenditures | | | | |
| Current | | | | |
| Sanitation | \$ 288,839 | \$ 197,356 | \$ 141,298 | \$ 56,058 |
| Health | 117,686 | 117,686 | 90,268 | 27,418 |
| Conservation of natural resources | 231,614 | 214,754 | 92,079 | 122,675 |
| Total Expenditures | \$ 638,139 | \$ 529,796 | \$ 323,645 | \$ 206,151 |
| Excess of Revenues Over (Under) Expenditures | \$ (258,333) | \$ (149,990) | \$ 32,623 | \$ 182,613 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 118,545 | 10,202 | 16,260 | 6,058 |
| Net Change in Fund Balance | \$ (139,788) | \$ (139,788) | \$ 48,883 | \$ 188,671 |
| Fund Balance - January 1 | 1,474,512 | 1,474,512 | 1,474,512 | - |
| Fund Balance - December 31 | \$ 1,334,724 | \$ 1,334,724 | \$ 1,523,395 | \$ 188,671 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Statement 5

**BUDGETARY COMPARISON SCHEDULE
VICTIM WITNESS SPECIAL REVENUE 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> | | |
| Revenues | | | | |
| Intergovernmental | \$ 41,000 | \$ 41,000 | \$ 37,951 | \$ (3,049) |
| Miscellaneous | - | - | 3,020 | 3,020 |
| Total Revenues | \$ 41,000 | \$ 41,000 | \$ 40,971 | \$ (29) |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 50,007 | 50,007 | 49,439 | 568 |
| Net Change in Fund Balance | \$ (9,007) | \$ (9,007) | \$ (8,468) | \$ 539 |
| Fund Balance - January 1 | 12,215 | 12,215 | 12,215 | - |
| Fund Balance - December 31 | \$ 3,208 | \$ 3,208 | \$ 3,747 | \$ 539 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

FIDUCIARY FUNDS

Private-Purpose Trust Funds

Cemetery Perpetual Care Fund - To account for funds held for cemetery associations.

U.S. Fish and Wildlife Fund - To account for funds from the U.S. Fish and Wildlife Service that will, through interest earnings, offset the shortfall between the annual Fish and Wildlife Service shared revenue payment and the actual taxes on property purchased by the U.S. Fish and Wildlife Service.

Agency Funds

Agency - To account for all collections, other than taxes and penalties, and disbursements by the County for individuals, private organizations, or other governmental units.

Family Services Collaborative - To account for state funds disbursed through the Minnesota Department of Education and discretionary funds contributed by the Collaborative participants.

Taxes and Penalties - To account for all taxes and penalties collected and their distribution to other governmental units and County funds.

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Statement 6

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2004**

| | Cemetery Perpetual Care | U.S. Fish and Wildlife | Total |
|-----------------------------|------------------------------------|-----------------------------------|------------------|
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ - | \$ 45,075 | \$ 45,075 |
| Investments | 3,239 | - | 3,239 |
| Accounts receivable - net | 1,456 | - | 1,456 |
| Accrued interest receivable | 31 | - | 31 |
| | \$ 4,726 | \$ 45,075 | \$ 49,801 |
| <u>Liabilities</u> | | | |
| Cash overdraft | \$ 1,502 | \$ - | \$ 1,502 |
| <u>Net Assets</u> | | | |
| Net assets, held in trust | \$ 3,239 | \$ 45,075 | \$ 48,314 |
| Unrestricted | (15) | - | (15) |
| | \$ 3,224 | \$ 45,075 | \$ 48,299 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Statement 7

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Cemetery Perpetual Care | U.S. Fish and Wildlife | Total |
|--|------------------------------------|-----------------------------------|------------------|
| Additions | | | |
| Investment earnings | | | |
| Interest | \$ 62 | \$ - | \$ 62 |
| Deductions | | | |
| Payments in accordance with trust agreements | 173 | - | 173 |
| Change in Net Assets | \$ (111) | \$ - | \$ (111) |
| Net Assets - January 1 | 3,335 | 45,075 | 48,410 |
| Net Assets - December 31 | \$ 3,224 | \$ 45,075 | \$ 48,299 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Statement 8

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

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|------------------------------|----------------------|----------------------|--------------------------------|
| <u>AGENCY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 95,636 | \$ 3,606,959 | \$ 3,556,973 | \$ 145,622 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 6,645 | \$ - | \$ 6,645 | \$ - |
| Due to other governments | 88,991 | 3,606,959 | 3,550,328 | 145,622 |
| Total Liabilities | \$ 95,636 | \$ 3,606,959 | \$ 3,556,973 | \$ 145,622 |
| <u>FAMILY SERVICES COLLABORATIVE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 94,134 | \$ 270,658 | \$ 224,216 | \$ 140,576 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 94,134 | \$ 270,658 | \$ 224,216 | \$ 140,576 |
| <u>TAXES AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 374,244 | \$ 19,575,440 | \$ 19,694,353 | \$ 255,331 |
| <u>Liabilities</u> | | | | |
| Due to other funds | \$ - | \$ 7,851,211 | \$ 7,851,211 | \$ - |
| Due to other governments | 374,244 | 11,724,229 | 11,843,142 | 255,331 |
| Total Liabilities | \$ 374,244 | \$ 19,575,440 | \$ 19,694,353 | \$ 255,331 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

*Statement 8
(Continued)*

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

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--------------------------------------|------------------------------|----------------------|----------------------|--------------------------------|
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 564,014 | \$ 23,453,057 | \$ 23,475,542 | \$ 541,529 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 6,645 | \$ - | \$ 6,645 | \$ - |
| Due to other funds | - | 7,851,211 | 7,851,211 | - |
| Due to other governments | 557,369 | 15,601,846 | 15,617,686 | 541,529 |
| Total Liabilities | \$ 564,014 | \$ 23,453,057 | \$ 23,475,542 | \$ 541,529 |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Schedule 1

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

Shared Revenue

State

| | |
|-------------------------|--------------|
| Highway users tax | \$ 3,530,183 |
| County program aid | 1,206,375 |
| PERA rate reimbursement | 28,707 |
| Disparity reduction aid | 79,689 |
| Police aid | 74,916 |
| Enhanced 911 | 36,105 |
| Market value credit | 1,219,147 |
| Court aid | 69,500 |
| | 6,244,622 |

Total Shared Revenue **\$ 6,244,622**

Reimbursement for Services

| | |
|--|--------------|
| Minnesota Department of Human Services | \$ 1,593,248 |
|--|--------------|

Payments

Local

| | |
|---------------------------|-----------|
| Local contributions | \$ 22,000 |
| Payments in lieu of taxes | 20,087 |
| | 42,087 |

Total Payments **\$ 42,087**

Grants

State

| | |
|-------------------------------|-----------|
| Minnesota Department/Board of | |
| Public Safety | \$ 11,569 |
| Water and Soil Resources | 74,618 |
| Health | 78,986 |
| Commerce | 2,475 |
| Environmental Assistance | 59,754 |
| Natural Resources | 21,301 |
| Human Services | 1,358,435 |
| Corrections | 69,960 |
| Peace Officers Board | 6,088 |
| | 1,683,186 |

Total State **\$ 1,683,186**

Federal

| | |
|---------------------------|----------|
| Department of | |
| Agriculture | \$ 3,360 |
| Justice | 84,335 |
| Transportation | 363 |
| Education | 3,978 |
| Health and Human Services | 705,304 |
| Homeland Security | 23,394 |
| | 820,734 |

Total Federal **\$ 820,734**

Total State and Federal Grants **\$ 2,503,920**

Total Intergovernmental Revenue **\$ 10,383,877**

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**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Schedule 2

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 Le Sueur County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Le Sueur County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Le Sueur County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Le Sueur County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

| | |
|--|--------------|
| Social Services Block Grant - Title XX | CFDA #93.667 |
| Rural Health Outreach Grant | CFDA #93.912 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Le Sueur County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

02-2 Information Services - Data Access

During our review of internal control over LeSueur County's computerized ledger system, we noted that several employees have unlimited capabilities on the AS/400. This unlimited capability includes employee access to menu options beyond their job responsibilities as well as command line authority, which, under certain circumstances, allows an employee to delete any program.

Limiting data access to a level consistent with job responsibilities strengthens internal control over inappropriate use, unauthorized changes, or intentional alteration or deletion of County data.

We recommend that the County implement procedures that will limit menu options and command line authority to levels consistent with the employee's job responsibilities.

Client's Response: (Director, MIS Department)

I have made arrangements for a consulting firm to come in during the next two months and go through all user profiles with me and Department Heads to determine exactly what access is needed for the proprietary programs that department runs, and, the security needed for the OS to go along with it. All nonemployee and former employee signons have been deleted.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

02-4 Tax-Forfeited Land Sales

The last tax-forfeited land auction held by Le Sueur County was in 1995. Minn. Stat. § 280.01 requires, “On the second Monday in May, in each year, the county auditor shall sell all parcels of land against which judgment has been entered and remains unsatisfied for the taxes of the preceding year or years.”

We recommend the County implement procedures to have tax-forfeited land auctions in accordance with Minn. Stat. § 280.01.

Client’s Response:

In response to the above mentioned matter, the Le Sueur County Auditor’s Office is in the process of a tax-forfeited land sale. We have started the process and are planning on holding the actual sale sometime in the spring of 2006. Our intent is to hold a sale each year.

03-1 Individual Ditch Fund Cash and Fund Balance Deficit

Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures. Under Minn. Stat. § 103E.655, the loan must be paid back with interest. The County has 68 ditch accounts in the general ledger. At December 31, 2004, 38 ditches had negative cash balances totaling \$289,664, and 37 ditches had negative fund balances totaling \$304,936.

We recommend the County eliminate the cash and fund balance deficits by borrowing from the eligible funds with surplus cash balances under Minn. Stat. § 103E.655, and by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus cash balance to provide for the repair and maintenance costs of the ditch system.

Client's Response:

The County Ditch Board of Commissioners has placed liens on individual ditches during calendar year 2005 in the amount of \$268,000 under Minn. Stat. § 103E.731. The 2005 collections have reduced the ditch deficit from \$168,000 to \$83,255 during 2005. The County Board has increased the dollar amounts of the present liens to include a projected five-year expense reserve for each individual ditch account being levied upon.

We anticipate doing more ditch liens under the same premises in upcoming years.

ITEM ARISING THIS YEAR

04-1

Statutory Compliance

During the course of the audit, the following came to our attention:

- The County has no procedures in place to report unclaimed funds to the State Commissioner. Current practice is to cancel stale checks (more than 180 days old) and receipt the funds back into the account from which they were disbursed. No records are maintained of any canceled checks that may result in unclaimed funds. Minn. Stat. §§ 345.38-.43 require political subdivisions to report unclaimed or abandoned funds to the state annually.
- The County has a cash overdraft in the Cemetery Trust Fund of \$1,502 and certificates of deposit of \$3,239 for three cemetery associations. The Cemetery Trust Fund balance has been in deficit for over 15 years. The County does not have any record of how the funds were overspent. Based on the information available, it is unclear whether the cash overdraft is in the Cemetery Trust Fund or another fund. Minn. Stat. § 385.31 prohibits disbursing funds when no cash is available.
- Included in the Cemetery Trust Fund is a certificate of deposit for the Pomeranian Cemetery. The County does not have any records on this cemetery, including if a cemetery association exists, so has not disbursed earnings on the certificate of deposit. Minn. Stat. § 306.51 says, "if the legal existence of a religious incorporation or an association formed under law to maintain a cemetery has ended, the interest due from the fund to the defunct cemetery association or incorporation must be paid to the treasurer of the city or town in which the cemetery is located, to be spent by the municipality for the care, maintenance, or improvement of the cemetery."

We recommend the County make every effort to comply with the above-noted statutes. We also recommend the County investigate its records to determine which account or fund has been overspent and if the Pomeranian Cemetery has a cemetery association. If the County cannot determine the cause of the cash deficit, it should take Board action to transfer funds from the General Fund to cover the deficit cash balance. If the County cannot determine the existence of the Pomeranian Cemetery Association, it should pay the accumulated earnings on the certificate of deposit to the city or town where the Pomeranian Cemetery is located.

Client's Response: (County Treasurer)

Item #1: We intend to write a policy on unclaimed funds including, first of all, determining whether or not a cancelled check is indeed unclaimed funds and secondly report it to the Department of Commerce, once the determination is made, yearly.

Item #2: First of all, I still do not agree the cash overdraft of \$1,502 in the Trust Fund is solely a shortage in the Cemetery Trust Fund. Secondly, I am positive that the total amount of the \$1,502 is not a shortage in the Pomeranian Cemetery. Since we, at any rate, cannot locate the Pomeranian Cemetery Association, we therefore intend to follow your recommendation to seek Board action to resolve the shortage by transferring the \$1,502 minus interest on the Pomeranian Cemetery CD in 2004 and 2005, and minus the Pomeranian Cemetery CD amount, if it is determined we are allowed under state statute by the County Attorney, from the revenue fund.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

01-4 Outdated Disaster Recovery Plan

The County's disaster recovery plan is outdated and has never been tested. An outdated, untested plan that assigns responsibility to untrained personnel may not prove to be nearly as effective as intended in times of actual need. In addition, the County has not entered into a reciprocal agreement with another county. A reciprocal agreement allows for continued processing of critical financial and other information at an alternative site in case of disaster.

We recommend the County update the disaster recovery plan on an annual basis and sufficiently train its team members so that it may be effectively implemented in times of need. We also recommend that the recovery plan be periodically tested and the County enter into a reciprocal agreement with another governmental entity.

Client's Response: (Director, MIS Department)

I have made a verbal agreement with Nicollet County to enter into a reciprocal agreement allowing for continued processing of critical financial and other information at their site in case of disaster. This agreement will be written in the next two months knowing that Nicollet County will be moving to a PC-based platform in the next two years for many of the current AS400-based programs. Another agreement will need to be made with a neighboring County at that time. I also have completed half of an MIS Disaster Recovery Guide, anticipating completion by mid-March of 2006.

ITEM ARISING THIS YEAR

04-2

Capital Asset Records

The County continues to maintain more than one system to account for its capital assets. These systems are not interfaced with its general ledger; therefore, purchased capital assets are not recorded in the capital asset system when the expenditures are recorded in the general ledger. Generally, all purchases of capital assets are recorded on the capital asset system after year-end. This is a time-consuming, manual process that requires County personnel to analyze all capital outlay and maintenance expenditure accounts along with obtaining corroborating information from departments to determine total assets purchased.

In 2002, the County stated that it would be purchasing a computer program to centralize and account for all of the County's capital assets. In 2003, the County stated that it was in the process of implementing this capital asset accounting system. As of November 2005, the County has not accomplished this implementation.

We recommend the County Board take the necessary steps to implement its capital asset computer program and have the system interface with the County's general ledger. This action would result in an efficient, centralized accounting of the County's capital, assets which would produce reliable and current capital asset records, as well as timely information for the preparation of financial statements.

Client's Response:

Le Sueur County will implement the capital asset computer program and interface it with the County's general ledger. This will be accomplished to include 2005 capital assets.

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OTHER REQUIRED REPORTS

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

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

PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Le Sueur County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Le Sueur County as of and for the year ended December 31, 2004, and have issued our report thereon dated November 29, 2005. We did not audit the financial statements of the Le Sueur County Housing and Redevelopment Authority, a discretely presented component unit of Le Sueur County. 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 Le Sueur 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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 02-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated previously is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Le Sueur 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, Le Sueur County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 02-4, 03-1, and 04-1.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: November 29, 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
Le Sueur County

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Le Sueur 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, Le Sueur County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Le Sueur 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 Le Sueur County as of and for the year ended December 31, 2004, and have issued our report thereon dated November 29, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. We did not audit the financial statements of the Le Sueur County Housing and Redevelopment Authority, a discretely presented component unit. 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: November 29, 2005

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Schedule 3

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

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|--------------------------|
| U.S. Department of Agriculture | | |
| Passed Through Minnesota Department of Human Services Administrative Matching Grant for Food Stamp Program | 10.561 | \$ <u>3,360</u> |
| U.S. Department of Justice | | |
| Passed Through Minnesota Department of Public Safety Crime Victim Assistance | 16.575 | \$ 26,382 |
| Bryne Formula Grant Program | 16.579 | 35,000 |
| Direct Public Safety Partnership and Community Policing | 16.710 | <u>22,953</u> |
| Total U.S. Department of Justice | | \$ <u>84,335</u> |
| U.S. Department of Transportation | | |
| Passed Through Minnesota Department of Public Safety State and Community Highway Safety | 20.600 | \$ <u>363</u> |
| U.S. Department of Education | | |
| Passed Through Minnesota Department of Natural Resources Adult Education - State Grant Program | 84.002 | \$ <u>3,978</u> |
| U.S. Department of Health and Human Services | | |
| Passed Through Minnesota Department of Health Center for Disease Control and Prevention | 93.283 | \$ 36,703 |
| Temporary Assistance for Needy Families | 93.558 | 2,534 |
| Maternal and Child Health Services Block Grant | 93.994 | 30,322 |
| Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families | 93.556 | 6,930 |
| Temporary Assistance for Needy Families | 93.558 | 114,782 |
| Child Care Mandatory and Matching Funds | 93.596 | 6,877 |
| Children's Justice Grant | 93.643 | 895 |
| Child Welfare Services | 93.645 | 1,756 |
| Foster Care - Title IV-E | 93.658 | 84,437 |
| Social Services Block Grant - Title XX | 93.667 | 189,325 |
| Independent Living | 93.674 | 8,418 |
| Community Mental Health Services Block Grant | 93.958 | 8,741 |
| Direct Rural Health Outreach and Rural Network Development | 93.912 | <u>215,507</u> |
| Total U.S. Department of Health and Human Services | | \$ <u>707,227</u> |

**LE SUEUR COUNTY
LE CENTER, MINNESOTA**

Schedule 3
(Continued)

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

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|---------------------|
| U.S. Department of Homeland Security | | |
| Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support | 97.004 | \$ 17,795 |
| Emergency Management Performance Grant | 97.042 | 5,599 |
| Total U.S. Department of Homeland Security | | \$ 23,394 |
| Total Federal Awards | | \$ 822,657 |

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 Le Sueur 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. In some instances, expenditures shown are greater than reported revenues because the revenues were not available.
3. During 2004, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.