

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

For the Year Ended December 31, 2004



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

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE COUNTY
2004**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Arvid Gollnick	January 2005
2nd District	Albert Hoffman	January 2007
3rd District	Ivey Vonderharr	January 2005
4th District	Merril Johnson*	January 2007
5th District	Harold Solem**	January 2005
Officers		
Elected		
Attorney	John Tollefson	January 2007
Auditor	Stanton Bjorgan	January 2007
Coroner	Ralph Gerbig, M.D.	January 2007
Recorder	Janine Bornhurst	January 2007
Sheriff	Graylen Carlson	January 2007
Treasurer	Cindy Heinrich	January 2007
Appointed		
Assessor	Lori Schwendemann	Indefinite
Highway Engineer	Steve Kubista	Indefinite
Veterans' Service Officer	Thomas Rademacher	Indefinite
Welfare Board		
Commissioner	Arvid Gollnick	January 2005
Commissioner	Albert Hoffman	January 2007
Commissioner	Ivey Vonderharr	January 2005
Commissioner	Merril Johnson	January 2007
Commissioner	Harold Solem	January 2005
Member	Bonnie Jostock	July 2005
Member	Eleanora Collins	July 2005
Director	Joel Churness	Indefinite

*Chair 2004

**Chair 2005

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**ORGANIZATION SCHEDULE
LAC QUI PARLE - YELLOW BANK WATERSHED DISTRICT
BOARD OF SUPERVISORS
2004**

<u>Name</u>	<u>Position</u>
Supervisor	
Willis Beecher	Chair
Willard Pearson	Vice Chair
David Ludvigson	Treasurer
David Craigmile	Secretary
Daniel Christianson	Publicity Chair
Staff	
Darrel Ellefson	Administrator
Trudy Hastad	Office Secretary
Ron Fjerkenstad	Park Manager
Steve Torvik	Attorney

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Lac qui Parle County

We have audited the basic financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lac qui Parle County 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 the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lac qui Parle County as of December 31, 2004, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, Lac qui Parle County adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended, and Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended December 31, 2004. These statements result in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Lac qui Parle County. The statement and schedules listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Lac qui Parle 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 April 11, 2005, on our consideration of the Lac qui Parle County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: April 11, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the County's financial activities for the fiscal year ended December 31, 2004. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars. Because this is the first year of implementation of Governmental Accounting Standards Board Statement 34, the MD&A does not include comparative financial information. Comparative data will be included in future reports.

Financial Highlights

Governmental activities' total net assets are \$39,504,650, of which \$30,689,809 are invested in capital assets and \$579,289 is restricted to specific purposes. The \$8,235,552 remaining may be used to meet the County's ongoing obligations to citizens and creditors.

The County's net assets increased by \$3,122,702 for the year ended December 31, 2004. A large part of the increase is attributable to an increase in highway revenues.

The net cost of governmental activities for the current fiscal year was \$526,470. The net cost was funded by general revenues and other items totaling \$3,649,172.

The fund balances of the governmental funds increased by \$600,065. Most of the increase was due to department cuts due to a shortfall of levy credits from the state and higher than anticipated highway revenues.

For the year ended December 31, 2004, the unreserved fund balance of the General Fund was \$3,669,178, or 157 percent of the total General Fund expenditures for the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund-level financial statements, and (3) notes to the financial statements. This report also contains required supplementary information.

Government-Wide Financial Statements

These statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all assets and liabilities of the County using the accrual basis of accounting, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. You will also need to consider other non-financial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The *statement of activities* presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no *business-type activities* for which the County is legally accountable.

The *government-wide statements* can be found on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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, governmental fund financial statements focus on how money flows in and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

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 near-term financial 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.

The County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and Ditch Special Revenue Fund. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the *government-wide statements* because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in Statement 1 - Combining Statement of Changes in Assets and Liabilities.

Government-Wide Financial Analysis

Over time, net assets serve as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$39,504,650 at the close of 2004. The largest portion of the net assets (77.7 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related outstanding debt used to acquire those assets. However, it should be noted that these assets are not available for future spending or for liquidating any debt.

Lac qui Parle County Net Assets

	Governmental Activities 2004
Assets	
Current and other assets	\$ 9,649,113
Capital assets	<u>30,689,809</u>
Total Assets	<u>\$ 40,338,922</u>
Liabilities	
Long-term liabilities	\$ 266,996
Other liabilities	<u>567,276</u>
Total Liabilities	<u>\$ 834,272</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 30,689,809
Restricted	579,289
Unrestricted	<u>8,235,552</u>
Total Net Assets	<u><u>\$ 39,504,650</u></u>

Unrestricted net assets--the part of net assets that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements is 20.8 percent of the net assets.

Governmental Activities

The County's activities increased net assets by 8.6 percent (\$39,504,650 for 2004 compared to \$36,381,948 for 2003). Key elements in this increase in net assets are as follows:

**Lac qui Parle County
Changes in Net Assets**

	<u>Governmental Activities 2004</u>
Revenues	
Program revenues	
Charges for services	\$ 433,513
Operating grants and contributions	5,421,879
Capital grants and contributions	592,164
General revenues	
Property taxes	2,355,611
Other	<u>1,293,561</u>
Total Revenues	<u>\$ 10,096,728</u>
Expenses	
General government	\$ 1,105,332
Public safety	672,519
Highways	2,736,886
Sanitation	98,568
Human services	1,708,736
Health	67,083
Culture and recreation	106,381
Conservation of natural resources	437,496
Economic development	<u>41,025</u>
Total Expenses	<u>\$ 6,974,026</u>
Excess of Revenues Over (Under) Expenses	\$ 3,122,702
Net Assets - January 1	<u>36,381,948</u>
Net Assets - December 31	<u>\$ 39,504,650</u>

Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,327,425, an increase of \$658,959 in comparison with the prior year. Of the combined ending fund balances, \$8,054,550 represents unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law, grant agreements, or bond covenants.

The General Fund is the main operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$3,669,178. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund unreserved fund balance represents 157 percent of total General Fund expenditures. During 2004, the ending fund balance increased by \$145,306. The primary reason for this increase was higher than anticipated intergovernmental revenues and fees for services.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$1,511,080 at fiscal year-end representing 26.4 percent of its annual expenditures. The ending fund balance increased \$388,426 during 2004, primarily due to an increase in highway user taxes, sale of assets, and an increase in inventories.

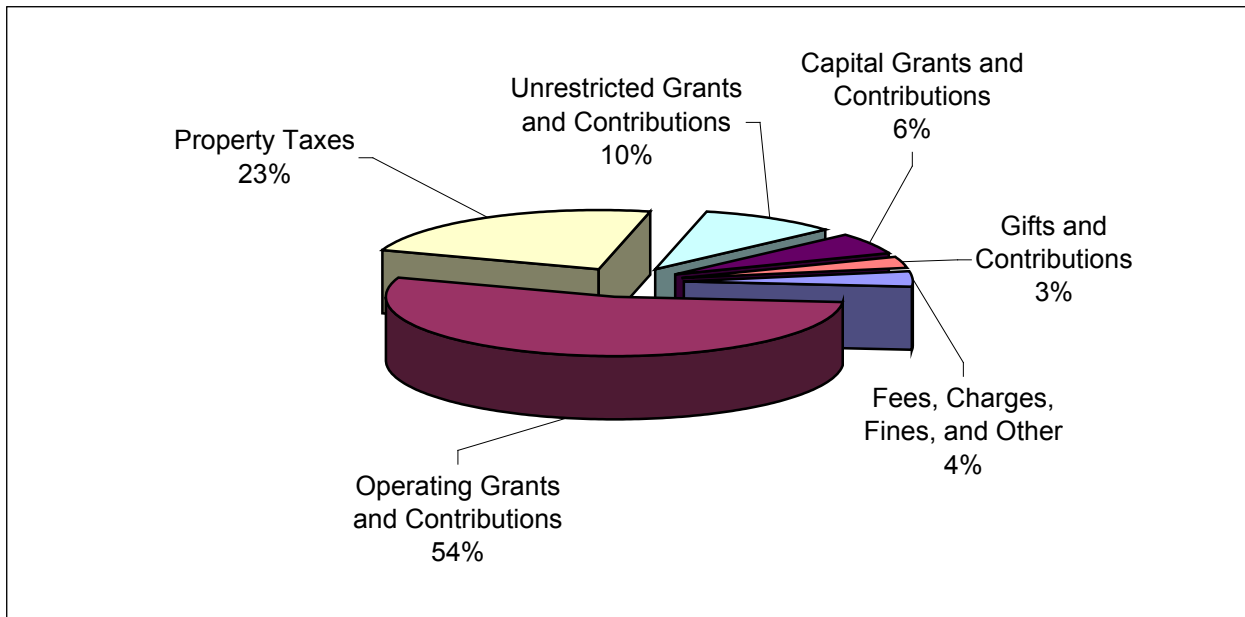
The Family Services Special Revenue Fund had an unreserved fund balance of \$2,296,698 at fiscal year-end representing 135.7 percent of its annual expenditures. The ending fund balance increased \$161,642 during 2004, primarily due to reductions in spending.

The Ditch Special Revenue Fund had an unreserved fund balance of \$577,594 at fiscal year-end. The ending fund balance decreased \$36,415 during 2004, primarily due to the 107 ditches needing more maintenance than was anticipated.

Governmental Activities

The County's total revenues were \$10,096,728. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2004.

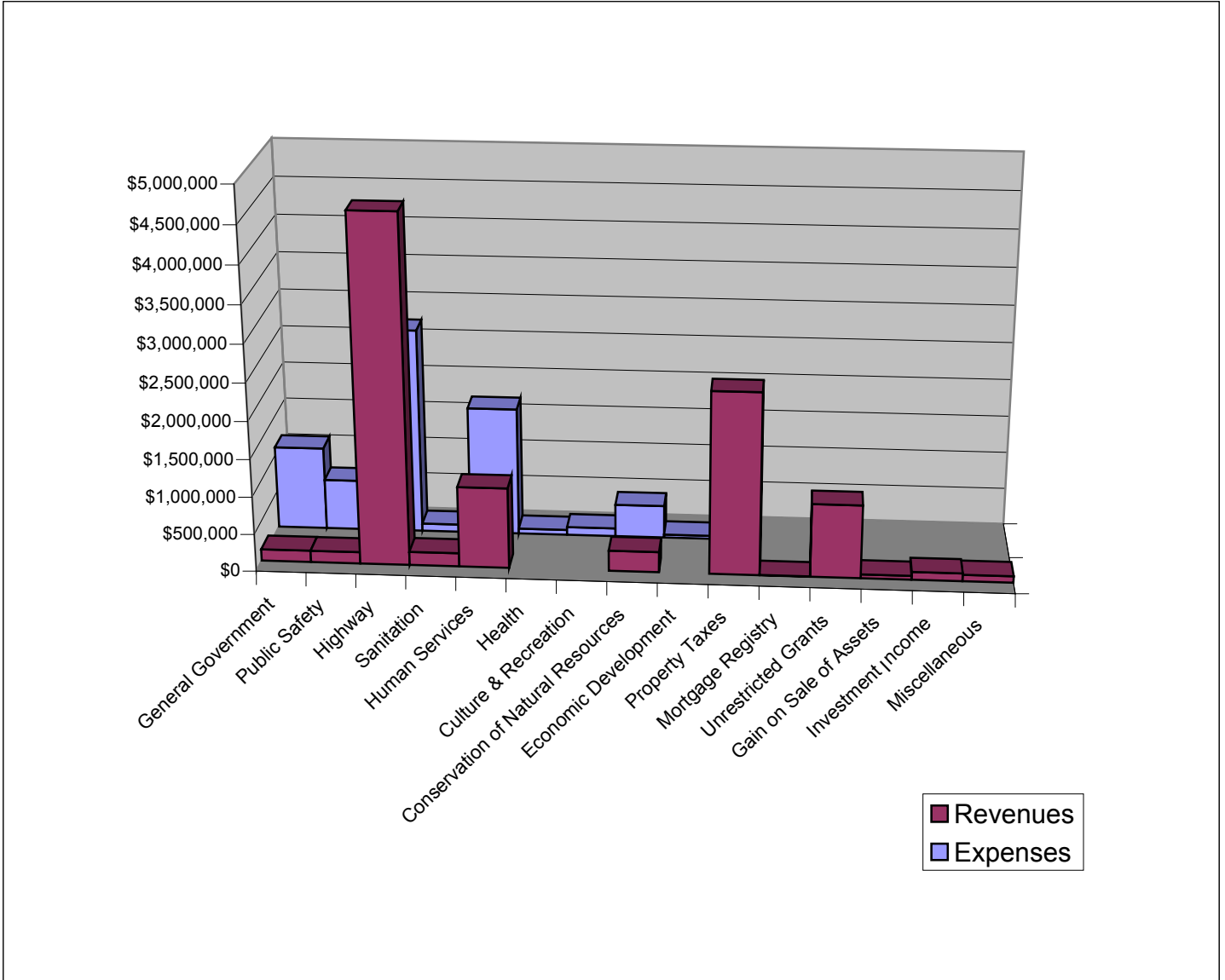
**Table 1
County Revenues**



Total expenses were \$6,974,026, while total revenues were \$10,096,728. This reflects a \$3,122,702 increase in net assets for the year ended December 31, 2004.

Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

**Table 2
Program Revenues and Expenses**



The cost of all governmental activities this year was \$6,974,026. However, as shown on the Statement of Activities on Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$2,355,611 because some of the cost was paid by those who directly benefited from the programs (\$433,513) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,014,043). The County paid for the remaining “public benefit” portion of governmental activities with \$1,293,561 in general revenues such as grants and contributions not restricted to specific programs, interest, and gains on sale of capital assets.

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

**Table 3
Governmental Activities
(in thousands)**

	Total Cost of Services 2004	Net Cost of Services 2004
Highways and streets	\$ 2,737	\$ (1,874)
Human services	1,708	635
General government	1,105	950
Public safety	673	519
All others	751	296
Totals	\$ 6,974	\$ 526

General Fund Budgetary Highlights

The actual charges to appropriations (expenditures) were \$77,646 below the final budget amounts. The most significant positive variance \$60,334 occurred in the County's Other General Government Department. Reasons for other significant variances of actual expenditures from final budget include a higher than anticipated cost to operate the Public Safety programs.

Resources available for appropriation were \$275,311 above the final budgeted amount. This was the result of greater than expected collections for certain fees and operating grants.

Capital Assets

The County's capital assets at December 31, 2004, totaled \$30,689,809 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

**Capital Assets at Year-End
(Net of depreciation, in thousands)**

	2004
Land	\$ 617
Infrastructure	28,732
Buildings	333
Machinery and equipment	1,007
Total	\$ 30,689

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

Economic Factors and Next Year's Budgets

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

- The unemployment rate for Lac qui Parle County at the end of 2004 was 4.2 percent. This compares favorably with the state unemployment rate of 4.3 percent and shows an improvement from the County's 6.8 percent rate of one year ago. This could impact the level of services requested by County residents.
- Mortgage interest rates have been extremely low, causing many to refinance their mortgages and/or finance new construction.
- The County General Fund expenditures for 2005 are budgeted to increase 8.5 percent (\$204,508) over the 2004 original budget. The 2005 anticipated revenues, other than tax levy, state aid, and special assessments, are budgeted to decrease 1.3 percent (\$6,277) over the 2004 original budget.
- The property tax levy for the County decreased 0.5 percent (\$14,826) from 2003; but due to state aid cuts (\$133,908), the net tax levy (the amount spread to tax payers) increased 4.4 percent from 2003.

Lac qui Parle - Yellow Bank Watershed District

Lac qui Parle - Yellow Bank Watershed District is a component unit of the County. The component unit is included in the County's financial report because of the significance of its operational and financial relationship with the County. It is reported in a separate column to emphasize that it is legally separate from the County.

Financial Highlights

Governmental activities' total net assets are \$5,685,179, of which \$5,282,272 are invested in capital assets and \$402,907 is restricted to specific purposes.

The District's net assets increased by \$1,135,724 for the year ended December 31, 2004. A large part of the increase is attributable to the investment in infrastructure assets.

Program specific revenues exceeded the cost of governmental activities for the current fiscal year by \$1,014,908.

Government-Wide Financial Analysis

Over time, net assets serve as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$5,685,179 at the close of 2004. The largest portion of the net assets (92.9 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure such as water retention structures).

Lac qui Parle - Yellow Bank Watershed District Net Assets

	Governmental Activities 2004
Assets	
Current and other assets	\$ 593,516
Capital assets	<u>5,282,272</u>
Total Assets	<u>\$ 5,875,788</u>
Liabilities	
Long-term liabilities	\$ -
Other liabilities	<u>190,609</u>
Total Liabilities	<u>\$ 190,609</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 5,282,272
Restricted	<u>402,907</u>
Total Net Assets	<u>\$ 5,685,179</u>

Requests for Information

This financial report is designed to provide a general overview of Lac qui Parle County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the County's Auditor, Stan Bjorgan, Lac qui Parle County Courthouse, 600 - 6th Street, Madison, Minnesota 56256.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**LAC QUI PARLE COUNTY
MADISON, 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	\$ 5,754,110	\$ 490,132
Investments	2,569,925	-
Receivables - net	1,152,478	103,384
Due from component unit	42,000	-
Inventories	130,080	-
Prepaid items	520	-
Capital assets		
Non-depreciable capital assets	617,101	628,458
Depreciable capital assets - net of accumulated depreciation	30,072,708	4,653,814
Total Assets	\$ 40,338,922	\$ 5,875,788
<u>Liabilities</u>		
Accounts payable and other current liabilities	\$ 481,063	\$ 106,553
Due to primary government	-	42,000
Unearned revenue	86,213	42,056
Long-term liabilities		
Due within one year	13,878	-
Due in more than one year	253,118	-
Total Liabilities	\$ 834,272	\$ 190,609
<u>Net Assets</u>		
Invested in capital assets	\$ 30,689,809	\$ 5,282,272
Restricted for		
Public safety	52,126	-
Highways and streets	516,953	-
Other purposes	10,210	-
Unrestricted	8,235,552	402,907
Total Net Assets	\$ 39,504,650	\$ 5,685,179

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary Government		
Governmental activities		
General government	\$ 1,105,332	\$ 119,966
Public safety	672,519	67,911
Highways and streets	2,736,886	40,650
Sanitation	98,568	78,894
Human services	1,708,736	82,635
Health	67,083	-
Culture and recreation	106,381	-
Conservation of natural resources	437,496	43,457
Economic development	41,025	-
Total governmental activities	\$ 6,974,026	\$ 433,513
Component Unit		
Lac qui Parle - Yellow Bank Watershed District	\$ 415,490	\$ 78,110

General Revenues

Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment earnings
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
\$ 34,903	\$ -	\$ (950,463)	
83,209	2,872	(518,527)	
3,981,260	589,128	1,874,152	
100,143	-	80,469	
991,583	-	(634,518)	
-	-	(67,083)	
-	-	(106,381)	
230,781	164	(163,094)	
-	-	(41,025)	
\$ 5,421,879	\$ 592,164	\$ (526,470)	
\$ 998,817	\$ 353,471		\$ 1,014,908
		\$ 2,355,611	\$ 100,991
		3,833	-
		70,357	-
		978,059	13,679
		104,165	6,146
		85,708	-
		51,439	-
		\$ 3,649,172	\$ 120,816
		\$ 3,122,702	\$ 1,135,724
		36,381,948	4,549,455
		\$ 39,504,650	\$ 5,685,179

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FUND FINANCIAL STATEMENTS

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 3

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 3,621,706	\$ 418,470	\$ 1,178,326	\$ 472,788	\$ 5,691,290
Undistributed cash in agency funds	28,514	11,963	10,150	1,102	51,729
Petty cash and change funds	4,050	-	100	-	4,150
Departmental cash	6,941	-	-	-	6,941
Investments	125,000	1,342,425	1,102,500	-	2,569,925
Taxes receivable					
Prior	20,488	11,912	9,798	-	42,198
Special assessments receivable					
Prior	8,417	-	-	331	8,748
Noncurrent	-	-	-	83,636	83,636
Accounts receivable	9,000	206	6,825	-	16,031
Accrued interest receivable	16,060	801	4,720	-	21,581
Due from other funds	1,576	-	-	-	1,576
Due from other governments	14,615	699,800	106,404	159,465	980,284
Due from component unit	42,000	-	-	-	42,000
Inventories	-	130,080	-	-	130,080
Prepaid items	520	-	-	-	520
Total Assets	<u>\$ 3,898,887</u>	<u>\$ 2,615,657</u>	<u>\$ 2,418,823</u>	<u>\$ 717,322</u>	<u>\$ 9,650,689</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**EXHIBIT 3
(Continued)**

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

	General	Road and Bridge	Family Services	Ditch	Total Governmental Funds
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 41,630	\$ 54,523	\$ 48,674	\$ 42,153	\$ 186,980
Salaries payable	35,473	29,543	24,367	-	89,383
Compensated absences - current	4,130	4,609	5,139	-	13,878
Contracts payable	-	136,184	-	5,732	141,916
Due to other funds	-	-	1,576	-	1,576
Due to other governments	13,123	16,297	25,488	7,876	62,784
Deferred revenue - unavailable	28,905	617,864	9,798	83,967	740,534
Deferred revenue - unearned	592	78,538	7,083	-	86,213
Total Liabilities	\$ 123,853	\$ 937,558	\$ 122,125	\$ 139,728	\$ 1,323,264
Fund Balances					
Reserved for					
Inventories	\$ -	\$ 130,080	\$ -	\$ -	\$ 130,080
Prepaid items	520	-	-	-	520
Missing heirs	4,590	-	-	-	4,590
Recorder's equipment	5,620	-	-	-	5,620
Enhanced 911	52,126	-	-	-	52,126
Cemetery	1,000	-	-	-	1,000
Due from component unit	42,000	-	-	-	42,000
Highway allotments	-	36,939	-	-	36,939
Unreserved					
Designated for future expenditures	-	750,000	895,238	-	1,645,238
Designated for capital expenditures	2,500,000	-	-	-	2,500,000
Designated for out-of-home care	-	-	250,000	-	250,000
Designated for treatment services	-	-	150,000	-	150,000
Designated for poor relief	-	-	300,000	-	300,000
Undesignated	1,169,178	761,080	701,460	577,594	3,209,312
Total Fund Balances	\$ 3,775,034	\$ 1,678,099	\$ 2,296,698	\$ 577,594	\$ 8,327,425
Total Liabilities and Fund Balances	\$ 3,898,887	\$ 2,615,657	\$ 2,418,823	\$ 717,322	\$ 9,650,689

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)	\$ 8,327,425
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.	30,689,809
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	740,534
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(253,118)</u>
Net assets of governmental activities (Exhibit 1)	<u><u>\$ 39,504,650</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 5

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

	General	Road and Bridge	Family Services	Ditch	Total Governmental Funds
Revenues					
Taxes	\$ 1,187,500	\$ 625,461	\$ 530,583	\$ -	\$ 2,343,544
Special assessments	99,012	-	-	31,384	130,396
Licenses and permits	9,239	-	-	-	9,239
Intergovernmental	773,939	5,225,786	1,227,469	112,659	7,339,853
Charges for services	212,377	21,491	35,399	-	269,267
Investment earnings	75,798	14,939	13,428	-	104,165
Miscellaneous	138,770	18,953	47,236	240	205,199
Total Revenues	\$ 2,496,635	\$ 5,906,630	\$ 1,854,115	\$ 144,283	\$ 10,401,663
Expenditures					
Current					
General government	\$ 1,118,052	\$ -	\$ -	\$ -	\$ 1,118,052
Public safety	621,799	-	-	-	621,799
Highways and streets	-	5,704,611	-	-	5,704,611
Sanitation	94,834	-	-	-	94,834
Human services	-	-	1,692,473	-	1,692,473
Health	3,000	-	-	-	3,000
Culture and recreation	106,381	-	-	-	106,381
Conservation	241,535	-	-	195,961	437,496
Economic development	41,025	-	-	-	41,025
Intergovernmental	109,440	-	-	-	109,440
Total Expenditures	\$ 2,336,066	\$ 5,704,611	\$ 1,692,473	\$ 195,961	\$ 9,929,111
Excess of Revenues Over (Under) Expenditures	\$ 160,569	\$ 202,019	\$ 161,642	\$ (51,678)	\$ 472,552
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 15,263	\$ 15,263
Transfers out	(15,263)	-	-	-	(15,263)
Proceeds from sale of assets	-	127,513	-	-	127,513
Total Other Financing Sources (Uses)	\$ (15,263)	\$ 127,513	\$ -	\$ 15,263	\$ 127,513
Net Change in Fund Balances	\$ 145,306	\$ 329,532	\$ 161,642	\$ (36,415)	\$ 600,065
Fund Balance - January 1, Note 1	3,629,728	1,289,673	2,135,056	614,009	7,668,466
Increase (decrease) in reserved for inventories	-	58,894	-	-	58,894
Fund Balance - December 31	\$ 3,775,034	\$ 1,678,099	\$ 2,296,698	\$ 577,594	\$ 8,327,425

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

EXHIBIT 6

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ 600,065

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

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

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 3,841,372	
Current year depreciation	<u>(972,959)</u>	2,868,413

In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the book value of the capital assets disposed of. (76,074)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (356,374)

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

Change in compensated absences	\$ 27,778	
Change in inventories	<u>58,894</u>	<u>86,672</u>

Change in net assets of governmental activities (Exhibit 2) \$ 3,122,702

LAC QUI PARLE COUNTY
MADISON, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2004

Assets

Cash and pooled investments	<u>\$ 103,918</u>
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Liabilities

Due to other governments	<u>\$ 103,918</u>
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**LAC QUI PARLE COUNTY
MADISON, 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 (FASB) 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.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes in the statement include the following:

- For the first time, the financial statements include:
 - A Management's Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the County's activities, including infrastructure (roads, bridges, etc.).
 - A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to financial statements). The County has elected to implement all provisions of the statement in the current year.

Certain fund reclassifications were made as of January 1, 2004.

- The Forfeited Tax Sale Expendable Trust Fund was eliminated because of the new fund definitions in GASB Statement 34. Its cash and an offsetting amount payable were combined with the Taxes and Penalties Agency Fund.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

- The Solid Waste Special Revenue Fund was combined with the General Fund. Its \$257,104 fund balance was added to the General Fund balance of \$3,372,624 for a combined beginning fund balance at January 1, 2004, of \$3,629,728.

A. Financial Reporting Entity

Lac qui Parle County was established in 1871, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor, elected on a County-wide basis, serves as the clerk of the Board of Commissioners but has no vote.

As required by generally accepted accounting principles, these financial statements present Lac qui Parle County (the primary government) and its component unit. The component unit, Lac qui Parle - Yellow Bank Watershed District, is included in the County's financial reporting entity because of the significance of its operational and financial relationship with the County. It is reported in a separate column to emphasize that it is legally separate from the County.

Component Unit - The Lac qui Parle - Yellow Bank Watershed District was organized April 19, 1971, under the Minnesota Watershed Act, as amended by the Minnesota Water Resources Board, as provided in Minn. Stat. ch. 103D. The Watershed District covers areas in the following three counties: Lac qui Parle, Lincoln, and Yellow Medicine. The Watershed District is operated by a five-member Board of Managers appointed by the respective county boards of commissioners for staggered three-year terms. The Watershed District's main purpose is to regulate and control water and natural resources within the Watershed District. The Watershed District is reported as a discrete component unit of the primary government because Lac qui Parle County appoints three of the five managers of the Watershed District's Board and is financially responsible for funding watershed projects under Minn. Stat. § 103D.901, subd. 2. Separate financial statements for the Watershed District are not available.

Significant accounting policies of the Watershed District do not differ from those of the County.

**LAC QUI PARLE COUNTY
MADISON, 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 6.B.

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 normally are supported by taxes and intergovernmental revenues.

In the government-wide statement of net assets, the governmental activities are presented on a consolidated basis and are 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; (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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**LAC QUI PARLE COUNTY
MADISON, 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 displayed as separate columns in the fund financial statements. All governmental funds are reported as major 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 that is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

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

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

Additionally, the County reports the following fund type:

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County 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 \$68,150.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

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

2. Receivables and Payables

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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.

All receivables are shown net of an allowance for uncollectables.

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 and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Building improvements	20 - 30
Public domain infrastructure	25 - 75
Furniture, equipment, and vehicles	5 - 20

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 and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has 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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Deferred Revenue (Continued)

Governmental funds also report deferred revenue in connection with receivables for revenues that are 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. At December 31, 2004, Lac qui Parle County reports no bonded debt.

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch System Fund Balance Deficits

For internal accounting purposes, individual ditch system records are maintained on the full accrual basis. Using that method, which recognizes special assessments as revenues when levied, 5 of 107 drainage systems have deficit unreserved, undesignated fund balances at December 31, 2004. The following is a summary of fund balances using the full accrual basis.

Account balances	\$ 699,375
Account deficits	<u>(37,814)</u>
Unreserved, Undesignated Fund Balance	<u>\$ 661,561</u>

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	
Cash and pooled investments	
Governmental activities	\$ 5,754,110
Agency funds	103,918
Investments	<u>2,569,925</u>
Total Cash and Investments	<u>\$ 8,427,953</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

At December 31, 2004, the County's bank deposits were \$8,518,816. The carrying value of these deposits on the County's books was \$8,416,862. The Watershed District Component Unit had bank deposits of \$491,823 with a book value of \$490,132.

Following is a summary of the December 31, 2004, insurance and collateral as it relates to the County's custodial credit risk for its deposits.

	Bank Balance	
	Lac qui Parle County	Watershed District
Covered Deposits		
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 2,189,147	\$ 204,300
Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name	6,329,669	287,523
Uncollateralized	-	-
Total	\$ 8,518,816	\$ 491,823

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.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The County had no investments at December 31, 2004, that are required to be categorized by custodial credit risk according to generally accepted accounting principles.

Following is a summary of the carrying values of the County's deposits and investments at December 31, 2004:

	Primary Government	Component Unit
Departmental cash	\$ 6,941	\$ -
Change funds	4,150	-
Checking	78,863	135,132
Certificates of deposit	5,298,319	355,000
Money market savings	3,039,680	-
	<hr/>	<hr/>
Total Deposits and Investments	\$ 8,427,953	\$ 490,132

2. Receivables

Receivables as of December 31, 2004, year-end for the County's governmental activities:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 42,198	\$ -
Special assessments	92,384	83,636
Due from other governments	980,284	-
Accounts receivable	16,031	-
Interest	21,581	-
	<hr/>	<hr/>
Total Governmental Activities	\$ 1,152,478	\$ 83,636

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Receivables as of December 31, 2004, year-end for the Lac qui Parle - Yellow Bank Watershed District governmental activities:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 2,886	\$ -
Special assessments	45,869	42,056
Due from other governments	51,125	-
Accounts receivable	1,360	-
Interest	2,144	-
Total Governmental Activities	\$ 103,384	\$ 42,056

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, for Lac qui Parle County (primary government) was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not depreciated				
Land	\$ 146,903	\$ -	\$ -	\$ 146,903
Right-of-way	468,326	1,872	-	470,198
Total capital assets, not depreciated	\$ 615,229	\$ 1,872	\$ -	\$ 617,101
Capital assets, depreciated				
Buildings	\$ 1,009,136	\$ -	\$ -	\$ 1,009,136
Machinery, furniture, and equipment	3,509,008	74,613	376,704	3,206,917
Infrastructure	32,625,891	3,764,887	-	36,390,778
Total capital assets, depreciated	\$ 37,144,035	\$ 3,839,500	\$ 376,704	\$ 40,606,831

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 652,550	\$ 23,305	\$ -	\$ 675,855
Machinery, furniture, and equipment	2,278,252	221,840	300,630	2,199,462
Infrastructure	<u>6,930,992</u>	<u>727,814</u>	<u>-</u>	<u>7,658,806</u>
 Total accumulated depreciation	 <u>\$ 9,861,794</u>	 <u>\$ 972,959</u>	 <u>\$ 300,630</u>	 <u>\$ 10,534,123</u>
 Total capital assets, depreciated, net	 <u>\$ 27,282,241</u>	 <u>\$ 2,866,541</u>	 <u>\$ 76,074</u>	 <u>\$ 30,072,708</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 27,897,470</u>	 <u>\$ 2,868,413</u>	 <u>\$ 76,074</u>	 <u>\$ 30,689,809</u>

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

Governmental Activities	
General government	\$ 5,342
Public safety	22,628
Sanitation	3,734
Highways and streets	930,671
Human services	<u>10,584</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 972,959</u>

Capital asset activity for the year ended December 31, 2004, for Lac qui Parle - Yellow Bank Watershed District (the discretely presented component unit) was as follows:

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not depreciated				
Land	\$ 581,413	\$ 47,045	\$ -	\$ 628,458
Construction in progress	592,096	1,282,904	1,875,000	-
Total	<u>\$ 1,173,509</u>	<u>\$ 1,329,949</u>	<u>\$ 1,875,000</u>	<u>\$ 628,458</u>
Capital assets, depreciated				
Buildings	\$ 97,914	\$ -	\$ 62,714	\$ 35,200
Machinery, furniture, and equipment	84,004	-	39,113	44,891
Land improvements	133,921	-	5,257	128,664
Infrastructure	3,459,207	1,875,000	-	5,334,207
Total capital assets, depreciated	<u>\$ 3,775,046</u>	<u>\$ 1,875,000</u>	<u>\$ 107,084</u>	<u>\$ 5,542,962</u>
Less: accumulated depreciation for				
Buildings	\$ 32,384	\$ 1,408	\$ -	\$ 33,792
Machinery, furniture, and equipment	30,089	2,758	-	32,847
Land improvements	44,215	6,433	-	50,648
Infrastructure	718,519	53,342	-	771,861
Total accumulated depreciation	<u>\$ 825,207</u>	<u>\$ 63,941</u>	<u>\$ -</u>	<u>\$ 889,148</u>
Total capital assets, depreciated, net	<u>\$ 2,949,839</u>	<u>\$ 1,811,059</u>	<u>\$ 107,084</u>	<u>\$ 4,653,814</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,123,348</u>	<u>\$ 3,141,008</u>	<u>\$ 1,982,084</u>	<u>\$ 5,282,272</u>

Reported decrease in assets reflects a change in the capitalization threshold. Depreciation expense was charged to functions/programs of the component unit as follows:

Conservation of natural resources	\$ 57,508
Culture and recreation	<u>6,433</u>
Total Depreciation Expense	<u>\$ 63,941</u>

**LAC QUI PARLE COUNTY
MADISON, 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:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Family Services	\$ 1,576

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	Primary Government	Component Unit
Accounts	\$ 186,980	\$ 29,086
Salaries	89,383	5,618
Contracts	141,916	71,849
Due to other governments	62,784	-
Total Payables	\$ 481,063	\$ 106,553

2. Other Post-Employment Benefits

Employees' Health Insurance Benefits

Employees retiring from County service with at least ten years of service and meeting the established requirements to receive a pension from the Public Employees Retirement Association may have their severance pay transferred to an individual health insurance account to pay their monthly health insurance premiums until this balance is exhausted or they reach age 65. At December 31, 2004, the County had no liability. The County finances the plan on a pay-as-you-go basis and made no payments in 2004.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Other Post-Employment Benefits (Continued)

Retired Officials' Health Insurance Benefits

The County pays the health insurance for qualified retired elected officials. The elected official will receive one year of paid insurance for every four years of service to Lac qui Parle County after they have served for eight years and one day. A maximum of four years of paid insurance is available to elected officials or until they become eligible for Medicare. At December 31, 2004, the County had no liability. The County finances the plan on a pay-as-you-go basis and made no payments in 2004.

3. Long-Term Liabilities

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

	<u>Compensated Absences</u>
Payable - January 1	\$ 280,896
Net Changes	<u>(27,778)</u>
Payable - December 31	<u>\$ 253,118</u>

4. Other Long-term Liabilities

Component Unit

The Lac qui Parle - Yellow Bank Watershed District has a balance due to the Lac qui Parle County General Fund at December 31, 2004 of \$42,000. The balance is being repaid in annual installments of \$6,000.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

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

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

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

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

B. Funding Policy

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

Each government 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

Each government'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	\$ 114,371	\$ 29,271	\$ 4,409
2003	127,507	29,375	5,665
2002	121,216	27,800	5,866

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

5. Risk Management

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

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 and \$760,000 per claim in 2003 and 2004, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grantor 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 and Watershed District, in conjunction with the normal conduct of their affairs, are involved in various claims, judgments, and litigation. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney and the Watershed District's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

B. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Lincoln, Lyon, & Murray Human Services Board entered into a joint powers agreement with several counties creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Consortium Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Consortium Board shall take actions and enter into such agreements as may be necessary to plan and develop within the Consortium Board's geographic jurisdiction a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

The following is a summary of the Consortium Board's annual financial report for the year ended December 31, 2003 (the latest information available):

Total assets	\$	220,978
Total liabilities		5,230
Total equity		215,748
Total revenues		889,414
Total expenditures		856,904
Net increase to fund balance		32,510

The Consortium Board reported no long-term obligations at December 31, 2003.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Countryside Public Health Service

Lac qui Parle County participates with Big Stone, Chippewa, Swift, and Yellow Medicine Counties in a joint venture to provide community health services. The governing board consists of 11 members, 3 from Chippewa County and 2 from each of the other participating counties. Lac qui Parle County's contribution to the Countryside Public Health Service for the year ended December 31, 2004, was \$64,083.

Countryside Public Health Service has no long-term debt. Complete financial statements of the Health Service can be obtained at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

Lac qui Parle County participates with Swift, Chippewa, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, punishment, and rehabilitation of offenders.

The county boards of the participating counties have direct authority over and responsibility for community activities.

Lac qui Parle County's contribution for the year ended December 31, 2004, was \$45,357. Complete financial statements for the Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

Minnesota River Basin

The Minnesota River Basin Joint Powers Board was established July 12, 1995, by an agreement between Chippewa, Lac qui Parle, Lincoln, Lyon, Murray, Pipestone, Redwood, Renville, Yellow Medicine, and 27 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota River Basin (Continued)

In the event of termination of the agreement, all property, real and personal, held by the Joint Powers Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive board of five officers elected from the membership of the Joint Powers Board, consisting of one representative and alternate from each county board of commissioners included in this agreement.

During 2004, the County contributed \$11,969 to the Joint Powers Board. Complete financial statements for the Minnesota River Basin Joint Powers Board can be obtained from its administrative office at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

Regional Drug Task Force

The Regional Drug Task Force was established in 1988 by a joint powers agreement among Big Stone, Lac qui Parle, and Traverse Counties, and the Cities of Browns Valley, Canby, Dawson, Madison, and Ortonville. The agreement was established to provide an organization to coordinate efforts to apprehend and prosecute drug offenders.

In the event of termination of the joint powers agreement, all property of the Task Force shall be sold or distributed to the members in proportion to the contributions each member made under the joint powers agreement.

Control of the Task Force is vested in the Board of Directors and consists of eight members, one from each participating entity. Each member of the Board is appointed by the police chief or sheriff of each entity.

Financing is provided by state and federal grants and appropriations from members. The County did not contribute to the Task Force in 2004. Complete financial statements for the Regional Drug Task Force can be obtained from its administrative office at 600 Sixth Street, Madison, Minnesota 56256, or from the city manager of the City of Madison.

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Kandiyohi - Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Detention Center)

The County entered into a joint powers agreement to create and operate the Kandiyohi - Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Detention Center) pursuant to Minn. Stat. § 471.59. The Detention Center provides detention services to juveniles under the jurisdiction of the counties which are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine--which are served by the Region 6W Community Corrections Agency) and Kandiyohi County.

Control of the Detention Center is vested in a joint board, which is composed of one commissioner from each participating county. An advisory board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency and the directors of the family services or human services departments of the counties participating in the agreement. The Detention Center is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

Financing is provided by charges for services to member and nonmember counties. Kandiyohi County, under a separate agreement with the Detention Center, provides accounting and payroll services and, in an agent capacity, reports the cash transactions of the Detection Center as an agency fund on its financial statements. Complete financial information can be obtained from the Kandiyohi County Auditor/Treasurer's Office or the Detention Center's Office, P. O. Box 894, Willmar, Minnesota 56201.

Regional Library

Lac qui Parle County, along with several cities and other counties, participates in the Western Plains Library System in order to provide efficient and improved regional public library service. The financial activities of the Western Plains Library System are reported as part of the Pioneerland Regional Library System, and financial information for the Western Plains Library System is not available.

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REQUIRED SUPPLEMENTARY INFORMATION

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,403,946	\$ 1,403,946	\$ 1,187,500	\$ (216,446)
Special assessments	-	-	99,012	99,012
Licenses and permits	3,540	3,540	9,239	5,699
Intergovernmental	479,931	479,931	773,939	294,008
Charges for services	170,900	170,900	212,377	41,477
Investment earnings	101,500	101,500	75,798	(25,702)
Miscellaneous	139,153	139,153	138,770	(383)
Total Revenues	\$ 2,298,970	\$ 2,298,970	\$ 2,496,635	\$ 197,665
Expenditures				
Current				
General government				
Commissioners	\$ 167,555	\$ 167,555	\$ 146,894	\$ 20,661
Courts	3,000	3,000	3,334	(334)
County auditor	165,809	165,809	167,086	(1,277)
County treasurer	118,379	118,379	104,214	14,165
County assessor	104,382	104,382	96,933	7,449
Elections	5,460	5,460	6,442	(982)
Accounting and auditing	-	-	21,249	(21,249)
Data processing	101,400	101,400	87,543	13,857
Attorney	125,000	125,000	130,157	(5,157)
Recorder	109,243	109,243	110,811	(1,568)
Planning and zoning	34,959	34,959	29,080	5,879
Buildings and plant	108,616	108,616	90,706	17,910
Veterans service officer	64,386	64,386	65,022	(636)
County car	200	200	363	(163)
Other general government	118,552	118,552	58,218	60,334
Total general government	\$ 1,226,941	\$ 1,226,941	\$ 1,118,052	\$ 108,889
Public safety				
Sheriff	\$ 491,148	\$ 491,148	\$ 542,341	\$ (51,193)
Boat and water safety	2,350	2,350	1,312	1,038
Snowmobile safety	1,500	1,500	4,061	(2,561)
Coroner	5,820	5,820	11,811	(5,991)
E-911 system	36,000	36,000	15,310	20,690
County jail	23,800	23,800	25,463	(1,663)
Civil defense	9,100	9,100	21,501	(12,401)
Total public safety	\$ 569,718	\$ 569,718	\$ 621,799	\$ (52,081)
Sanitation				
Solid waste	\$ 18,037	\$ 18,037	\$ 19,741	\$ (1,704)
Recycling	81,504	81,504	75,093	6,411
Total sanitation	\$ 99,541	\$ 99,541	\$ 94,834	\$ 4,707

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 1
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Ambulance	\$ 3,000	\$ 3,000	\$ 3,000	\$ -
Culture and recreation				
Historical society	\$ 8,500	\$ 8,500	\$ 8,500	\$ -
Minnesota trails	20,000	20,000	22,017	(2,017)
Parks	2,900	2,900	1,872	1,028
Senior citizens	500	500	500	-
County/regional library	73,492	73,492	73,492	-
Total culture and recreation	\$ 105,392	\$ 105,392	\$ 106,381	\$ (989)
Conservation of natural resources				
Extension	\$ 70,000	\$ 70,000	\$ 69,291	\$ 709
Soil and water conservation	80,750	80,750	80,750	-
Agricultural society/county fair	5,050	5,050	5,050	-
Predator control	2,000	2,000	4,034	(2,034)
River basin	11,969	11,969	11,969	-
County farm	4,850	4,850	1,814	3,036
Water planning	23,000	23,000	30,346	(7,346)
Environmental officer	32,612	32,612	17,392	15,220
Feedlot administration	38,491	38,491	20,389	18,102
Other	500	500	500	-
Total conservation of natural resources	\$ 269,222	\$ 269,222	\$ 241,535	\$ 27,687
Economic development				
Tourism	\$ 7,100	\$ 7,100	\$ 7,503	\$ (403)
Airport	22,902	22,902	22,902	-
Other	-	-	10,620	(10,620)
Total economic development	\$ 30,002	\$ 30,002	\$ 41,025	\$ (11,023)
Intergovernmental				
Public safety	\$ 45,357	\$ 45,357	\$ 45,357	\$ -
Health	\$ 64,539	\$ 64,539	\$ 64,083	\$ 456
Total Expenditures	\$ 2,413,712	\$ 2,413,712	\$ 2,336,066	\$ 77,646
Excess of Revenues Over (Under) Expenditures	\$ (114,742)	\$ (114,742)	\$ 160,569	\$ 275,311

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 1
(Continued)

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Other Financing Sources (Uses)				
Transfers in	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Transfers out	-	-	(15,263)	(15,263)
Total Other Financing Sources (Uses)	\$ 100,000	\$ 100,000	\$ (15,263)	\$ (115,263)
Net Change in Fund Balance	\$ (14,742)	\$ (14,742)	\$ 145,306	\$ 160,048
Fund Balance - January 1	3,629,728	3,629,728	3,629,728	-
Fund Balance - December 31	\$ 3,614,986	\$ 3,614,986	\$ 3,775,034	\$ 160,048

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 762,469	\$ 739,422	\$ 625,461	\$ (113,961)
Intergovernmental	3,979,578	5,200,078	5,225,786	25,708
Charges for services	11,000	11,000	21,491	10,491
Investment earnings	10,000	10,000	14,939	4,939
Miscellaneous	4,000	23,000	18,953	(4,047)
Total Revenues	\$ 4,767,047	\$ 5,983,500	\$ 5,906,630	\$ (76,870)
Expenditures				
Current				
Highways and streets				
Administration	\$ 138,907	\$ 142,400	\$ 127,701	\$ 14,699
Maintenance	813,262	893,100	1,231,212	(338,112)
Construction	574,777	4,541,800	3,986,279	555,521
Equipment and maintenance shops	228,834	333,850	359,419	(25,569)
Total Expenditures	\$ 1,755,780	\$ 5,911,150	\$ 5,704,611	\$ 206,539
Excess of Revenues Over (Under) Expenditures	\$ 3,011,267	\$ 72,350	\$ 202,019	\$ 129,669
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	127,513	127,513
Net Change in Fund Balance	\$ 3,011,267	\$ 72,350	\$ 329,532	\$ 257,182
Fund Balance - January 1	1,289,673	1,289,673	1,289,673	-
Increase (decrease) in reserved for inventory	-	-	58,894	58,894
Fund Balance - December 31	\$ 4,300,940	\$ 1,362,023	\$ 1,678,099	\$ 316,076

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 545,098	\$ 545,098	\$ 530,583	\$ (14,515)
Intergovernmental	1,165,136	1,165,136	1,227,469	62,333
Charges for services	28,800	28,800	35,399	6,599
Investment earnings	15,000	15,000	13,428	(1,572)
Miscellaneous	41,700	41,700	47,236	5,536
Total Revenues	\$ 1,795,734	\$ 1,795,734	\$ 1,854,115	\$ 58,381
Expenditures				
Current				
Human Services				
Income maintenance	\$ 470,126	\$ 470,126	\$ 488,227	\$ (18,101)
Social services	1,325,608	1,325,608	1,204,246	121,362
Total Expenditures	\$ 1,795,734	\$ 1,795,734	\$ 1,692,473	\$ 103,261
Net Change in Fund Balance	\$ -	\$ -	\$ 161,642	\$ 161,642
Fund Balance - January 1	2,135,056	2,135,056	2,135,056	-
Fund Balance - December 31	\$ 2,135,056	\$ 2,135,056	\$ 2,296,698	\$ 161,642

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 4

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 30,318	\$ 30,318	\$ 31,384	\$ 1,066
Intergovernmental	-	-	112,659	112,659
Miscellaneous	200	200	240	40
Total Revenues	\$ 30,518	\$ 30,518	\$ 144,283	\$ 113,765
Expenditures				
Current				
Conservation of natural resources				
Other	687,029	687,029	195,961	491,068
Excess of Revenues Over (Under) Expenditures	\$ (656,511)	\$ (656,511)	\$ (51,678)	\$ 604,833
Other Financing Sources (Uses)				
Transfers in	6,866	6,866	15,263	8,397
Net Change in Fund Balance	\$ (649,645)	\$ (649,645)	\$ (36,415)	\$ 613,230
Fund Balance - January 1	614,009	614,009	614,009	-
Fund Balance - December 31	\$ (35,636)	\$ (35,636)	\$ 577,594	\$ 613,230

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

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

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and the special revenue funds. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Comparisons of final budgeted revenues and expenditures to actual are presented in required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

The expenditure budget was amended after a new highway engineer was hired in the following special revenue fund:

<u>Fund</u>	<u>Original Budget</u>	<u>Increase (Decrease)</u>	<u>Final Budget</u>
Road and Bridge Fund	<u>\$ 1,755,780</u>	<u>\$ 4,155,370</u>	<u>\$ 5,911,150</u>

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SUPPLEMENTARY INFORMATION

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**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Statement 1

**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>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 11,901	\$ 820,606	\$ 810,620	\$ 21,887
<u>Liabilities</u>				
Due to other governments	\$ 11,901	\$ 820,606	\$ 810,620	\$ 21,887
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 70,228	\$ 6,750,372	\$ 6,738,569	\$ 82,031
<u>Liabilities</u>				
Due to other governments	\$ 70,228	\$ 6,750,372	\$ 6,738,569	\$ 82,031
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 82,129	\$ 7,570,978	\$ 7,549,189	\$ 103,918
<u>Liabilities</u>				
Due to other governments	\$ 82,129	\$ 7,570,978	\$ 7,549,189	\$ 103,918

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OTHER SCHEDULES

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2004**

	Assets			Total
	Cash	Special Assessments Receivable	Due from Other Governments	
County Ditches				
1	\$ (27,400)	\$ -	\$ -	\$ (27,400)
3	10,169	51	-	10,220
3 Lat A	5,481	-	-	5,481
4	9,797	-	-	9,797
4 Br 1 & 2	3,905	-	-	3,905
4 Br 4	16,974	-	-	16,974
4 Lat A	4,284	-	-	4,284
4 Lat B	3,160	-	-	3,160
5	7,594	3	-	7,597
8	208	-	-	208
9	10,464	-	-	10,464
9 Lat A	4,569	-	-	4,569
10	3,942	-	-	3,942
12	15,407	-	-	15,407
13	11,267	27	-	11,294
13 Lat A	1,768	-	-	1,768
13 Lat B	1,344	-	-	1,344
13 Lat C	426	-	-	426
13 Lat D	2,070	-	-	2,070
13 Lat E	4,181	-	-	4,181
13 Lat F	2,620	-	-	2,620
13 Lat G	461	-	-	461
13 Lat H	1,609	-	-	1,609
13 Lat I	373	-	-	373
13 Lat J	924	-	-	924
13 Lat K	648	-	-	648
13 Lat L	507	-	-	507
13 Lat M	1,275	-	-	1,275
15	4,941	-	-	4,941
15 Br 5	6,723	-	-	6,723
17	3,488	-	-	3,488
18	1,850	6	-	1,856
18 Lat A	2,742	12	-	2,754
20	12,877	-	-	12,877
20 Br 2	9,497	-	-	9,497
22	(675)	5,431	-	4,756
24	3,103	-	-	3,103
27	34,933	-	-	34,933
27 Br 1	5,959	2	-	5,961
27 Br 9	2,709	-	-	2,709
27 Br 11	4,432	73	-	4,505
28	2,462	-	-	2,462
29	564	-	-	564
33	84	278	-	362
34	(16,895)	11,165	-	(5,730)

Schedule 5

Liabilities					Fund Balance - Undesignated	Total Liabilities and Fund Balance
Accounts Payable	Contracts Payable	Due to Other Governments	Deferred Revenue	Total		
\$ 400	\$ -	\$ -	\$ -	\$ 400	\$ (27,800)	\$ (27,400)
1,950	-	-	-	1,950	8,270	10,220
-	-	-	-	-	5,481	5,481
250	-	-	-	250	9,547	9,797
-	-	-	-	-	3,905	3,905
-	-	-	-	-	16,974	16,974
-	-	-	-	-	4,284	4,284
-	-	-	-	-	3,160	3,160
6,656	-	-	-	6,656	941	7,597
-	-	-	-	-	208	208
2,822	-	-	-	2,822	7,642	10,464
-	-	-	-	-	4,569	4,569
-	-	-	-	-	3,942	3,942
-	-	-	-	-	15,407	15,407
4,370	-	-	-	4,370	6,924	11,294
-	-	-	-	-	1,768	1,768
-	-	-	-	-	1,344	1,344
-	-	-	-	-	426	426
-	-	-	-	-	2,070	2,070
-	-	-	-	-	4,181	4,181
-	-	-	-	-	2,620	2,620
-	-	-	-	-	461	461
-	-	-	-	-	1,609	1,609
-	-	-	-	-	373	373
-	-	-	-	-	924	924
-	-	-	-	-	648	648
-	-	-	-	-	507	507
-	-	-	-	-	1,275	1,275
-	-	-	-	-	4,941	4,941
-	-	-	-	-	6,723	6,723
273	-	-	-	273	3,215	3,488
-	-	-	-	-	1,856	1,856
-	-	-	-	-	2,754	2,754
-	-	-	-	-	12,877	12,877
-	-	-	-	-	9,497	9,497
173	-	-	-	173	4,583	4,756
385	-	-	-	385	2,718	3,103
300	-	-	-	300	34,633	34,933
-	-	-	-	-	5,961	5,961
-	-	-	-	-	2,709	2,709
-	-	-	-	-	4,505	4,505
3,161	-	-	-	3,161	(699)	2,462
-	-	-	-	-	564	564
-	-	-	-	-	362	362
315	-	-	-	315	(6,045)	(5,730)

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2004**

	Assets			Total
	Cash	Special Assessments Receivable	Due from Other Governments	
County Ditches (Continued)				
34 Br 5, 6 & 7	4,607	-	-	4,607
34 Br 9	3,846	-	-	3,846
34 Br 13 & 14	4,555	-	-	4,555
34 Br 22, 23, 24 & 25	9,578	-	-	9,578
34 Br 26, 29, 30 & 32	2,196	355	-	2,551
34 Lat A	(1,350)	4,638	-	3,288
34 Lat B	8,521	-	-	8,521
40	11,687	-	-	11,687
42	16,494	4,701	-	21,195
44	4,904	-	-	4,904
45	9,668	-	-	9,668
45 Imp	4,143	-	-	4,143
48	(1,949)	2,174	-	225
49	1,459	-	-	1,459
52	4,952	31	-	4,983
53	7,828	20	-	7,848
54	2,134	-	-	2,134
55	1,332	-	-	1,332
57	2,215	-	-	2,215
63	2,969	1,054	-	4,023
67	2,523	1,216	-	3,739
69	(2,090)	1,329	-	(761)
70	7,356	-	-	7,356
74	7,993	-	-	7,993
75	1,988	-	-	1,988
77	4,694	-	-	4,694
78	3,512	-	-	3,512
79	3,130	367	-	3,497
83	17,902	-	-	17,902
84	7,830	-	-	7,830
84 Lat A	2,616	-	-	2,616
84 Lat B	3,388	-	-	3,388
85	5,156	-	-	5,156
85 Lat B	3,661	-	-	3,661
86	3,914	-	-	3,914
87	116	3,573	-	3,689
88	15,433	-	-	15,433
89	11,572	-	-	11,572
89 Lat A	1,403	347	-	1,750
90	2,015	-	-	2,015
90 Lat A	4,843	-	-	4,843
91	4,475	-	-	4,475
93	6,093	-	-	6,093
94	5,881	-	-	5,881
95	3,118	1,063	-	4,181

Schedule 5
(Continued)

Accounts Payable	Contracts Payable	Liabilities			Fund Balance - Undesignated	Total Liabilities and Fund Balance
		Due to Other Governments	Deferred Revenue	Total		
-	-	-	-	-	4,607	4,607
-	-	-	-	-	3,846	3,846
-	-	-	-	-	4,555	4,555
-	-	-	-	-	9,578	9,578
-	-	-	-	-	2,551	2,551
-	-	-	-	-	3,288	3,288
-	-	-	-	-	8,521	8,521
-	-	-	-	-	11,687	11,687
752	-	-	-	752	20,443	21,195
-	-	-	-	-	4,904	4,904
-	-	-	-	-	9,668	9,668
-	-	-	-	-	4,143	4,143
-	-	-	-	-	225	225
297	-	-	-	297	1,162	1,459
-	-	-	-	-	4,983	4,983
-	-	-	-	-	7,848	7,848
-	-	-	-	-	2,134	2,134
-	-	-	-	-	1,332	1,332
-	-	-	-	-	2,215	2,215
-	-	-	-	-	4,023	4,023
-	-	-	-	-	3,739	3,739
-	-	-	-	-	(761)	(761)
-	-	-	-	-	7,356	7,356
-	-	-	-	-	7,993	7,993
4,497	-	-	-	4,497	(2,509)	1,988
-	-	-	-	-	4,694	4,694
940	-	-	-	940	2,572	3,512
-	-	-	-	-	3,497	3,497
-	-	-	-	-	17,902	17,902
5,493	-	-	-	5,493	2,337	7,830
186	-	-	-	186	2,430	2,616
346	-	-	-	346	3,042	3,388
290	-	-	-	290	4,866	5,156
-	-	-	-	-	3,661	3,661
-	-	-	-	-	3,914	3,914
-	-	-	-	-	3,689	3,689
199	-	-	-	199	15,234	15,433
161	-	-	-	161	11,411	11,572
-	-	-	-	-	1,750	1,750
-	-	-	-	-	2,015	2,015
-	-	-	-	-	4,843	4,843
-	-	-	-	-	4,475	4,475
-	-	-	-	-	6,093	6,093
-	-	-	-	-	5,881	5,881
-	-	-	-	-	4,181	4,181

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2004**

	Assets			Total
	Cash	Special Assessments Receivable	Due from Other Governments	
County Ditches (Continued)				
96	7,656	-	-	7,656
97	5,250	-	-	5,250
98	2,929	-	-	2,929
99	7,034	-	-	7,034
101	19,975	-	-	19,975
Judicial Ditches				
1 F	1,457	1,301	137	2,895
4	2,511	23	-	2,534
8	(7,552)	146	158,541	151,135
8 Lat A	2,737	683	-	3,420
21	8,971	-	161	9,132
23	11,875	-	581	12,456
26	4,813	-	45	4,858
Watershed Ditches				
32	-	43,421	-	43,421
92	-	1,579	-	1,579
Total (Accrual Basis)	\$ 472,788	\$ 85,069	\$ 159,465	\$ 717,322
Reconciliation to Modified Accrual				
Defer long-term special assessments	-	-	-	-
Modified Accrual Balances, Exhibit 3	\$ 472,788	\$ 85,069	* \$ 159,465	\$ 717,322

*Special assessments receivable consists of \$1,102 undistributed cash; \$331 delinquent special assessments;
\$83,636 non-current special assessments.

Schedule 5
(Continued)

Accounts Payable	Contracts Payable	Liabilities			Total	Fund Balance - Undesignated	Total Liabilities and Fund Balance
		Due to Other Governments	Deferred Revenue				
-	-	-	-	-	7,656	7,656	
2,682	-	-	-	2,682	2,568	5,250	
326	-	-	-	326	2,603	2,929	
1,147	-	-	-	1,147	5,887	7,034	
241	-	-	-	241	19,734	19,975	
-	-	112	-	112	2,783	2,895	
75	-	-	-	75	2,459	2,534	
2,840	5,732	2,663	-	11,235	139,900	151,135	
-	-	-	-	-	3,420	3,420	
-	-	3,945	-	3,945	5,187	9,132	
626	-	972	-	1,598	10,858	12,456	
-	-	184	-	184	4,674	4,858	
-	-	-	-	-	43,421	43,421	
-	-	-	-	-	1,579	1,579	
\$ 42,153	\$ 5,732	\$ 7,876	\$ -	\$ 55,761	\$ 661,561	\$ 717,322	
-	-	-	83,967	83,967	(83,967)	-	
\$ 42,153	\$ 5,732	\$ 7,876	\$ 83,967	\$ 139,728	\$ 577,594	\$ 717,322	

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 6

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

	Total Primary Government	Total Component Unit
Shared Revenue		
State		
Highway users tax	\$ 4,199,716	\$ -
County program aid	546,586	-
PERA rate reimbursement	18,662	132
Disparity reduction aid	51,576	-
Police aid	29,375	-
Enhanced 911	38,701	-
Market value credit	361,235	13,547
	\$ 5,245,851	\$ 13,679
Total shared revenue		
Reimbursement for Services		
Minnesota Department of Human Services	\$ 462,126	\$ -
	\$ 462,126	\$ -
Payments		
Local		
Payments in lieu of taxes	\$ 70,357	\$ -
Local grants	-	353,471
	\$ 70,357	\$ 353,471
Total payments		
Grants		
State		
Minnesota Department/Board of		
Human Services	\$ 418,136	\$ -
Natural Resources	26,682	-
Public Safety	36,585	-
Soil and Water Resources	42,341	998,817
Office of Environmental Assistance	49,099	-
Peace Officers Board	1,791	-
	\$ 574,634	\$ 998,817
Total state		
Federal		
Department of		
Agriculture	\$ 1,925	\$ -
Transportation	748,049	-
Health and Human Services	137,067	-
Homeland Security	99,844	-
	\$ 986,885	\$ -
Total federal		
Total state and federal grants	\$ 1,561,519	\$ 998,817
Total Intergovernmental Revenue	\$ 7,339,853	\$ 1,365,967

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 7

**LAC QUI PARLE - YELLOW BANK WATERSHED DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Ditch	Total Governmental Funds
<u>Assets</u>			
Cash and pooled investments	\$ 414,788	\$ 75,344	\$ 490,132
Taxes receivable			
Prior	2,886	-	2,886
Special assessments receivable			
Prior	-	3,813	3,813
Noncurrent	-	42,056	42,056
Accounts receivable	1,360	-	1,360
Accrued interest receivable	1,626	518	2,144
Due from other funds	-	6,070	6,070
Due from other governments	51,125	-	51,125
	\$ 471,785	\$ 127,801	\$ 599,586
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 29,086	\$ -	\$ 29,086
Salaries payable	5,618	-	5,618
Contracts payable	71,849	-	71,849
Due to other funds	6,070	-	6,070
Deferred revenue - unavailable	2,886	3,813	6,699
Deferred revenue - unearned	-	42,056	42,056
	\$ 115,509	\$ 45,869	\$ 161,378
 Fund Balances			
Unreserved			
Designated for ditch repairs and maintenance	\$ -	\$ 81,609	\$ 81,609
Designated for flood control	356,276	-	356,276
Designated for debt service	-	323	323
	\$ 356,276	\$ 81,932	\$ 438,208
Total Liabilities and Fund Balances	\$ 471,785	\$ 127,801	\$ 599,586

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 8

**LAC QUI PARLE - YELLOW BANK WATERSHED DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Fund balances - total governmental funds (Schedule 7)	\$ 438,208
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.	5,282,272
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	6,699
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Advance from primary government	(42,000)
Net assets of governmental activities (Exhibit 1)	<u>\$ 5,685,179</u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 9

**LAC QUI PARLE - YELLOWBANK WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Ditch	Total Governmental Funds
Revenues			
Taxes	\$ 98,105	\$ -	\$ 98,105
Special assessments	-	13,479	13,479
Intergovernmental	1,365,967	-	1,365,967
Charges for services	39,689	-	39,689
Interest on investments	5,183	963	6,146
Miscellaneous	21,129	-	21,129
	\$ 1,530,073	\$ 14,442	\$ 1,544,515
Expenditures			
Current			
Culture and recreation	\$ 81,887	\$ -	\$ 81,887
Conservation	1,487,403	1,764	1,489,167
Debt service			
Principal retirement	-	6,000	6,000
Interest	-	3,360	3,360
	\$ 1,569,290	\$ 11,124	\$ 1,580,414
Net Change in Fund Balance	\$ (39,217)	\$ 3,318	\$ (35,899)
Fund Balance - January 1	395,493	78,614	474,107
Fund Balance - December 31	\$ 356,276	\$ 81,932	\$ 438,208

Net Change in Fund Balance - Total Governmental Funds **\$ (35,899)**

Amounts reported for governmental activities in the statement of activities differ because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense. Changes in the threshold for capitalizing assets do not affect governmental funds.

Expenditures for capital assets and infrastructure	\$ 1,329,949	
Current year depreciation	(63,941)	
Change in capitalization threshold	(107,084)	1,158,924

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 6,699

Payments on long-term debt are reported as an expenditure in the governmental funds, but are not an expense of the governmental activities. 6,000

Change in Net Assets of Governmental Activities (Exhibit 2) **\$ 1,135,724**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

99-1 Internal Accounting Controls

Due to the limited number of office personnel within the various Lac qui Parle County departments, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Although this is not unusual in small departmental situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend that County management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Client's Response:

The County Board has been advised and is well aware of the lack of segregation of the accounting functions. All reasonable management procedures are in place with the number of employees Lac qui Parle County currently has.

ITEM ARISING THIS YEAR

04-1 Travel Expenditure Reimbursements

The County travel policy states the County will reimburse its representatives and employees for ordinary and necessary expenses incurred while attending to official County business. The policy requires itemized receipts to accompany the reimbursement requests. While testing expenditures, we noted some travel expenditure reimbursement requests that did not contain appropriate supporting documentation and were not itemized.

- Meal reimbursements were made to two individuals off credit card receipts. The credit card receipts had no itemization or attached detail.

- Meals are charged to hotel bills, thereby allowing claims without verification to bypass the travel reimbursement system.

We recommend that the County enforce its travel policy and allow to be paid only claims that have the proper itemization, supporting documentation attached, and have been properly audited and verified by the officer authorized by law to audit and allow claims to be paid.

Client's Response:

Meal reimbursements: The County will require an itemized breakout of what was purchased for the meal. If the employee was unable to receive an itemized receipt, they will have to fill out an itemized sheet showing what was purchased and sign it.

Meals charged to hotel bills: Notification has been given to the person involved that a receipt will be required for all meals. Meals included on hotel billings will still always need the actual receipt for audit verification purposes.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Ditch Fund Cash and Fund Deficits

Seven of the 107 individual ditch systems had deficit cash balances totaling \$57,911 at December 31, 2004. This is up from the prior year when we reported that 8 of the 107 individual ditch systems had deficit cash balances totaling \$29,694. Minn. Stat. § 385.04 states, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” 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 with insufficient cash to pay expenditures. If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed

from the proceeds of the drainage system that received the transfer. Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other County funds and, as such, is in noncompliance with Minnesota law.

Using a basis of accounting that recognizes special assessments as revenue when levied, 5 of the 107 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2004, totaling \$37,814. Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

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

Client's Response:

The County continues to levy Ditch assessments in an effort to bring all ditch accounts to a positive balance.

03-2

Collateral Substitution

The procedures used for pledging new collateral and for collateral substitutions changed for Klein National Bank. The Klein National Bank notified Lac qui Parle County that there is “no requirement to sign agreements for new or substituted pledged securities” when collateral substitutions are made. Furthermore, Klein National Bank added to its security pledge notification form “these changes in the pledge position will be processed unless we receive notification within two days. . . .”

Minn. Stat. § 118A.03, subd. 5, states “[a] financial institution may withdraw excess collateral or substitute other collateral after giving written notice to the governmental entity and receiving confirmation.” The processes described by the bank do not meet this standard because they allow the financial institution to substitute collateral before it gives any notice to the governmental entity.

We recommend that the County Attorney review these procedural changes for compliance with Minn. Stat. § 118A.03, subd. 5.

Client's Response:

Attorney John Tollefson has submitted a letter dated April 19, 2005, which is addressed to County Treasurer Cindy Heinrich in reply and reads as follows: "I have reviewed the current statute M.S. 118A.03, Subd 5. On August 23, 2002, I wrote Marlene Johnson, the then County Treasurer. That letter contains my belief that Klein National Bank is required to receive authority from Lac qui Parle County before a change in collateral is made. There does not appear to be any changes in the 118A.03 statute since 2002. Therefore, it is still my position that Klein National Bank is still required to receive authorization from you as County Treasurer before Klein can take action regarding Lac qui Parle County's collateral." It was signed: "Very truly yours, John M. Tollefson." In addition, Cindy will be talking with Gene Koosmann at Klein Bank regarding collateral practices.

PREVIOUSLY REPORTED ITEMS RESOLVED

Board Salaries (03-1)

At the January 7, 2003, meeting, the County Board set its per diem payments for 2003. Minn. Stat. § 375.055 states that county commissioners shall receive compensation "as set by the county board. The . . . schedule of per diem payments shall not be effective until January 1 of the next year."

Resolution

The County Board follows Minn. Stat. § 375.055 by setting its per diem payments before the end of the year.

Collateral Pledged (03-3)

The County Treasurer received State of Wisconsin forms for collateral pledges from the State Bank of Marietta, Minnesota. These forms reference various provisions in Wisconsin statutes that are not consistent with Minnesota Law.

Resolution

The County Treasurer accepts only forms that are consistent with Minnesota Law.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Capital Asset Accounting System (00-7)

Governmental Accounting Standards Board (GASB) Statement 34 requires governments to include capital assets, including infrastructure assets, on the statement of net assets and to report depreciation expense for those assets on the statement of activities. We recommended the County comply with Statement 34 by establishing capital asset policies and centralized records.

Resolution

To comply with GASB Statement 34, the County established accounting policies for capital assets, including capitalization thresholds, useful lives, and the designation of specific general ledger accounting codes to record the purchases and construction costs of capital assets.



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PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Lac qui Parle County

We have audited the financial statements of Lac qui Parle County as of and for the year ended December 31, 2004, and have issued our report thereon dated April 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lac qui Parle 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 certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 99-1 and 04-1.

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 neither of the reportable conditions indicated above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lac qui Parle 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, Lac qui Parle 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 96-1 and 03-2.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: April 11, 2005



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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
Lac qui Parle County

Compliance

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

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

Internal Control Over Compliance

The management of Lac qui Parle 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 Lac qui Parle County as of and for the year ended December 31, 2004, and have issued our report thereon dated April 11, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: April 11, 2005

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 11

**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 Matching Grants for Food Stamp Program	10.561	\$ <u>1,925</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety Highway Planning and Construction	20.205	\$ 746,549
Hazardous Materials Public Sector Training and Planning Grants	20.703	<u>1,500</u>
Total U.S. Department of Transportation		\$ <u>748,049</u>
Federal Emergency Management Agency		
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	\$ 22,427
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	23,073
Child Welfare Services - State Grants	93.645	3,130
Foster Care Title IV-E	93.658	2,916
Social Services Block Grant Title XX	93.667	82,135
Chafee Foster Care Independence Program	93.674	457
Community Mental Health Block Grant	93.958	<u>2,929</u>
Total U.S. Department of Health and Human Services		\$ <u>137,067</u>
U.S. Department of Homeland Security		
Passed Through United Way Emergency Food and Shelter National Board Program	97.024	\$ 3,690
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	2,872
State and Local Homeland Security Exercise Support	97.006	162
Public Assistance Grants	97.036	86,070
Emergency Management Performance Grants	97.042	<u>7,050</u>
Total U.S. Department of Homeland Security		\$ <u>99,844</u>
Total Federal Awards		\$ <u><u>986,885</u></u>

**LAC QUI PARLE COUNTY
MADISON, MINNESOTA**

Schedule 11
(Continued)

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

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 Lac qui Parle 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.
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.