

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**BROWN COUNTY**  
**NEW ULM, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2004**

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

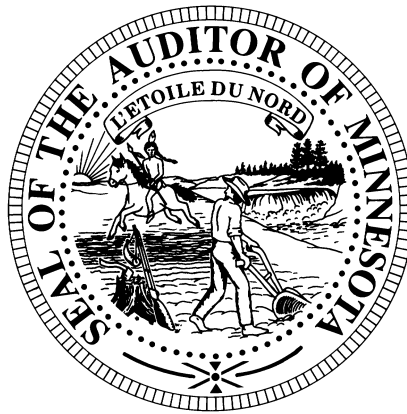
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Year Ended December 31, 2004**



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

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

ORGANIZATION  
2004

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Richard Seeboth	January 2009
2nd District	James Berg	January 2007
3rd District	Charles Guggisberg	January 2009
4th District	Andrew Lochner	January 2007
5th District	Donald Wellner*	January 2007
<b>Officers</b>		
<b>Elected</b>		
Attorney	James R. Olson	January 2007
Auditor/Treasurer	Marlin C. Helget	January 2007
County Recorder	Tom Weilage	January 2007
Sheriff	Tim Brennan	January 2007
<b>Appointed</b>		
Administrator	Charles Enter	Indefinite
Assessor	Judy Friesen	December 31, 2008
Family Services Director	Tom Henderson	Indefinite
Coroner	Terry Knowles, M.D.	December 31, 2006
Probation Director	Les Schultz	Indefinite
Highway Engineer	Wayne Stevens	May 31, 2006
Personnel Director	Leah Crabtree	Indefinite
Planning and Zoning Administrator	Jane Starz	Indefinite
Public Health Director	Anita Hoffman	Indefinite
Veterans Service Officer	Greg Peterson	April 12, 2009
Lay Board Member	Elizabeth Mohr	December 31, 2005
Lay Board Member	Judy Kuster	December 31, 2005

\*Chair

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Brown County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brown County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Brown County Economic Development Partners, Inc., the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us and, our opinion on the financial statements, insofar as it relates to the amounts included for the component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Brown County Economic Development Partners, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the

aggregate remaining fund information of Brown County as of December 31, 2004, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Road and Bridge, Family Services, and Landfill Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Brown County's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Brown County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2005, on our consideration of Brown County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: November 16, 2005

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

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

**INTRODUCTION**

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

**FINANCIAL HIGHLIGHTS**

- The assets of Brown County exceeded its liabilities at the close of 2004 by \$64,441,190. Of this amount, \$8,092,917 (unrestricted net assets) may be used to meet Brown County's ongoing obligations to citizens and creditors.
- Brown County's total net assets increased by \$1,822,600 in 2004, or 2.9 percent. A large part of the increase is attributable to improvements and betterments through construction of the County's roads and bridges while decreasing long-term debt.
- At the close of 2004, Brown County's governmental funds reported combined ending fund balances of \$12,203,853. Approximately \$6,668,000 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.
- At the close of 2004, unreserved fund balance for the General Fund was \$3,344,669, or 37.8 percent of total General Fund expenditures.
- Brown County's total debt decreased by \$285,000, or 9.2 percent, during 2004. The key factor to this decrease was the scheduled payment on existing general obligation bonds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **County-Wide Financial Statements**

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

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

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

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

The County-wide financial statements include not only Brown County itself (the primary government), but also the legally separate Economic Development Partners, Inc. (EDP). The EDP, although legally separate, functions for all practical purposes as an integral part of Brown County and, therefore, has been included in the County-wide financial statements.

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

## **Fund Financial Statements**

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

Because the focus of governmental funds is narrower than that of the County-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the County-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Brown County reports five major funds and three nonmajor funds. The major funds are: General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, Landfill Special Revenue Fund, and Debt Service Fund. The nonmajor funds are: Building and Capital Improvements Special Revenue Fund, County Parks Special Revenue Fund, and County Ditch Special Revenue Fund. Information is presented separately for the major funds and in total for the nonmajor funds in Exhibits 3 and 4.

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

Brown County's governmental fund financial statements are on Exhibits 3 to 8, and Brown County's fiduciary funds are on Exhibit 9.

### **Notes to the Financial Statements**

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

### **Other Information**

In addition to the basic financial statements and notes, Brown County also provides supplementary information on Brown County's deposits and investments and intergovernmental revenues (Schedules 1 and 2).

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

## COUNTY-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Brown County's assets exceeded liabilities by \$64,441,190 at the close of 2004. The largest portion of Brown County's net assets (82.7 percent) reflects its investment in capital assets (land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. However, it should be noted that these assets are not available for future spending. Comparative data with 2003 is presented.

**(Table 1)**  
**Brown County**  
**Governmental Net Assets**

	2004	2003
Current and other assets	\$ 16,671,672	\$ 17,012,225
Capital assets	56,097,417	52,838,768
Total Assets	\$ 72,769,089	\$ 69,850,993
Long-term liabilities outstanding	\$ 5,868,096	\$ 5,992,620
Other liabilities	2,459,803	1,239,783
Total Liabilities	\$ 8,327,899	\$ 7,232,403
Net Assets		
Invested in capital assets, net of related debt	\$ 53,292,420	\$ 49,748,768
Restricted	3,055,853	1,400,348
Unrestricted	8,092,917	11,469,474
Total Net Assets	\$ 64,441,190	\$ 62,618,590

The unrestricted net asset amount of \$8,092,917 as of December 31, 2004, may be used to meet the County's ongoing obligations to citizens and creditors.

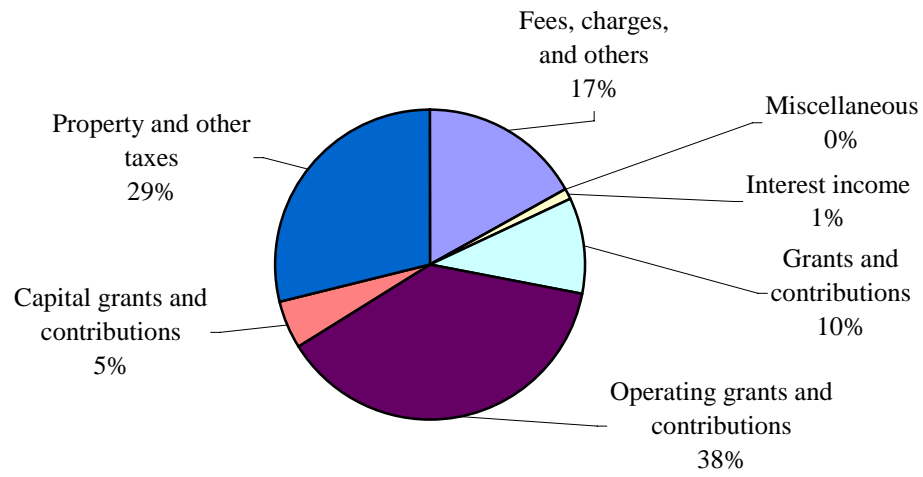
## Governmental Activities

The County's activities increased net assets by 2.9 percent (\$62,618,590 in 2003 to \$64,441,190 in 2004). The table below summarizes the changes in net assets for 2004.

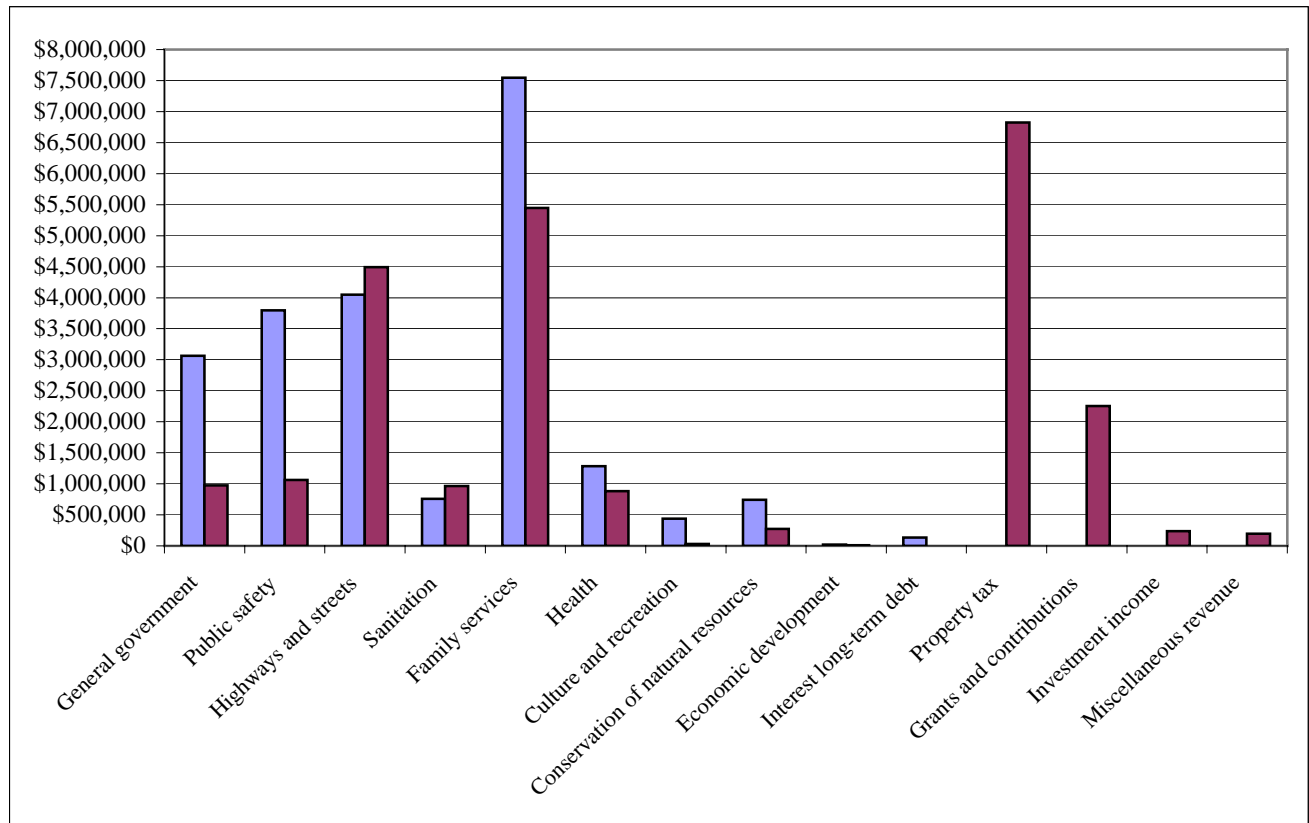
**(Table 2)**  
**Brown County**  
**Changes in Governmental Net Assets**

	2004	2003
Revenues		
Program revenues		
Charges for services	\$ 3,938,548	\$ 3,758,909
Operating grants and contributions	8,981,421	10,490,706
Capital grants and contributions	1,220,467	714,302
General revenues		
Property taxes	6,824,019	6,520,947
Other	2,688,591	2,540,304
Total Revenues	\$ 23,653,046	\$ 24,025,168
Expenses		
General government	\$ 3,063,183	\$ 2,944,301
Public safety	3,794,208	3,652,880
Highways and streets	4,047,882	2,760,178
Sanitation	755,692	756,642
Human services	7,546,358	7,434,032
Health	1,284,994	1,533,329
Culture and recreation	439,677	488,266
Conservation of natural resources	744,061	672,313
Economic development	21,755	29,605
Interest	132,636	144,693
Total Expenses	\$ 21,830,446	\$ 20,416,239
Increase in Net Assets	\$ 1,822,600	\$ 3,608,929
Net Assets - January 1	62,618,590	59,009,661
Net Assets - December 31	\$ 64,441,190	\$ 62,618,590

### Revenues by Source 2004



### Expenses and Program Revenues 2004



Total revenues for the County were \$23,653,046, while total expenses were \$21,830,446. This reflects a \$1,822,600 increase in net assets for the year ended December 31, 2004.

## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

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

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12,203,853, a decrease of \$1,390,873 in comparison with the prior year, as restated. The majority of this amount (\$8,597,929) constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund of Brown County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,344,669, while total fund balance was \$4,231,051. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 37.8 percent of total General Fund expenditures, while total fund balance represents 47.8 percent of that same amount.

In 2004, actual expenses and revenues were greater than budgeted in the Road and Bridge Special Revenue Fund. Highway Department activity was greater than budgeted due to project expense timetables and also due to special projects, such as the City of Springfield's bridge replacement project on Cass Avenue, the CSAH 4 Range Road project, various railroad crossings and signals, a County bridge repair, and two township bridge replacements. All highway projects were brought to the County Board for consideration and approval.

### **General Fund Budgetary Highlights**

There were no changes between the original budget and the final amended budget. The actual revenues exceeded budgeted revenues by \$371,621. The largest variance was in investment earnings due to higher than anticipated interest rates. Intergovernmental revenues also exceeded budgeted revenues due primarily to the receipts of special Homeland Security Grant projects in the amount of \$65,175 as managed in the Emergency Services Department. Overall, the actual expenditures were less than budgeted expenditures by \$16,088. The variance between budget and actual was relatively small in all departments.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2004, amount to \$56,097,417 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 6.2 percent. The major capital asset event in 2004 was improvements and betterments through construction (primarily bridges and County State-Aid Highway Roads).

**(Table 3)**  
**Brown County**  
**Governmental Capital Assets**  
**(Net of Depreciation)**

	2004	2003
Land	\$ 670,023	\$ 658,499
Construction in progress	2,961,091	2,371,691
Land improvements	295,792	35,500
Buildings and improvements	10,421,340	10,463,241
Machinery, furniture, and equipment	1,742,396	1,733,352
Infrastructure	40,006,775	37,576,485
Total	\$ 56,097,417	\$ 52,838,768

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

### Long-Term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$2,805,000, which is backed by the full faith and credit of the government.

**(Table 4)**  
**Brown County**  
**Governmental Outstanding Debt**

	2004	2003
General Obligation Bonds	\$ 2,805,000	\$ 3,090,000

The County's debt related to general obligation bonds decreased by \$285,000 (9.2 percent) during the fiscal year. The main reason for the decrease was debt repayment in 2004.

Brown County's bond rating is "A1" from Moody's.

(Unaudited)

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

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- Brown County's average unemployment rate for 2004 was 4.8 percent as of the end of 2004. This was slightly above the statewide rate of 4.7 percent.
- Mortgage interest rates have continued to be low, causing many people to refinance their mortgages.

At the end of 2004, Brown County set its 2005 revenue and expenditure budgets. In doing so, it has appropriated \$208,944 from available fund balance to offset the difference between 2005 budgeted revenues and expenditures.

### **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Brown County Auditor/Treasurer, Brown County Courthouse, 14 South State Street, P. O. Box 115, New Ulm, Minnesota 56073.

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## **BASIC FINANCIAL STATEMENTS**

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**COUNTY-WIDE FINANCIAL STATEMENTS**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 1**

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

	<u>Primary Governmental Activities</u>	<u>Discretely Presented Component Unit</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 13,712,424	\$ 86,116
Taxes receivable		
Prior	96,703	-
Special assessments receivable		
Prior	19,292	-
Noncurrent	843,745	-
Accounts receivable	338,043	-
Accrued interest receivable	47,500	-
Loans receivable - net	42,500	186,446
Due from other governments	1,481,334	-
Inventories	90,131	-
Capital assets		
Non-depreciable	3,631,114	-
Depreciable - net of accumulated depreciation	52,466,303	-
<b>Total Assets</b>	<b>\$ 72,769,089</b>	<b>\$ 272,562</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 447,184	\$ -
Salaries payable	413,911	-
Contracts payable	250,389	-
Due to other governments	153,289	-
Accrued interest payable	8,700	-
Unearned revenue	5,430	-
Advance from other governments	1,180,900	-
Long-term liabilities		
Due within one year	420,019	-
Due in more than one year	5,448,077	5,000
<b>Total Liabilities</b>	<b>\$ 8,327,899</b>	<b>\$ 5,000</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 53,292,420	\$ -
Restricted for		
General government	93,958	-
Public safety	177,267	-
Highways and streets	214,437	-
Human services	8,023	-
Culture and recreation	234	-
Conservation of natural resources	608,217	-
Debt service	125,281	-
Closure/postclosure	1,828,436	-
Other purposes	-	4,300
Unrestricted	8,092,917	263,262
<b>Total Net Assets</b>	<b>\$ 64,441,190</b>	<b>\$ 267,562</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 2**

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

	Program Revenues				Net (Expense) Revenue and Change in Net Assets Governmental Activities	Discretely Presented Component Unit
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions		
<b><u>Functions/Programs</u></b>						
<b>Primary Government</b>						
<b>Governmental activities</b>						
General government	\$ 3,063,183	\$ 898,828	\$ 78,284	\$ -	\$ (2,086,071)	
Public safety	3,794,208	383,198	649,395	29,410	(2,732,205)	
Highways and streets	4,047,882	40,831	3,299,993	1,150,426	443,368	
Sanitation	755,692	895,639	67,753	-	207,700	
Human services	7,546,358	924,197	4,482,720	40,631	(2,098,810)	
Health	1,284,994	591,562	289,245	-	(404,187)	
Culture and recreation	439,677	13,109	19,832	-	(406,736)	
Conservation of natural resources	744,061	180,461	94,199	-	(469,401)	
Economic development	21,755	10,723	-	-	(11,032)	
Interest	132,636	-	-	-	(132,636)	
<b>Total governmental activities</b>	<b><u>\$ 21,830,446</u></b>	<b><u>\$ 3,938,548</u></b>	<b><u>\$ 8,981,421</u></b>	<b><u>\$ 1,220,467</u></b>	<b><u>\$ (7,690,010)</u></b>	
<b>Component unit</b>						
Economic Development Partners, Inc.	<u>\$ 37,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ (37,362)</u>
<b>General Revenues</b>						
Property taxes				\$ 6,824,019	\$ -	
Grants and contributions not restricted to specific programs				2,255,503	8,000	
Payments in lieu of taxes				27,397	-	
Investment income				236,811	9,808	
Miscellaneous				168,880	-	
<b>Total general revenues</b>				<b><u>\$ 9,512,610</u></b>	<b><u>\$ 17,808</u></b>	
<b>Change in net assets</b>				<b><u>\$ 1,822,600</u></b>	<b><u>\$ (19,554)</u></b>	
<b>Net Assets - January 1</b>				<b><u>62,618,590</u></b>	<b><u>287,116</u></b>	
<b>Net Assets - December 31</b>				<b><u>\$ 64,441,190</u></b>	<b><u>\$ 267,562</u></b>	

**FUND FINANCIAL STATEMENTS**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 4,362,858	\$ 1,790,556
Taxes receivable		
Prior	55,082	10,525
Special assessments receivable		
Prior	2,955	-
Noncurrent	649,833	-
Accounts receivable	21,000	-
Accrued interest receivable	47,500	-
Due from other funds	5,841	4,527
Due from other governments	162,594	231,149
Inventories	-	90,131
Loans receivable	-	-
	\$ 5,307,663	\$ 2,126,888
<b>Total Assets</b>	<b>\$ 5,307,663</b>	<b>\$ 2,126,888</b>

**EXHIBIT 3**

<b>Family Services</b>	<b>Landfill</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,485,481	\$ 3,793,978	\$ 124,245	\$ 1,155,306	\$ 13,712,424
25,264	-	4,152	1,680	96,703
-	14,248	-	2,089	19,292
-	-	-	193,912	843,745
265,922	51,121	-	-	338,043
-	-	-	-	47,500
172	-	-	-	10,540
421,146	2,885	638,790	24,770	1,481,334
-	-	-	-	90,131
-	-	-	42,500	42,500
<b>\$ 3,197,985</b>	<b>\$ 3,862,232</b>	<b>\$ 767,187</b>	<b>\$ 1,420,257</b>	<b>\$ 16,682,212</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 143,672	\$ 30,280
Salaries payable	231,906	48,076
Contracts payable	-	250,389
Due to other funds	1,862	-
Due to other governments	12,183	1,001
Deferred revenue - unavailable	683,968	155,816
Deferred revenue - unearned	3,021	625
Advance from other governments	-	1,180,900
	<b>\$ 1,076,612</b>	<b>\$ 1,667,087</b>
<b>Total Liabilities</b>		
<b>Fund Balances</b>		
Reserved for		
Inventories	\$ -	\$ 90,131
Donations	-	-
Sheriff's contingency	2,846	-
Law library	70,740	-
Enhanced 911	165,998	-
Loans receivable	-	-
Conservation of natural resources	35,575	-
Recorder's equipment	23,218	-
Boat and water safety	8,423	-
Highway projects	-	177,576
Landfill closure/postclosure	-	-
Septic/sewer loan	579,582	-
Unreserved		
Designated for debt service	-	-
Designated for future expenditures	-	83,246
Designated for cash flows	750,000	108,848
Designated for boat and water safety	22,676	-
Designated for recycling	-	-
Designated for compensated absences	30,000	-
Undesignated	2,541,993	-
Unreserved, reported in nonmajor		
Special revenue funds	-	-
	<b>\$ 4,231,051</b>	<b>\$ 459,801</b>
<b>Total Fund Balances</b>		
	<b>\$ 5,307,663</b>	<b>\$ 2,126,888</b>
<b>Total Liabilities and Fund Balances</b>		

**EXHIBIT 3**  
**(Continued)**

<u>Family Services</u>	<u>Landfill</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 198,962	\$ 28,177	\$ -	\$ 46,093	\$ 447,184
128,953	2,890	-	2,086	413,911
-	-	-	-	250,389
8,625	43	-	10	10,540
131,294	-	-	8,811	153,289
327,630	10,526	641,725	197,051	2,016,716
1,307	66	181	230	5,430
-	-	-	-	1,180,900
<b>\$ 796,771</b>	<b>\$ 41,702</b>	<b>\$ 641,906</b>	<b>\$ 254,281</b>	<b>\$ 4,478,359</b>
\$ -	\$ -	\$ -	\$ -	\$ 90,131
8,023	-	-	234	8,257
-	-	-	-	2,846
-	-	-	-	70,740
-	-	-	-	165,998
-	-	-	42,500	42,500
-	-	-	572,642	608,217
-	-	-	-	23,218
-	-	-	-	8,423
-	-	-	-	177,576
-	1,828,436	-	-	1,828,436
-	-	-	-	579,582
-	-	125,281	-	125,281
-	-	-	-	83,246
750,000	-	-	-	1,608,848
-	-	-	-	22,676
-	59,878	-	-	59,878
-	-	-	-	30,000
1,643,191	1,932,216	-	-	6,117,400
-	-	-	550,600	550,600
<b>\$ 2,401,214</b>	<b>\$ 3,820,530</b>	<b>\$ 125,281</b>	<b>\$ 1,165,976</b>	<b>\$ 12,203,853</b>
<b>\$ 3,197,985</b>	<b>\$ 3,862,232</b>	<b>\$ 767,187</b>	<b>\$ 1,420,257</b>	<b>\$ 16,682,212</b>

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 3A**

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

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$</b>	<b>12,203,853</b>
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			56,097,417
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			2,016,716
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
General obligation bonds	\$	(2,805,000)	
Loans payable		(994,924)	
Compensated absences		(990,367)	
Accrued interest payable		(8,700)	
Estimated liability for landfill closure/postclosure		(1,077,805)	
		<u>                    </u>	<u>(5,876,796)</u>
<b>Net assets of governmental activities (Exhibit 1)</b>			<b><u>                    </u> <u>\$ 64,441,190</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 3,811,473	\$ 726,474
Special assessments	159,184	-
Licenses and permits	31,257	-
Intergovernmental	2,733,981	4,956,152
Charges for services	1,637,467	-
Fines and forfeits	30,266	-
Gifts and contributions	700	-
Interest on investments	236,811	-
Miscellaneous	353,068	88,624
	<b>\$ 8,994,207</b>	<b>\$ 5,771,250</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 2,992,507	\$ -
Public safety	3,721,058	-
Highways and streets	-	7,165,380
Sanitation	-	-
Human services	-	-
Health	1,306,740	-
Culture and recreation	202,046	-
Conservation of natural resources	506,298	-
Economic development	21,755	-
<b>Debt service</b>		
Principal retirement	90,749	-
Interest	4,889	-
Administrative charges	-	-
	<b>\$ 8,846,042</b>	<b>\$ 7,165,380</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 148,165</b>	<b>\$ (1,394,130)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 37,790
Transfers out	(136,577)	-
Loans issued	150,207	-
	<b>\$ 13,630</b>	<b>\$ 37,790</b>
<b>Net Change in Fund Balance</b>	<b>\$ 161,795</b>	<b>\$ (1,356,340)</b>
<b>Fund Balance - January 1</b>	<b>4,069,256</b>	<b>1,792,973</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>23,168</b>
	<b>\$ 4,231,051</b>	<b>\$ 459,801</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,231,051</b>	<b>\$ 459,801</b>

**EXHIBIT 4**

<u>Family Services</u>	<u>Landfill</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,932,697	\$ -	\$ 284,756	\$ 96,482	\$ 6,851,882
-	330,815	-	164,986	654,985
-	280	-	-	31,537
4,896,223	67,753	133,827	52,736	12,840,672
128,888	377,008	-	12,182	2,155,545
-	-	-	-	30,266
8,023	-	-	210	8,933
-	-	-	-	236,811
552,857	12,500	-	32,659	1,039,708
<b>\$ 7,518,688</b>	<b>\$ 788,356</b>	<b>\$ 418,583</b>	<b>\$ 359,255</b>	<b>\$ 23,850,339</b>
\$ -	\$ -	\$ -	\$ 4,947	\$ 2,997,454
-	-	-	17,906	3,738,964
-	-	-	-	7,165,380
-	916,224	-	-	916,224
7,600,840	-	-	-	7,600,840
-	-	-	-	1,306,740
-	-	-	219,087	421,133
-	-	-	230,601	736,899
-	-	-	-	21,755
-	-	285,000	-	375,749
-	-	127,812	-	132,701
-	-	748	-	748
<b>\$ 7,600,840</b>	<b>\$ 916,224</b>	<b>\$ 413,560</b>	<b>\$ 472,541</b>	<b>\$ 25,414,587</b>
<b>\$ (82,152)</b>	<b>\$ (127,868)</b>	<b>\$ 5,023</b>	<b>\$ (113,286)</b>	<b>\$ (1,564,248)</b>
\$ 24,231	\$ 56,550	\$ -	\$ 18,006	\$ 136,577
-	-	-	-	(136,577)
-	-	-	-	150,207
<b>\$ 24,231</b>	<b>\$ 56,550</b>	<b>\$ -</b>	<b>\$ 18,006</b>	<b>\$ 150,207</b>
<b>\$ (57,921)</b>	<b>\$ (71,318)</b>	<b>\$ 5,023</b>	<b>\$ (95,280)</b>	<b>\$ (1,414,041)</b>
2,459,135	3,891,848	120,258	1,261,256	13,594,726
-	-	-	-	23,168
<b>\$ 2,401,214</b>	<b>\$ 3,820,530</b>	<b>\$ 125,281</b>	<b>\$ 1,165,976</b>	<b>\$ 12,203,853</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 4A**

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

**Net change in fund balances - total governmental funds (Exhibit 4)** **\$ (1,414,041)**

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. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures	\$ 4,555,287	
Depreciation expense	(1,264,093)	3,291,194

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

Net book value of capital assets disposed of		(32,545)
--	--	----------

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

(149,428)

The issuance of long-term debt (such as bonds or loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Net proceeds of debt issued	\$ (150,207)	
Principal payments on debt	375,749	225,542

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.

Inventories	\$ 23,168	
Accrued interest payable	813	
Compensated absences payable	(18,375)	
Landfill postclosure care costs	(103,728)	(98,122)

**Change in net assets of governmental activities (Exhibit 2)** **\$ 1,822,600**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 5**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,232,790	\$ 3,764,262	\$ 3,811,473	\$ 47,211
Special assessments	109,200	109,200	159,184	49,984
Licenses and permits	28,010	28,010	31,257	3,247
Intergovernmental	1,141,936	2,610,464	2,733,981	123,517
Charges for services	1,691,363	1,691,363	1,637,467	(53,896)
Fines and forfeits	6,000	6,000	30,266	24,266
Gifts and contributions	-	-	700	700
Investment earnings	82,895	82,895	236,811	153,916
Miscellaneous	330,392	330,392	353,068	22,676
<b>Total Revenues</b>	<b>\$ 8,622,586</b>	<b>\$ 8,622,586</b>	<b>\$ 8,994,207</b>	<b>\$ 371,621</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 210,491	\$ 210,491	\$ 205,593	\$ 4,898
Courts	32,108	32,108	29,220	2,888
Law library	20,000	20,000	19,346	654
County auditor/treasurer	405,548	405,548	399,847	5,701
License bureau	134,792	134,792	140,027	(5,235)
County assessor	347,923	347,923	345,716	2,207
Elections	24,000	24,000	20,769	3,231
Accounting and auditing	40,000	40,000	47,630	(7,630)
Data processing	229,307	229,307	247,838	(18,531)
Central services	127,751	127,751	127,418	333
Personnel administration	112,942	112,942	110,604	2,338
Attorney	244,591	244,591	254,511	(9,920)
Recorder	365,733	365,733	373,448	(7,715)
Planning and zoning	84,616	84,616	77,439	7,177
Buildings and plant	415,261	415,261	416,400	(1,139)
Veterans service officer	116,622	116,622	105,222	11,400
Other	78,600	78,600	71,479	7,121
<b>Total general government</b>	<b>\$ 2,990,285</b>	<b>\$ 2,990,285</b>	<b>\$ 2,992,507</b>	<b>\$ (2,222)</b>
<b>Public safety</b>				
Sheriff	\$ 1,275,427	\$ 1,275,427	\$ 1,267,607	\$ 7,820
Boat and water safety	6,103	6,103	3,764	2,339
Emergency services	31,840	31,840	93,379	(61,539)
Coroner	10,000	10,000	15,137	(5,137)
E-911 system	51,200	51,200	2,523	48,677
Law enforcement center	1,347,859	1,347,859	1,267,205	80,654
Juvenile detention center	129,000	129,000	96,861	32,139
Probation and parole	987,297	987,297	966,360	20,937
Sheriff's investigations	8,000	8,000	5,026	2,974
Snowmobile safety	5,145	5,145	3,196	1,949
<b>Total public safety</b>	<b>\$ 3,851,871</b>	<b>\$ 3,851,871</b>	<b>\$ 3,721,058</b>	<b>\$ 130,813</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 5  
(Continued)**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Health</b>				
Nursing service	\$ 1,438,382	\$ 1,438,382	\$ 1,306,740	\$ 131,642
<b>Culture and recreation</b>				
Historical society	\$ 98,268	\$ 98,268	\$ 98,268	\$ -
Regional library	66,236	66,236	66,236	-
Snowmobile trails	-	-	24,058	(24,058)
Other	13,634	13,634	13,484	150
<b>Total culture and recreation</b>	\$ 178,138	\$ 178,138	\$ 202,046	\$ (23,908)
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 95,592	\$ 95,592	\$ 182,889	\$ (87,297)
Soil and water conservation	72,936	72,936	72,936	-
Agricultural society/County fair	34,500	34,500	34,500	-
Water planning	23,799	23,799	15,110	8,689
Wetlands	20,000	20,000	20,174	(174)
Septic loan program	122,000	122,000	168,537	(46,537)
Area flood control	12,152	12,152	12,152	-
<b>Total conservation of natural resources</b>	\$ 380,979	\$ 380,979	\$ 506,298	\$ (125,319)
<b>Economic development</b>				
Community development	\$ 12,795	\$ 12,795	\$ 12,795	\$ -
Housing and development authority	9,680	9,680	8,960	720
<b>Total economic development</b>	\$ 22,475	\$ 22,475	\$ 21,755	\$ 720
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 90,749	\$ (90,749)
Interest	\$ -	\$ -	\$ 4,889	\$ (4,889)
<b>Total Expenditures</b>	\$ 8,862,130	\$ 8,862,130	\$ 8,846,042	\$ 16,088
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (239,544)	\$ (239,544)	\$ 148,165	\$ 387,709

**BROWN COUNTY  
NEW ULM, MINNESOTA**

***EXHIBIT 5  
(Continued)***

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (136,577)	\$ (136,577)
Loans issued	-	-	150,207	150,207
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,630</b>	<b>\$ 13,630</b>
<b>Net Change in Fund Balance</b>	<b>\$ (239,544)</b>	<b>\$ (239,544)</b>	<b>\$ 161,795</b>	<b>\$ 401,339</b>
<b>Fund Balance - January 1</b>	<b>4,069,256</b>	<b>4,069,256</b>	<b>4,069,256</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>3,829,712</u></b>	<b><u>3,829,712</u></b>	<b><u>4,231,051</u></b>	<b><u>401,339</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**EXHIBIT 6**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 846,445	\$ 720,990	\$ 726,474	\$ 5,484
Intergovernmental	3,643,752	3,769,207	4,956,152	1,186,945
Miscellaneous	45,000	45,000	88,624	43,624
<b>Total Revenues</b>	<b>\$ 4,535,197</b>	<b>\$ 4,535,197</b>	<b>\$ 5,771,250</b>	<b>\$ 1,236,053</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 204,106	\$ 204,106	\$ 315,752	\$ (111,646)
Maintenance	1,220,286	1,220,286	1,181,814	38,472
Construction	2,506,117	2,506,117	4,901,409	(2,395,292)
Equipment maintenance and shop	543,188	543,188	611,727	(68,539)
Materials and services for resale	91,500	91,500	154,678	(63,178)
<b>Total Expenditures</b>	<b>\$ 4,565,197</b>	<b>\$ 4,565,197</b>	<b>\$ 7,165,380</b>	<b>\$ (2,600,183)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (30,000)</b>	<b>\$ (30,000)</b>	<b>\$ (1,394,130)</b>	<b>\$ (1,364,130)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	30,000	30,000	37,790	7,790
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,356,340)</b>	<b>\$ (1,356,340)</b>
<b>Fund Balance - January 1</b>	<b>1,792,973</b>	<b>1,792,973</b>	<b>1,792,973</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>23,168</b>	<b>23,168</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,792,973</b>	<b>\$ 1,792,973</b>	<b>\$ 459,801</b>	<b>\$ (1,333,172)</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 7*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,254,447	\$ 1,922,063	\$ 1,932,697	\$ 10,634
Intergovernmental	4,535,982	4,868,366	4,896,223	27,857
Charges for services	306,670	306,670	128,888	(177,782)
Gifts and contributions	5,000	5,000	8,023	3,023
Miscellaneous	549,243	549,243	552,857	3,614
<b>Total Revenues</b>	<b>\$ 7,651,342</b>	<b>\$ 7,651,342</b>	<b>\$ 7,518,688</b>	<b>\$ (132,654)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,034,159	\$ 2,034,159	\$ 1,945,136	\$ 89,023
Social services	5,151,911	5,151,911	5,163,873	(11,962)
Heartland express	491,272	491,272	491,831	(559)
<b>Total Expenditures</b>	<b>\$ 7,677,342</b>	<b>\$ 7,677,342</b>	<b>\$ 7,600,840</b>	<b>\$ 76,502</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (26,000)</b>	<b>\$ (26,000)</b>	<b>\$ (82,152)</b>	<b>\$ (56,152)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	26,000	26,000	24,231	(1,769)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (57,921)</b>	<b>\$ (57,921)</b>
<b>Fund Balance - January 1</b>	<b>2,459,135</b>	<b>2,459,135</b>	<b>2,459,135</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,459,135</b>	<b>\$ 2,459,135</b>	<b>\$ 2,401,214</b>	<b>\$ (57,921)</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*EXHIBIT 8*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 315,000	\$ 315,000	\$ 330,815	\$ 15,815
Licenses and permits	320	320	280	(40)
Intergovernmental	60,250	60,250	67,753	7,503
Charges for services	219,571	219,571	377,008	157,437
Miscellaneous	6,600	6,600	12,500	5,900
<b>Total Revenues</b>	<b>\$ 601,741</b>	<b>\$ 601,741</b>	<b>\$ 788,356</b>	<b>\$ 186,615</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	881,808	881,808	916,224	(34,416)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (280,067)</b>	<b>\$ (280,067)</b>	<b>\$ (127,868)</b>	<b>\$ 152,199</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	50,000	56,550	6,550
<b>Net Change in Fund Balance</b>	<b>\$ (230,067)</b>	<b>\$ (230,067)</b>	<b>\$ (71,318)</b>	<b>\$ 158,749</b>
<b>Fund Balance - January 1</b>	<b>3,891,848</b>	<b>3,891,848</b>	<b>3,891,848</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,661,781</b>	<b>\$ 3,661,781</b>	<b>\$ 3,820,530</b>	<b>\$ 158,749</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

***EXHIBIT 9***

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

**Assets**

Cash and pooled investments	<u>\$ 623,711</u>
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**Liabilities**

Due to other governments	<u>\$ 623,711</u>
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**BROWN COUNTY  
NEW ULM, MINNESOTA**

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

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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.

A. Financial Reporting Entity

Brown County was established February 11, 1856, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Brown County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

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

Component Unit	Included in the Reporting Entity Because	Separate Financial Statements
Brown County Housing and Redevelopment Authority (HRA)	County Commissioners are the members of the HRA Board.	Separate financial statements are not prepared.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Brown County Economic Development Partners, Inc.	County appoints its governing board and it is fiscally dependent on the County.	Brown County Economic Development Partners, Inc. c/o Brown County Administrator's Office 14 South State, P. O. Box 248 New Ulm, Minnesota 56073-0248

Joint Ventures

The County participates in several joint ventures which are described in Note 6.C. The County also participates in jointly-governed organizations which are described in Note 6.D.

B. Basic Financial Statements

1. County-Wide Statements

The County-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the County-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. County-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Landfill Special Revenue Fund is used to account for the cost of County landfill and recycling operations.

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

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

C. Measurement Focus and Basis of Accounting

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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 Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled 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 are allocated interest as transfers from the General Fund based on the average cash balance of the fund. Pooled investment earnings for 2004 were \$236,811.

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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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

Activities between funds are reported as “due to/from other funds.”

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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories

The Road and Bridge Special Revenue Fund inventory is valued using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the County-wide level are reported as expenses when consumed.

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items) are reported in the governmental activities column in the County-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (\$100,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50 - 150
Land improvements	3 - 150
Infrastructure	50 - 75
Machinery, furniture, and equipment	2 - 20

5. Compensated Absences

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

6. Deferred Revenue

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations

In the County-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriations--is the department level. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

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

B. Excess of Expenditures Over Budget

The funds shown below had expenditures in excess of budget for the year ended December 31, 2004.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge	\$ 7,165,380	\$ 4,565,197	\$ 2,600,183
Landfill	916,224	881,808	34,416
Building and Capital Improvements	22,853	3,718	19,135
County Parks	219,087	123,048	96,039

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

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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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	\$	13,712,424
Fiduciary funds		
Agency funds		
Cash and pooled investments		623,711
Total Cash and Investments	\$	14,336,135

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Auditor/Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$6,463,204. The bank balance deposit amount was \$6,822,981. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

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

	Bank Balance
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 300,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	6,522,981
Total covered deposits	\$ 6,822,981
Uncollateralized	-
Total	\$ 6,822,981

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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

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

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

	Category			Fair Value
	1	2	3	
Negotiable certificates of deposit	\$ 500,000	\$ -	\$ 4,156,000	\$ 4,656,000
Add				
MAGIC Fund				3,215,956
Cash on hand				975
Deposits				6,463,204
Total Cash and Investments				\$ 14,336,135

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

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

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - prior	\$ 96,703	\$ -
Special assessments - prior	19,292	-
Special assessments - noncurrent	843,745	582,927
Accounts	338,043	-
Accrued interest	47,500	-
Loans receivable	42,500	34,000
Due from other governments	1,481,335	590,504
Total Governmental Activities	\$ 2,869,118	\$ 1,207,431

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 658,499	\$ 11,524	\$ -	\$ 670,023
Construction in progress	2,371,691	2,753,413	2,164,013	2,961,091
Total capital assets not depreciated	\$ 3,030,190	\$ 2,764,937	\$ 2,164,013	\$ 3,631,114
Capital assets depreciated				
Buildings and improvements	\$ 12,145,793	\$ 84,450	\$ -	\$ 12,230,243
Land improvements	1,432,895	282,713	-	1,715,608
Machinery, furniture, and equipment	4,596,734	198,634	314,718	4,480,650
Infrastructure - highway	45,398,731	3,388,566	-	48,787,297
Infrastructure - dam	2,098,857	-	-	2,098,857
Total capital assets depreciated	\$ 65,673,010	\$ 3,954,363	\$ 314,718	\$ 69,312,655

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 1,682,552	\$ 126,351	\$ -	\$ 1,808,903
Land improvements	1,397,395	22,421	-	1,419,816
Machinery, furniture, and equipment	2,863,382	157,045	282,173	2,738,254
Infrastructure - highway	9,779,043	944,110	-	10,723,153
Infrastructure - dam	142,060	14,166	-	156,226
	<u>\$ 15,864,432</u>	<u>\$ 1,264,093</u>	<u>\$ 282,173</u>	<u>\$ 16,846,352</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 49,808,578</u>	<u>\$ 2,690,270</u>	<u>\$ 32,545</u>	<u>\$ 52,466,303</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,838,768</u>	<u>\$ 5,455,207</u>	<u>\$ 2,196,558</u>	<u>\$ 56,097,417</u>

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

Governmental Activities	
General government	\$ 53,483
Public safety	120,575
Highways and streets, including depreciation of infrastructure assets	998,744
Sanitation	23,778
Human services	41,210
Health	279
Culture and recreation, including depreciation of infrastructure assets	19,051
Conservation of natural resources	6,973
	<u>6,973</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,264,093</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Family Services	\$ 5,788
	Landfill	43
	Other Governmental	10
		<hr/>
Total Due to General Fund		\$ 5,841
		<hr/>
Road and Bridge	General	\$ 1,690
	Family Services	2,837
		<hr/>
Total Due to Road and Bridge Fund		\$ 4,527
		<hr/>
Family Services	General	\$ 172
		<hr/>
Total Due To/From Other Funds		<u>\$ 10,540</u>

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of transfers from the General Fund to allocate investment earnings:

Road and Bridge Fund	\$ 37,790
Family Services Fund	24,231
Landfill Fund	56,550
Other Governmental Funds	18,006
	<hr/>
Total	<u>\$ 136,577</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General Obligation Bonds 2002A G.O. Capital Improvement Refunding Bonds	2010	\$80,000 - \$90,000	3.45 - 4.35	<u>\$ 655,000</u>	\$ 510,000
Revenue Bonds 2002 Jail Lease Revenue Refunding Bonds	2013	\$220,000 - \$300,000	3.40 - 4.75	<u>\$ 2,900,000</u>	<u>2,295,000</u>
Total Bonds Payable					<u>\$ 2,805,000</u>

Bond payments are made by the Debt Service Fund.

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for funding Clean Water Partnership (CWP) Projects and a loan agreement with the Minnesota Department of Agriculture for financing the repair of failing septic systems. The loans are secured by special assessments placed on the individual parcels. Loan payments are reported in the General Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
1997 Groundwater Protection CWP Project	2010	\$ 25,875	-	\$ 517,500	\$ 284,625
1998 Groundwater Protection CWP Project	2014	12,067	-	362,000	229,267
2001 Cottonwood River Restoration CWP Project	2013	4,447	2.00	80,244	69,202
2001 Little Cottonwood River Restoration CWP Project	2014	5,569	2.00	100,495	95,931
2001 Watonwan Watershed CWP Project	2014	3,543	2.00	63,932	61,029
2001 Septic System Replacement Project	2020	2,665	-	53,300	53,300

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Long-Term Debt

Loans Payable (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
2003 Cottonwood River Restoration CWP Project	2015	16,618	2.00	153,288	153,288
2004 Watonwan Watershed Continuation CWP Project	2017	1,689	2.00	20,263	20,263
2004 Little Cottonwood River Restoration Continuation CWP Project	2017	5,763	2.00	28,019	28,019
Total Loans Payable					<u>\$ 994,924</u>

2. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 80,000	\$ 19,048	\$ 220,000	\$ 99,120
2006	80,000	16,167	225,000	91,640
2007	85,000	12,967	235,000	82,865
2008	85,000	9,504	245,000	72,995
2009	90,000	5,828	250,000	62,460
2010 - 2013	<u>90,000</u>	<u>1,957</u>	<u>1,120,000</u>	<u>133,353</u>
Total	<u>\$ 510,000</u>	<u>\$ 65,471</u>	<u>\$ 2,295,000</u>	<u>\$ 542,433</u>

Year Ending December 31	Loans Payable	
	Principal	Interest
2005	\$ 98,590	\$ 4,410
2006	99,047	3,954
2007	99,512	3,488
2008	99,987	3,014
2009	100,472	2,529
2010 - 2014	263,766	5,163
2015 - 2019	26,650	-
2020	<u>5,330</u>	<u>-</u>
Total	<u>\$ 793,354</u>	<u>\$ 22,558</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Debt Service Requirements (Continued)

The debt service requirements for the loans from the Minnesota Pollution Control Agency in the amounts of \$153,288, \$20,263, and \$28,019 are not known as of December 31, 2004.

3. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 585,000	\$ -	\$ 75,000	\$ 510,000	\$ 80,000
Revenue bonds	2,505,000	-	210,000	2,295,000	220,000
Total bonds payable	\$ 3,090,000	\$ -	\$ 285,000	\$ 2,805,000	\$ 300,000
Landfill closure/ postclosure liability	974,077	103,728	-	1,077,805	-
Loans payable	935,466	150,207	90,749	994,924	98,590
Compensated absences	971,992	18,375	-	990,367	21,429
Long-Term Liabilities	<u>\$ 5,971,535</u>	<u>\$ 272,310</u>	<u>\$ 375,749</u>	<u>\$ 5,868,096</u>	<u>\$ 420,019</u>

4. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,077,805 landfill closure and postclosure care liability at December 31, 2004, represents the cumulative amount reported to date based on the use of 62 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$655,357 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The County expects the landfill to continue operation beyond 2010 through approved permitting processes. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**BROWN COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities

4. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2004, investments of \$1,828,436 are held for these purposes. Accumulated annual contributions and any payments of land postclosure costs are reported in the Landfill Special Revenue Fund. Brown County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

4. Pension Plans

A. Plan Description

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

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

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based

**BROWN COUNTY  
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4. Pension Plans

A. Plan Description (Continued)

on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

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

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the web at [mnpera.org](http://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.

**BROWN COUNTY  
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4. Pension Plans (Continued)

B. Funding Policy

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

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

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

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

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
2004	\$ 409,112	\$ 52,095	\$ 56,412
2003	403,893	52,923	48,806
2002	382,402	52,226	48,441

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

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5. Conduit Debt

In 2004, the County issued variable rate demand purchase revenue bonds in the amount of \$7,500,000 to finance the acquisition and construction of higher education facilities at Martin Luther College in New Ulm, Minnesota, as authorized by the Municipal Industrial Development Act, Minn. Stat. §§ 469.152-469.1651. The bonds are secured by an irrevocable direct-pay letter of credit provided by Wells Fargo Bank, NA.

The County is not obligated in any manner for repayment of the bonds. The County is not subject to any liability. No owner of the bonds shall ever have the right to compel the exercise of the taxing power of the County to pay the bonds or interest thereon.

6. Summary of Significant Contingencies and Other Items

A. Risk Management

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

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

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

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

B. Contingent Liabilities

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

C. Joint Ventures

Brown-Nicollet Community Health Services Board

The Brown-Nicollet Community Health Services Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement, effective July 1, 1975. The Community Health Services Board consists of ten members, five each from Brown and Nicollet Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants. Complete financial information can be obtained from the Brown-Nicollet Community Health Services Board, 322 South Minnesota, St. Peter, Minnesota 56082.

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement pursuant to Minn. Stat. § 471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective County. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district.

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. Outstanding bonds at December 31, 2003, (the most recent information available) amounted to \$7,115,000; and notes payable were \$55,437. The Water

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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Red Rock Rural Water System (Continued)

System's retained earnings increased by \$3,876 in 2003. Complete financial information can be obtained from the Red Rock Rural Water System, Jeffers, Minnesota 56145.

Families First Collaborative

The Families First Collaborative was established in 1997 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown County and nine other entities. The purpose of the Collaborative is to provide improved coordination and outcomes for children and families through information sharing, elimination of duplicate services, and cooperative efforts.

Control of the Collaborative is vested in a Board of Directors consisting of 11 members. Brown County Family Services acts as fiscal agent for the Collaborative. The Collaborative is financed by Local Collaborative Time Study (LCTS) funds. During 2004, Brown County provided \$100 in funding to the Collaborative. Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of the termination shall be distributed by the Families First Collaborative Board of Directors.

Financial information can be obtained by contacting the Brown County Family Services Department.

Three Counties for Kids Collaborative

The Three Counties for Kids Collaborative was established in 1996 under the authority of Minn. Stat. § 471.59. The Collaborative includes Brown, Sibley, and Watonwan Counties; the River Bend Education District; and the Sioux Trails Mental Health Center. The purpose of the Collaborative is to join local units of government together to ensure a unified, unduplicated, and family-friendly system of intervention and care for families and children.

**BROWN COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Collaborative (Continued)

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

Financial information can be obtained by contacting the Brown County Family Services Department.

South Country Health Alliance

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

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

In the event the SCHA incurs operating deficits, the member counties would maintain the SCHA's reserves to meet statutory and regulatory reserves and requirements. Minnesota statutes require the SCHA to maintain capital surplus equal to or greater than one month's expenditures, but less than three months expenditures. The SCHA is in compliance with these requirements at December 31, 2004. During the year, Brown County made no payments to the SCHA. Complete financial statements can be obtained from South Country Health Alliance, 110 West Fremont Street, Owatonna, Minnesota 55060.

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

D. Jointly-Governed Organizations

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

The Area II Minnesota River Basin Project provides programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, the County paid \$12,152 to the Project.

The Minnesota River Valley Detention Center Joint Powers provides additional facilities for the detention of juveniles to several counties. During the year, the County paid \$76,087 to the Board, of which \$68,677 was from the Minnesota Department of Corrections pass-through funding and \$7,410 from federal Juvenile Accountability Incentive Block Grant funds.

The Brown-Lyon-Redwood Drug Task Force provides drug enforcement services for member organizations. During the year, the County paid \$5,000 to the Task Force.

The Brown-Nicollet-Cottonwood Water Quality Joint Powers Board helps implement, establish, and maintain a cooperative system of water quality implementation services. During the year, the County paid \$677 to the Joint Powers Board.

The Minnesota River Board promotes orderly water quality improvement and management for the Minnesota River watersheds. During the year, the County paid \$2,000 to the Board.

The Redwood-Cottonwood Rivers Control Area (RCRCA) promotes orderly water quality improvement and management within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for participating counties. During the year, the County paid \$7,236 to the RCRCA.

The South Central Emergency Medical Services provides various emergency medical services to several counties. During the year, the County made no payments to South Central Emergency Medical Services.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

The South Central Minnesota County Comprehensive Water Planning Project provides the preparation of comprehensive water plans for the participating counties. During the year, the County made no payments to the Water Planning Project.

The South Central Regional IMMTRACK (Immunization Registry) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, the County paid \$2,490 to the Joint Powers Board.

E. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2004.

7. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies

The Brown County Economic Development Partners, Inc., (EDP) was organized on October 3, 1990, under Minn. Stat. ch. 317A, as a nonprofit corporation. The purpose is to promote the development and expansion of existing businesses within Brown County and to assist in the development of new businesses in Brown County, which will increase opportunities for employment. The Board of Directors consists of nine directors: one appointed from each of the County Commission Districts, two appointed at-large, and two appointed from the Brown County Board of Commissioners. Brown County Economic Development Partners, Inc., is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

**BROWN COUNTY  
NEW ULM, MINNESOTA**

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7. Brown County Economic Development Partners, Inc., Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The EDP's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the EDP is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue

The EDP receives substantially all of its revenue from Brown County in the form of an annual appropriation.

Cash and Cash Equivalents

The EDP considers all highly liquid investments with a maturity of nine months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. Loans Receivable

Loans receivable, totaling \$214,039 as of December 31, 2004, consist of 13 loans made for economic development.

**BROWN COUNTY  
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7. Brown County Economic Development Partners, Inc. Component Unit Disclosures  
(Continued)

C. Loans Payable

The EDP has an outstanding loan payable as of December 31, 2004, to the City of Sleepy Eye for \$5,000. Interest is at five percent. This loan can be paid at any time without penalty.

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**COMBINING FUND FINANCIAL STATEMENTS AND SCHEDULES**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 1*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 331,912	\$ 283,899	\$ 284,756	\$ 857
Intergovernmental	84,776	132,789	133,827	1,038
<b>Total Revenues</b>	<b>\$ 416,688</b>	<b>\$ 416,688</b>	<b>\$ 418,583</b>	<b>\$ 1,895</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal retirement	\$ 416,688	\$ 285,000	\$ 285,000	\$ -
Interest	-	131,688	127,812	3,876
Administrative charges	-	-	748	(748)
<b>Total Expenditures</b>	<b>\$ 416,688</b>	<b>\$ 416,688</b>	<b>\$ 413,560</b>	<b>\$ 3,128</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,023</b>	<b>\$ 5,023</b>
<b>Fund Balance - January 1</b>	<b>120,258</b>	<b>120,258</b>	<b>120,258</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 120,258</b>	<b>\$ 120,258</b>	<b>\$ 125,281</b>	<b>\$ 5,023</b>

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Building and Capital Improvements - to account for funds used for capital outlay and maintenance. Financing is provided by a tax levy.

County Parks - to account for the operations of the County parks. Financing is provided primarily by property taxes authorized by the County Board and state grants.

County Ditch - to account for the financing of maintenance and repairs to ditch systems.

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Statement 2**

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

	<b>Building and Capital Improvements</b>	<b>County Parks</b>	<b>County Ditch</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 374,296	\$ 173,470	\$ 607,540	\$ 1,155,306
Taxes receivable				
Prior	140	1,540	-	1,680
Special assessments receivable				
Prior	-	-	2,089	2,089
Noncurrent	-	-	193,912	193,912
Due from other governments	5,975	-	18,795	24,770
Loans receivable	42,500	-	-	42,500
<b>Total Assets</b>	<b>\$ 422,911</b>	<b>\$ 175,010</b>	<b>\$ 822,336</b>	<b>\$ 1,420,257</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 1,547	\$ 44,546	\$ 46,093
Salaries payable	-	1,688	398	2,086
Due to other funds	-	10	-	10
Due to other governments	-	-	8,811	8,811
Deferred revenue - unavailable	137	1,124	195,790	197,051
Deferred revenue - unearned	12	69	149	230
<b>Total Liabilities</b>	<b>\$ 149</b>	<b>\$ 4,438</b>	<b>\$ 249,694</b>	<b>\$ 254,281</b>
<b>Fund Balances</b>				
Reserved for donations	\$ -	\$ 234	\$ -	\$ 234
Reserved for loans receivable	42,500	-	-	42,500
Reserved for conservation of natural resources	-	-	572,642	572,642
Unreserved				
Designated for future expenditures	48,000	-	-	48,000
Undesignated	332,262	170,338	-	502,600
<b>Total Fund Balances</b>	<b>\$ 422,762</b>	<b>\$ 170,572</b>	<b>\$ 572,642</b>	<b>\$ 1,165,976</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 422,911</b>	<b>\$ 175,010</b>	<b>\$ 822,336</b>	<b>\$ 1,420,257</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 3*

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

	<b>Building and Capital Improvements</b>	<b>County Parks</b>	<b>County Ditch</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ 102	\$ 96,380	\$ -	\$ 96,482
Special assessments	-	-	164,986	164,986
Intergovernmental	88	52,648	-	52,736
Charges for services	-	12,182	-	12,182
Gifts and contributions	-	210	-	210
Miscellaneous	5,561	927	26,171	32,659
<b>Total Revenues</b>	<b>\$ 5,751</b>	<b>\$ 162,347</b>	<b>\$ 191,157</b>	<b>\$ 359,255</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 4,947	\$ -	\$ -	\$ 4,947
Public safety	17,906	-	-	17,906
Culture and recreation	-	219,087	-	219,087
Conservation of natural resources	-	-	230,601	230,601
<b>Total Expenditures</b>	<b>\$ 22,853</b>	<b>\$ 219,087</b>	<b>\$ 230,601</b>	<b>\$ 472,541</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (17,102)</b>	<b>\$ (56,740)</b>	<b>\$ (39,444)</b>	<b>\$ (113,286)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,808	3,435	8,763	18,006
<b>Net Change in Fund Balance</b>	<b>\$ (11,294)</b>	<b>\$ (53,305)</b>	<b>\$ (30,681)</b>	<b>\$ (95,280)</b>
<b>Fund Balance - January 1</b>	<b>434,056</b>	<b>223,877</b>	<b>603,323</b>	<b>1,261,256</b>
<b>Fund Balance - December 31</b>	<b>\$ 422,762</b>	<b>\$ 170,572</b>	<b>\$ 572,642</b>	<b>\$ 1,165,976</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 4*

**BUDGETARY COMPARISON SCHEDULE  
BUILDING AND CAPITAL IMPROVEMENTS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 102	\$ 102
Intergovernmental	-	-	88	88
Miscellaneous	5,060	5,060	5,561	501
<b>Total Revenues</b>	<b>\$ 5,060</b>	<b>\$ 5,060</b>	<b>\$ 5,751</b>	<b>\$ 691</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Buildings and plant	\$ 3,718	\$ 3,718	\$ 4,947	\$ (1,229)
<b>Public safety</b>				
Sheriff	-	-	17,906	(17,906)
<b>Total Expenditures</b>	<b>\$ 3,718</b>	<b>\$ 3,718</b>	<b>\$ 22,853</b>	<b>\$ (19,135)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,342</b>	<b>\$ 1,342</b>	<b>\$ (17,102)</b>	<b>\$ (18,444)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,816	4,816	5,808	992
<b>Net Change in Fund Balance</b>	<b>\$ 6,158</b>	<b>\$ 6,158</b>	<b>\$ (11,294)</b>	<b>\$ (17,452)</b>
<b>Fund Balance - January 1</b>	<b>434,056</b>	<b>434,056</b>	<b>434,056</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 440,214</b>	<b>\$ 440,214</b>	<b>\$ 422,762</b>	<b>\$ (17,452)</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 5*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY PARKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 112,298	\$ 96,051	\$ 96,380	\$ 329
Intergovernmental	-	16,247	52,648	36,401
Charges for services	7,450	7,450	12,182	4,732
Gifts and contributions	-	-	210	210
Miscellaneous	-	-	927	927
<b>Total Revenues</b>	<b>\$ 119,748</b>	<b>\$ 119,748</b>	<b>\$ 162,347</b>	<b>\$ 42,599</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Parks	123,048	123,048	219,087	(96,039)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (3,300)</b>	<b>\$ (3,300)</b>	<b>\$ (56,740)</b>	<b>\$ (53,440)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,300	3,300	3,435	135
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (53,305)</b>	<b>\$ (53,305)</b>
<b>Fund Balance - January 1</b>	<b>223,877</b>	<b>223,877</b>	<b>223,877</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 223,877</b>	<b>\$ 223,877</b>	<b>\$ 170,572</b>	<b>\$ (53,305)</b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 6*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 302,741	\$ 302,741	\$ 164,986	\$ (137,755)
Miscellaneous	-	-	26,171	26,171
<b>Total Revenues</b>	<b>\$ 302,741</b>	<b>\$ 302,741</b>	<b>\$ 191,157</b>	<b>\$ (111,584)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	310,741	310,741	230,601	80,140
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (8,000)</b>	<b>\$ (8,000)</b>	<b>\$ (39,444)</b>	<b>\$ (31,444)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	8,000	8,000	8,763	763
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (30,681)</b>	<b>\$ (30,681)</b>
<b>Fund Balance - January 1</b>	<b>603,323</b>	<b>603,323</b>	<b>603,323</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 603,323</b>	<b>\$ 603,323</b>	<b>\$ 572,642</b>	<b>\$ (30,681)</b>

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

AGENCY FUNDS

Assurance - to account for the collection and payment to the state of assurance funds.

Mortgage Registry Tax - to account for the collection and distribution to the County and other governments of mortgage registry tax.

Prepaid Tax - to account for taxes paid in advance.

Region Nine - to account for the collection and distribution of funds to the Region Nine Regional Development Commission.

School Districts - to account for the school districts' share of taxes collected by the County.

State Deed Tax - to account for the collection and distribution to the County and other governments of state deed tax.

Three Counties for Kids Mental Health Collaborative - to account for the funds of a multi-county/school district children's mental health collaborative.

Families First Family Services Collaborative - to account for the funds of the County/multi-school district family services collaborative.

Taxes and Penalties - to account for the collection and payment to the various taxing districts of taxes and penalties collected.

Towns and Cities - to account for the collection and payment of taxes due to towns and cities.

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 7*

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

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>ASSURANCE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,655	\$ 135	\$ 162	\$ 1,628
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,655	\$ 135	\$ 162	\$ 1,628
 <b><u>MORTGAGE REGISTRY TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 21,191	\$ 317,335	\$ 319,329	\$ 19,197
<b><u>Liabilities</u></b>				
Due to other governments	\$ 21,191	\$ 317,335	\$ 319,329	\$ 19,197
 <b><u>PREPAID TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 4,936	\$ 115,635	\$ 115,206	\$ 5,365
<b><u>Liabilities</u></b>				
Due to other governments	\$ 4,936	\$ 115,635	\$ 115,206	\$ 5,365

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 7  
(Continued)*

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

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>REGION NINE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 450	\$ 34,576	\$ 34,454	\$ 572
<b><u>Liabilities</u></b>				
Due to other governments	\$ 450	\$ 34,576	\$ 34,454	\$ 572
 <b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 47,701	\$ 3,476,811	\$ 3,476,596	\$ 47,916
<b><u>Liabilities</u></b>				
Due to other governments	\$ 47,701	\$ 3,476,811	\$ 3,476,596	\$ 47,916
 <b><u>STATE DEED TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 18,823	\$ 244,263	\$ 245,822	\$ 17,264
<b><u>Liabilities</u></b>				
Due to other governments	\$ 18,823	\$ 244,263	\$ 245,822	\$ 17,264

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 7  
(Continued)*

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
 <b><u>THREE COUNTIES FOR KIDS MENTAL HEALTH COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>319,392</u>	\$ <u>166,685</u>	\$ <u>237,165</u>	\$ <u>248,912</u>
 <b><u>Liabilities</u></b>				
Due to other governments	\$ <u>319,392</u>	\$ <u>166,685</u>	\$ <u>237,165</u>	\$ <u>248,912</u>
 <b><u>FAMILIES FIRST FAMILY SERVICES COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>278,521</u>	\$ <u>251,855</u>	\$ <u>335,025</u>	\$ <u>195,351</u>
 <b><u>Liabilities</u></b>				
Due to other governments	\$ <u>278,521</u>	\$ <u>251,855</u>	\$ <u>335,025</u>	\$ <u>195,351</u>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>150</u>	\$ <u>19,378,077</u>	\$ <u>19,378,102</u>	\$ <u>125</u>
 <b><u>Liabilities</u></b>				
Due to other governments	\$ <u>150</u>	\$ <u>19,378,077</u>	\$ <u>19,378,102</u>	\$ <u>125</u>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Statement 7  
(Continued)*

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>91,367</u>	\$ <u>8,763,703</u>	\$ <u>8,767,689</u>	\$ <u>87,381</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>91,367</u>	\$ <u>8,763,703</u>	\$ <u>8,767,689</u>	\$ <u>87,381</u>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>784,186</u>	\$ <u>32,749,075</u>	\$ <u>32,909,550</u>	\$ <u>623,711</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>784,186</u>	\$ <u>32,749,075</u>	\$ <u>32,909,550</u>	\$ <u>623,711</u>

## **SCHEDULES**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Schedule 1**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Amount</u>
<b>Deposits and Investments</b>		
Checking accounts	Varies	\$ 1,123,204
Cash on hand	None	975
Certificates of deposit	1.75 - 2.65	5,340,000
Negotiable certificates of deposit	1.89 - 3.40	4,656,000
Mutual fund (MAGIC)	Varies	<u>3,215,956</u>
<b>Total Deposits and Investments</b>		<b><u>\$ 14,336,135</u></b>

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Schedule 2*

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

**Shared Revenue**

**State**

Highway users tax	\$	3,868,288
County program aid		836,816
PERA rate reimbursement		39,317
Disparity reduction aid		27,181
Police aid		48,401
Enhanced 911		51,711
Market value credit		1,136,908
Market value credit - manufactured homes		7,748
		7,748

**Total Shared Revenue** **\$ 6,016,370**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	2,034,987
Minnesota Department of Transportation		550
		550

**Total Reimbursement for Services** **\$ 2,035,537**

**Payments**

**Local**

City contributions	\$	84,776
Local contributions		371,167
Payments in lieu of taxes		27,397
		27,397

**Total Payments** **\$ 483,340**

**Grants**

**State**

Minnesota Department/Board of		
Agriculture	\$	63,250
Revenue		330
Corrections		315,321
Public Safety		15,277
Transportation		302,721
Health		113,437
Natural Resources		19,622
Human Services		1,396,245
Soil and Water Resources		78,737
Office of Environmental Assistance		67,753
Peace Officers Board		6,088
		6,088

**Total State** **\$ 2,378,781**

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Schedule 2**  
**(Continued)**

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

**Grants (Continued)**

**Federal**

Department of Agriculture	\$	86,354
Justice		31,995
Transportation		946,489
Health and Human Services		817,823
Homeland Security		43,983

**Total Federal** **\$ 1,926,644**

**Total State and Federal Grants** **\$ 4,305,425**

**Total Intergovernmental Revenue** **\$ 12,840,672**

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**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Schedule 3*

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

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

- A. Our report expresses an unqualified opinion on the basic financial statements of Brown County.
- B. No matters involving internal control over financial reporting were reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of Brown County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Brown County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program was:
  - Highway Planning and Construction CFDA #20.205
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Brown County was determined to be a low-risk auditee.

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

None.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-6 County Ditch Special Revenue Fund - Deficit Fund Balances

Four of the 90 ditches in the County Ditch Special Revenue Fund had deficit fund balances as of December 31, 2004, totaling \$19,650. 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 continue to levy assessments pursuant to Minnesota statutes which permit the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

*Brown County will continue to levy assessments pursuant to Minnesota statutes to provide for the repair and maintenance costs of all County ditch systems.*

## **OTHER REQUIRED REPORTS**

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

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Brown County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Brown County as of and for the year ended December 31, 2004, and have issued our report thereon dated November 16, 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. We did not audit the financial statements of Brown County Economic Development Partners, Inc., a discretely presented component unit of the County. Those financial statements were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brown County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brown 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, Brown County complied with the material terms and conditions of applicable legal provisions.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: November 16, 2005



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

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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  
Brown County

Compliance

We have audited the compliance of Brown 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. Brown 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 Brown 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, Brown 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 Brown 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 Brown County as of and for the year ended December 31, 2004, and have issued our report thereon dated November 16, 2005. We did not audit the financial statements of Brown County Economic Development Partners, Inc., a discretely presented component unit of the County. 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: November 16, 2005

**BROWN COUNTY  
NEW ULM, MINNESOTA**

**Schedule 4**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 80,673
Passed Through Minnesota Department of Human Services Administrative Matching Grant for Food Stamp Program	10.561	5,105
<b>Total U.S. Department of Agriculture</b>		<b>\$ 85,778</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Block Grant	16.523	<b>\$ 31,995</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 830,310
Public Transportation for Non-Urbanized Areas	20.509	128,093
Passed Through Minnesota Department of Public Safety Safety Incentives for Seatbelt Use	20.604	185
Interagency Hazardous Materials Public Sector Training and Planning Grant	20.703	3,000
<b>Total U.S. Department of Transportation</b>		<b>\$ 961,588</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of the Supreme Court Children's Justice Grant	93.643	\$ 8,047
Passed Through Minnesota Department of Commerce Low-Income Home Energy Assistance	93.568	249,964
Passed Through Minnesota Department of Health Center for Disease Control and Prevention	93.283	35,539
Temporary Assistance for Needy Families	93.558	22,841
Maternal and Child Health Services Block Grant	93.994	34,164
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	5,257
Temporary Assistance for Needy Families	93.558	122,532
Child Care Development Block Grant	93.575	1,398
Child Care Mandatory and Matching Funds	93.596	12,966

**BROWN COUNTY  
NEW ULM, MINNESOTA**

*Schedule 4*  
*(Continued)*

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services (Continued)		
Child Welfare Services	93.645	1,979
Foster Care - Title IV-E	93.658	90,991
Social Services Block Grant - Title XX	93.667	206,833
Independent Living	93.674	6,149
Community Mental Health Services	93.958	4,730
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 803,390</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Domestic Preparedness Equipment Support	97.004	\$ 29,410
Emergency Management Performance Grant	97.042	13,958
Emergency Operations Planning Disaster Relief and Assistance	97.051	615
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 43,983</b>
<b>Total Federal Awards</b>		<b>\$ 1,926,734</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Brown County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. In some instances, expenditures shown are different than reported revenues because they are not available.
3. During 2004, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.