

STATE OF MINNESOTA

Office of the State Auditor



**Rebecca Otto
State Auditor**

**WINONA COUNTY
WINONA, MINNESOTA**

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

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 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of 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 approximately 730 public pension funds; and

Tax Increment Financing - 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 Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**WINONA COUNTY
WINONA, MINNESOTA**

Year Ended December 31, 2009



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

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**WINONA COUNTY
WINONA, MINNESOTA**

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WINONA, MINNESOTA**

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Introductory Section

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**WINONA COUNTY
WINONA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2009**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
First District	Jim Pomeroy	January 2011
Second District	Dwayne Voegeli	January 2011
Third District	Mena Kaehler	January 2013
Fourth District	Greg Olson	January 2013
Fifth District	Marcia Ward	January 2011
Officers		
Elected		
Attorney	Charles E. MacLean	January 2011
Auditor/Treasurer	Suzanne Rivers	January 2011
Recorder	Robert Bambenek	January 2011
Sheriff	Dave Brand	January 2011
Appointed		
Administrator	Duane Hebert	Indefinite
Community Health Director	Lynn Theurer	Indefinite
County Assessor	Steven Hacken	December 2012
Environmental Services Director	Jill Johnson	Indefinite
Facility Manager	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2011
Human Services Director	W. Craig Brooks	Indefinite
Information Technology Director	Mark Anderson	Indefinite
Personnel Director	Maureen Holte	Indefinite
Planning Director	Brian Bender	Indefinite
Veterans Service Officer	Steven Johnson	June 2011

**WINONA COUNTY
WINONA, MINNESOTA**

ORGANIZATION OF THE COUNTY

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

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

Financial Section

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Winona County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Winona County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 19, 2010, on our consideration of Winona County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/*Rebecca Otto*

REBECCA OTTO
STATE AUDITOR

/s/*Greg Hierlinger*

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WINONA COUNTY
WINONA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Winona County, Minnesota, for the year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the basic financial statements, including the notes, to enhance their understanding of the County's financial activity and performance. All amounts are expressed in dollars, unless specifically noted.

FINANCIAL HIGHLIGHTS

- At the end of 2009, Winona County's assets exceeded liabilities by \$88.9 million (net assets). Of that amount, \$4.8 million is restricted; and \$28.3 million is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$55.8 million is invested in capital assets or restricted by law.
- At the close of the current year, the ending fund balances for all governmental funds were \$32.3 million. This is an increase of \$2.7 million from the previous year. Of the combined ending fund balances, \$4.7 million is unreserved, undesignated fund balance available for spending by the County.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was zero.
- Total bonded debt decreased by \$0.3 million, or four percent, during the year. The decrease was due to the reduction of principal on the bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three main sections of this report are: introductory, financial, and supplementary. The introductory section contains the County's organizational structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. The basic financial statements have three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information section contains the budget to actual presentation for the County's major funds. Other supplementary information is included to enhance reader understanding of County financial activity. An example is information about federal grant programs.

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

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

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

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

- general government,
- public safety,
- highways and streets,
- human services, and
- health services.

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

Budgetary comparisons--Winona County adopts an annual budget for the General Fund and all special revenue funds, except for the Flood Special Revenue Fund and the EDA Loan Special Revenue Fund. A budgetary comparison statement has been provided for the General Fund and budgeted special revenue funds. The EDA Loan Special Revenue Fund was created in 2008.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A useful tool for analyzing financial statements is comparative information from previous years. Net assets may be a useful indicator of a government's financial position over time. As of December 31, 2009, assets exceeded liabilities by \$88.9 million. The following table provides a summary of Winona County's governmental net assets.

	2009	2008	Percent Change (%)
Assets			
Current and other assets	\$ 41,732,911	\$ 39,640,438	5
Capital assets	<u>62,758,690</u>	<u>60,993,389</u>	3
Total Assets	\$ 104,491,601	\$ 100,633,827	4
Liabilities			
Current and other liabilities	\$ 6,081,894	\$ 7,152,532	(15)
Long-term liabilities	<u>9,482,879</u>	<u>8,632,601</u>	10
Total Liabilities	\$ 15,564,773	\$ 15,785,133	(1)
Net Assets			
Invested in capital assets, net of related debt	\$ 55,813,884	\$ 57,274,716	(3)
Restricted	4,847,428	2,883,600	68
Unrestricted	<u>28,265,516</u>	<u>24,690,378</u>	14
Total Net Assets	\$ 88,926,828	\$ 84,848,694	5

The largest portion of Winona County's net assets, 62.8 percent, or \$55.8 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt. However, resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional \$4.8 million of the County's net assets, or five percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as land acquisition and public safety projects.

The remaining \$28.3 million of net assets, or 32 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2009, Winona County had positive balances in all categories of net assets.

Change in net assets--In 2009, government-wide revenue exceeded expenses by \$4.1 million, thereby increasing net assets. Net assets changed as follows:

	2009	2008	Percent Change (%)
Revenues			
Program revenues			
Charges for services	\$ 5,089,522	\$ 5,286,642	(4)
Operating grants and contributions	15,826,265	15,994,117	(1)
General revenues			
Property taxes	16,439,435	15,326,441	7
Unrestricted grants	4,501,208	4,276,690	5
Investment income	418,282	932,700	(55)
Other	<u>647,955</u>	<u>819,918</u>	(21)
Total Revenues	<u>\$ 42,922,667</u>	<u>\$ 42,636,508</u>	1
Expenses			
General government	\$ 8,191,315	\$ 7,649,322	7
Public safety	6,659,366	6,262,815	6
Highways and streets	6,889,283	7,564,864	(9)
Sanitation	1,017,177	1,116,807	(9)
Human services	10,805,096	11,094,753	(3)
Health	3,788,534	3,483,797	9
Interest on long-term debt	267,718	332,501	(19)
Other	<u>1,226,044</u>	<u>1,772,172</u>	(31)
Total Expenses	<u>\$ 38,844,533</u>	<u>\$ 39,277,031</u>	(1)
Increase in Net Assets	\$ 4,078,134	\$ 3,359,477	21
Net Assets - January 1	<u>84,848,694</u>	<u>81,489,217</u>	4
Net Assets - December 31	<u>\$ 88,926,828</u>	<u>\$ 84,848,694</u>	5

The following three statements depict relationships:

- Program revenues indicate the proportion of program revenue available to fund expenses. Program revenues derive from the program itself or outside the government's taxpayers or citizenry and help reduce the cost of the program.
- General revenue by source indicates the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 36 percent of the total revenue for the County.
- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$16.4 million are leveraged to provide \$38.8 million in services.

Governmental activities increased Winona County's net assets by \$4.0 million, which is 9.5 percent of current year revenues, 10.5 percent of current expenses, or 4.8 percent of beginning net assets. Following are the major components of this portion of the growth:

- property taxes increased 7 percent,
- expenses for highways and human services decreased from 2008 to 2009, and
- unrestricted grants increased by 5 percent.

FUND LEVEL FINANCIAL ANALYSIS

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

The funds are separated into two categories: (1) governmental funds and (2) fiduciary funds.

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

The focus of Winona County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Therefore, the timing of cash flows is taken into account on the governmental fund financial statements, while it is disregarded in the government-wide statements. This information may be useful in evaluating a government's near-term financing requirements as well as the available resources. Reconciliations of governmental funds to government-wide governmental activities appear in Exhibits 4 and 6.

For the year ended December 31, 2009, the combined ending fund balances of governmental funds were \$32.3 million. Approximately 88 percent, or \$28.5 million, of the combined ending fund balances consists of unreserved fund balances. Unreserved fund balances are available as working capital and for current spending consistent with the purposes of each of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes:

- inventories,
- acquisition of assets,
- debt service,
- forfeited property,

- donations,
- loans receivable, and
- reserved for specific purposes.

Winona County has six major governmental funds. These funds are: (1) General Fund, (2) Road and Bridge Special Revenue Fund, (3) Social Services Special Revenue Fund, (4) Flood Special Revenue Fund, (5) EDA Loan Special Revenue Fund, and (6) Debt Service Fund.

(1) The General Fund is the primary operating fund of the Winona County government. The General Fund fund balance was \$10.7 million at the end of 2009. Of that amount, \$1.5 million is reserved for acquisition of assets, forfeited property, donations, and loans receivable. In addition, the Board of Commissioners has designated \$9.3 million for cash flow, compensated absences, recycling, and future expenditures. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unreserved, undesignated fund balance is zero percent of 2009 expenditures, while total fund balance is 69 percent of the same amount. The second purpose is to compare the unreserved fund balance percentages to the recommended percentage given by the Office of the State Auditor. The recommendations are 35 to 50 percent of operating revenues, or no less than five months of expenditures. Winona County's General Fund unreserved fund balance is sufficient to cover seven months of expenditures.

When compared to 2008, the ending fund balance of the General Fund increased \$920,163. When the Flood Special Revenue Fund is complete, these funds will be incorporated into the General Fund.

- (2) The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$5.5 million fund balance at the end of 2009 that represented a \$245,954, or 4.3 percent, decrease from 2008. The decrease was due to an increase in highway expenses and an increase in inventory.
- (3) The Social Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$6.4 million fund balance at the end of 2009 that represented a \$1,492,428, or 30 percent, increase from the 2008 fund balance.
- (4) The Flood Special Revenue Fund exists to account for resources expended to repair for damages incurred during the 2007 flood. The fund balance at the end of 2009 was \$3,783,543. This fund will be closed as soon as all the work is completed for the 2007 flood.

- (5) The EDA Loan Special Revenue Fund exists to provide grants and loans to businesses affected by the 2007 flood. Repayment of these loans will be used to fund other loans. The fund balance at the end of 2009 was \$1,281,348.
- (6) The Debt Service Fund exists to account for resources for the repayment of bonds. The fund balance at the end of 2009 was \$1,092,415. The fund balance increased by \$10,409.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Since the resources of those funds are not available to support the County's programs, these funds are not included in the government-wide financial statements. Winona County has fiduciary funds for a private-purpose trust and eight agency funds. Agency funds are custodial in nature and do not involve measurement of the results of operations.

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

General Fund Budgetary Highlights

The Winona County Board of Commissioners approves the budget for all governmental funds for the next year during a December Board meeting. There was no budget set up for the Flood Special Revenue Fund, which was a new fund for 2007. Approval is done by resolution. The most significant budgeted fund is the General Fund.

For 2009, the Board of Commissioners adopted the following budget:

General Fund	Revenues	Expenditures	Other Sources
Board-adopted	\$ 17,029,683	\$ 17,353,042	\$ 308,197

The adopted General Fund budget anticipated using \$15,162 of fund balance. There was \$39,675 in budget adjustments for the General Fund approved during the year. General Fund actual revenues were \$585,107 below final budget, and actual expenditures were \$1,791,643 below budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Winona County's investment in capital assets for its governmental activities as of December 31, 2009, was \$62.8 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

Additional information about capital assets can be found in Note 2.

	Changes in Capital Assets		Percent Change (%)
	2009	2008	
Capital assets not depreciated			
Land			
General	\$ 2,518,160	\$ 2,518,160	-
Highways	50,085	50,085	-
Highway right-of-way	3,041,786	3,041,786	-
Construction in progress	<u>3,490,068</u>	<u>2,040,990</u>	71
Total capital assets not depreciated	<u>\$ 9,100,099</u>	<u>\$ 7,651,021</u>	19
Capital assets depreciated			
Buildings	\$ 19,102,008	\$ 19,058,621	-
Improvements other than buildings	460,826	448,368	3
Machinery, furniture, and equipment	8,588,987	8,141,943	5
Infrastructure	<u>45,735,853</u>	<u>44,648,714</u>	2
Total capital assets depreciated	<u>\$ 73,887,674</u>	<u>\$ 72,297,646</u>	2
Less: accumulated depreciation for			
Buildings	\$ 2,748,060	\$ 2,542,228	8
Improvements other than buildings	164,749	152,170	8
Machinery, furniture, and equipment	4,522,020	4,308,833	5
Infrastructure	<u>12,794,254</u>	<u>11,952,047</u>	7
Total accumulated depreciation	<u>\$ 20,229,083</u>	<u>\$ 18,955,278</u>	7
Total capital assets depreciated, net	<u>\$ 53,658,591</u>	<u>\$ 53,342,368</u>	1
Governmental Activities			
Capital Assets, Net	<u>\$ 62,758,690</u>	<u>\$ 60,993,389</u>	3

Capital Lease Agreement and Outstanding Bonds

At the end of the current year, Winona County had two general obligation bond issues and a project note.

Outstanding Long-Term Debt

	Governmental Activities	
	2009	2008
Capital leases/installment purchases	\$ -	\$ 3,671
Notes	69,472	54,472
General obligation bonds	<u>6,870,000</u>	<u>7,150,000</u>
Total	<u>\$ 6,939,472</u>	<u>\$ 7,208,143</u>

The outstanding debt, listed above, of Winona County decreased by \$268,671 during 2009. The decrease was due to reduction in principal and paying off the capital leases.

The most recent bond rating the County has received is AA.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment

The 12-month average for unemployment in 2009 for the U.S., Minnesota, and Winona County was 9.3 percent, 8.0 percent, and 7.8 percent, respectively. This compared to 2008 averages of 5.8 percent, 5.4 percent, and 4.7 percent.

New Construction

New construction was valued at \$40.3 million in 2009. An increase of 12.9 percent was experienced from the previous year.

State Financial Position

The state could be faced with a budget deficit for FY 2010-11 with little time left in the current biennium to make substantive changes to spending. The budget agreement from the 2010 legislative session that balanced the FY 2010-11 General Fund budget included contingent appropriations for the Medicaid enrollment. However, other factors indicate material risk to revenue estimates for the current biennium heading into the November forecast. For example, the May revenue collections memo from Minnesota Management & Budget states that it currently appears that final income tax payments (final payments minus refunds) for tax year 2009 may be more than \$150 million below February forecast estimates.

Budgeting Approach

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

All of these factors are being considered in preparing the Winona County budget for 2011.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Assets

Cash and pooled investments	\$ 18,709,425
Petty cash and change funds	3,345
Investments	12,993,599
Taxes receivable	
Current	276,049
Prior	126,565
Special assessments receivable	
Current	6,330
Prior	6,575
Accounts receivable - net	1,545,362
Accrued interest receivable	73,989
Loan receivable	4,353,720
Due from other governments	3,447,190
Inventories	190,762
Capital assets	
Non-depreciable	9,100,099
Depreciable - net of accumulated depreciation	<u>53,658,591</u>
Total Assets	\$ 104,491,601

Liabilities

Accounts payable	\$ 786,354
Salaries payable	915,911
Contracts payable	313,282
Due to other governments	660,015
Accrued interest payable	120,714
Unearned revenue	3,188,301
Advance from other governments	97,317
Long-term liabilities	
Due within one year	782,738
Due in more than one year	<u>8,700,141</u>
Total Liabilities	\$ 15,564,773

Net Assets

Invested in capital assets - net of related debt	\$ 55,813,884
Restricted for	
General government	738,483
Public safety	623,837
Highways and streets	1,094,808
Conservation of natural resources	16,536
Debt service	1,092,415
Economic development	1,281,349
Unrestricted	<u>28,265,516</u>
Total Net Assets	\$ 88,926,828

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

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions		
<u>Functions/Programs</u>					
Primary government					
Governmental activities					
General government	\$ 8,191,315	\$ 1,283,039	\$ 913,147	\$ (5,995,129)	
Public safety	6,659,366	320,492	864,215	(5,474,659)	
Highways and streets	6,889,283	53,546	6,350,968	(484,769)	
Sanitation	1,017,177	729,697	-	(287,480)	
Human services	10,805,096	1,009,529	6,520,529	(3,275,038)	
Health	3,788,534	1,671,996	850,931	(1,265,607)	
Culture and recreation	316,319	-	-	(316,319)	
Conservation of natural resources	760,960	9,564	211,069	(540,327)	
Economic development	148,765	11,659	115,406	(21,700)	
Interest	267,718	-	-	(267,718)	
Total Governmental Activities	\$ 38,844,533	\$ 5,089,522	\$ 15,826,265	\$ (17,928,746)	
General Revenues					
Property taxes				\$ 16,439,435	
Mortgage registry and deed tax				34,132	
Payments in lieu of tax				263,233	
Grants and contributions not restricted to specific programs				4,501,208	
Unrestricted investment earnings				418,282	
Miscellaneous				341,319	
Gain on sale of capital assets				9,271	
Total general revenues				\$ 22,006,880	
Change in net assets				\$ 4,078,134	
Net Assets - Beginning				\$ 84,848,694	
Net Assets - Ending				\$ 88,926,828	

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WINONA COUNTY
WINONA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge	Social Services
<u>Assets</u>			
Cash and pooled investments	\$ 11,416,270	\$ 117,739	\$ 176,008
Petty cash and change funds	3,170	75	-
Investments	-	5,395,914	6,070,824
Taxes receivable			
Current	152,399	34,101	60,476
Prior	70,707	17,869	27,253
Special assessments			
Current	6,330	-	-
Prior	6,575	-	-
Accounts receivable	43,705	2,398	1,340,178
Accrued interest receivable	46,181	12,348	9,537
Loans receivable	74,806	-	-
Due from other funds	-	-	-
Due from other governments	126,477	1,370,172	946,004
Inventories	-	190,762	-
Total Assets	\$ 11,946,620	\$ 7,141,378	\$ 8,630,280
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 332,297	\$ 185,228	\$ 229,540
Salaries payable	471,935	101,439	213,474
Contracts payable	-	99,654	-
Due to other funds	-	-	592
Due to other governments	203,679	7,968	447,286
Deferred revenue - unavailable	189,615	1,131,667	1,330,525
Deferred revenue - unearned	-	-	-
Advance from other governments	-	97,317	-
Total Liabilities	\$ 1,197,526	\$ 1,623,273	\$ 2,221,417

EXHIBIT 3

Flood	EDA Loan	Debt Service	Other Governmental Funds	Total
\$ 3,786,639	\$ 190,735	\$ 1,079,825	\$ 1,942,209	\$ 18,709,425
-	-	-	100	3,345
-	-	-	1,526,861	12,993,599
-	-	13,721	15,352	276,049
-	-	4,696	6,040	126,565
-	-	-	-	6,330
-	-	-	-	6,575
-	-	-	159,081	1,545,362
-	-	-	5,923	73,989
-	4,278,914	-	-	4,353,720
-	-	6,670	592	7,262
674,452	-	-	330,085	3,447,190
-	-	-	-	190,762
\$ 4,461,091	\$ 4,469,649	\$ 1,104,912	\$ 3,986,243	\$ 41,740,173
\$ 3,096	\$ -	\$ -	\$ 36,193	\$ 786,354
-	-	-	129,063	915,911
-	-	-	213,628	313,282
-	-	-	6,670	7,262
-	-	-	1,082	660,015
674,452	-	12,497	155,292	3,494,048
-	3,188,301	-	-	3,188,301
-	-	-	-	97,317
\$ 677,548	\$ 3,188,301	\$ 12,497	\$ 541,928	\$ 9,462,490

**WINONA COUNTY
WINONA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge	Social Services
<u>Liabilities and Fund Balances</u>			
(Continued)			
Fund Balances			
Reserved for			
Debt service	\$ -	\$ -	\$ -
Dive and rescue	19,542	-	-
Apple Blossom Drive	16,536	-	-
Inventories	-	190,762	-
Loans receivable	74,806	-	-
Recorder's unallocated land-based	396,701	-	-
Recorder's equipment purchases	273,107	-	-
Enhanced 911	500,236	-	-
Sheriff's contingency	3,336	-	-
DARE	15,838	-	-
Sheriff's forfeited property	6,236	-	-
Attorney's forfeited property	68,343	-	-
Sheriff's posse	7,555	-	-
Explorer post	332	-	-
Police dog donations	7,253	-	-
Permits to carry	63,841	-	-
Unreserved			
Designated for future expenditures	2,002,991	976,069	2,273,465
Designated for cash flows	5,645,657	1,515,409	3,025,646
Designated for capital improvements	-	2,000,000	-
Designated for compensated absences	1,004,916	216,543	371,110
Designated for recycling	552,073	-	-
Designated for equipment	-	412,700	-
Designated for EDA	-	-	-
Designated for employee wellness	18,296	-	-
Designated for tobacco settlement	71,499	-	-
Undesignated	-	206,622	738,642
Unreserved, reported in nonmajor			
Special revenue fund	-	-	-
Capital projects fund	-	-	-
Total Fund Balances	\$ 10,749,094	\$ 5,518,105	\$ 6,408,863
Total Liabilities and Fund Balances	\$ 11,946,620	\$ 7,141,378	\$ 8,630,280

EXHIBIT 3
(Continued)

Flood	EDA Loan	Debt Service	Other Governmental Funds	Total
\$ -	\$ -	\$ 1,092,415	\$ -	\$ 1,092,415
-	-	-	-	19,542
-	-	-	-	16,536
-	-	-	-	190,762
-	1,090,613	-	-	1,165,419
-	-	-	-	396,701
-	-	-	-	273,107
-	-	-	-	500,236
-	-	-	-	3,336
-	-	-	-	15,838
-	-	-	-	6,236
-	-	-	-	68,343
-	-	-	-	7,555
-	-	-	-	332
-	-	-	-	7,253
-	-	-	-	63,841
-	-	-	-	5,252,525
-	-	-	-	10,186,712
-	-	-	-	2,000,000
-	-	-	-	1,592,569
-	-	-	-	552,073
-	-	-	-	412,700
-	190,735	-	-	190,735
-	-	-	-	18,296
-	-	-	-	71,499
3,783,543	-	-	-	4,728,807
-	-	-	1,511,423	1,511,423
-	-	-	1,932,892	1,932,892
\$ 3,783,543	\$ 1,281,348	\$ 1,092,415	\$ 3,444,315	\$ 32,277,683
\$ 4,461,091	\$ 4,469,649	\$ 1,104,912	\$ 3,986,243	\$ 41,740,173

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Fund balances - total governmental funds (Exhibit 3)	\$ 32,277,683
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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. 62,758,690

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 3,494,048

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	\$ (6,870,000)
Notes payable	(69,472)
Bond discount	7,858
Bond premium	(58,289)
Net pension obligation	(535,473)
Accrued interest payable	(120,714)
Compensated absences	<u>(1,957,503)</u>
	<u>(9,603,593)</u>

Net Assets of Governmental Activities (Exhibit 1)	\$ 88,926,828
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WINONA COUNTY
WINONA, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Road and Bridge	Social Services
Revenues			
Taxes	\$ 9,193,982	\$ 1,992,568	\$ 3,527,292
Special assessments	238,368	-	-
Licenses and permits	210,471	-	16,450
Intergovernmental	4,423,806	6,114,739	7,667,171
Charges for services	1,865,594	30,654	162,762
Fines and forfeits	23,226	-	-
Gifts and contributions	27,400	-	-
Investment earnings	264,186	68,289	48,065
Miscellaneous	<u>197,543</u>	<u>221,233</u>	<u>641,124</u>
Total Revenues	\$ 16,444,576	\$ 8,427,483	\$ 12,062,864
Expenditures			
Current			
General government	\$ 6,644,438	\$ 221,277	\$ -
Public safety	6,422,150	-	-
Highways and streets	-	8,513,396	-
Sanitation	1,005,055	-	-
Human services	-	-	10,561,222
Health	312,345	-	-
Culture and recreation	316,319	-	-
Conservation of natural resources	729,182	-	-
Economic development	131,910	-	-
Debt service			
Principal	-	599	942
Interest	-	13	30
Bond issuance costs	-	-	-
Administrative (fiscal) charges	-	-	-
Total Expenditures	\$ 15,561,399	\$ 8,735,285	\$ 10,562,194
Excess of Revenues Over (Under)			
Expenditures	\$ 883,177	\$ (307,802)	\$ 1,500,670

EXHIBIT 5

Flood	EDA Loan	Debt Service	Other Governmental Funds	Total
\$ -	\$ -	\$ 802,668	\$ 895,813	\$ 16,412,323
-	-	7,636	-	246,004
-	-	-	15,700	242,621
876,344	115,406	88,488	964,908	20,250,862
-	-	-	1,671,235	3,730,245
-	-	-	125	23,351
-	-	-	47	27,447
-	9,722	6,117	31,625	428,004
-	57	-	25,506	1,085,463
\$ 876,344	\$ 125,185	\$ 904,909	\$ 3,604,959	\$ 42,446,320
\$ 187,082	\$ -	\$ -	\$ 926,682	\$ 7,979,479
-	-	-	-	6,422,150
86,389	-	-	-	8,599,785
-	-	-	-	1,005,055
-	-	-	-	10,561,222
-	-	-	3,261,093	3,573,438
-	-	-	-	316,319
-	-	-	-	729,182
-	16,855	-	-	148,765
-	-	300,000	929	302,470
-	-	257,332	43	257,418
-	-	-	51,306	51,306
-	-	4,138	-	4,138
\$ 273,471	\$ 16,855	\$ 561,470	\$ 4,240,053	\$ 39,950,727
\$ 602,873	\$ 108,330	\$ 343,439	\$ (635,094)	\$ 2,495,593

**WINONA COUNTY
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Road and Bridge	Social Services
Other Financing Sources (Uses)			
Transfers in	\$ 9,007	\$ -	\$ -
Transfers out	-	-	(8,242)
Proceeds from loans	15,000	-	-
Refunding bonds issued	-	-	-
Premium on bonds issued	-	-	-
Payment of refunded bonds	-	-	-
Proceeds from sale of capital assets	<u>12,979</u>	<u>19,807</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ 36,986	\$ 19,807	\$ (8,242)
Change in Fund Balance	\$ 920,163	\$ (287,995)	\$ 1,492,428
Fund Balance - January 1	9,828,931	5,764,059	4,916,435
Increase (decrease) in reserved for inventories	-	42,041	-
Fund Balance - December 31	\$ 10,749,094	\$ 5,518,105	\$ 6,408,863

EXHIBIT 5
(Continued)

Flood	EDA Loan	Debt Service	Other Governmental Funds	Total
\$ -	\$ -	\$ 3,381,970	\$ -	\$ 3,390,977
-	(765)	-	(3,381,970)	(3,390,977)
-	-	-	-	15,000
-	-	-	3,735,000	3,735,000
-	-	-	69,554	69,554
-	-	(3,715,000)	-	(3,715,000)
-	-	-	-	32,786
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\$ -	\$ (765)	\$ (333,030)	\$ 422,584	\$ 137,340
\$ 602,873	\$ 107,565	\$ 10,409	\$ (212,510)	\$ 2,632,933
3,180,670	1,173,783	1,082,006	3,656,825	29,602,709
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\$ 3,783,543	\$ 1,281,348	\$ 1,092,415	\$ 3,444,315	\$ 32,277,683

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund balance - total governmental funds (Exhibit 5)	\$ 2,632,933
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Amounts reported for governmental activities in the statement of activities are different because:

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

Deferred revenue - December 31	\$ 3,494,048
Deferred revenue - January 1	<u>(3,026,972)</u>
	467,076

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. In the statement of activities, the gain or loss on the disposal of assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 3,672,732
Net book value of assets disposed of	(100,231)
Current depreciation	<u>(1,807,200)</u>
	1,765,301

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets.

Proceeds of new debt	
General obligation refunding bonds issued	\$ (3,735,000)
Note issued	<u>(15,000)</u>
	(3,750,000)

Principal repayments	
General obligation bonds	\$ 4,015,000
Capital lease	<u>3,671</u>
	4,018,671

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

Change in OPEB obligation	\$ (217,652)
Change in accrued interest payable	27,365
Change in compensated absences	(907,601)
Change in inventories	<u>42,041</u>
	(1,055,847)

Change in Net Assets of Governmental Activities (Exhibit 2)	<u>\$ 4,078,134</u>
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FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	HC Garvin Private-Purpose Trust	Agency Funds
<u>Assets</u>		
Cash and pooled investments	\$ -	\$ 1,642,391
Investments	47,715	-
Accrued interest receivable	<u>1,158</u>	<u>-</u>
Total Assets	\$ 48,873	\$ 1,642,391
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 525,825
Due to other governments	<u>-</u>	<u>1,116,566</u>
Total Liabilities	\$ -	\$ 1,642,391
<u>Net Assets</u>		
Net assets, held in trust	\$ 48,873	

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

**HC Garvin
Private-Purpose
Trust**

Additions

Interest on investments	\$ 1,346
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Deductions

Payments in accordance with trust agreements	<u>1,476</u>
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Change in net assets	\$ (130)
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Net Assets - January 1	<u>49,003</u>
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Net Assets - December 31	<u>\$ 48,873</u>
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**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Component Units

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.

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
The Regional Railroad Authority (RRA) was created to monitor the preservation and improvement of rail transportation within the County per Minn. Stat. § 398A.	The County Commissioners are the members of the RRA Board.	Separate financial statements are not prepared. RRA activities are insignificant to the County's operation.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Component Units (Continued)

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
Winona County Economic Development Authority (EDA) provides for development within the County pursuant to Minn. Stat. § 469.1082.	The County appoints the EDA Board members and provides services almost entirely to the County.	Separate financial statements are not prepared. Transactions of the EDA are insignificant to the County's operation.

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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 clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

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 requiring a separate fund.

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

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

The Flood Special Revenue Fund is used to account for the revenues and expenditures related to the flood that happened in 2007.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The EDA Loan Special Revenue Fund is used to account for the loans made to provide assistance with flood-related expenditures after the 2007 flood.

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

Additionally, the County reports the following fund types:

Capital projects funds are used to account for financial resources used for the construction of major capital expenditures.

Private-purpose trust funds are used to account for resources legally held in trust for others.

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Winona County considers all revenues to be available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$264,186.

Winona County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

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

3. Inventories

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

4. Capital Assets

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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

5. Compensated Absences

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

8. Fund Equity

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total deposits, cash on hand, and investments to the basic financial statements follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 18,709,425
Petty cash and change funds	3,345
Investments	12,993,599
Statement of fiduciary net assets	
Private-purpose trust	
Investments	47,715
Agency	1,642,391
	<hr/>
Total Cash and Investments	\$ 33,396,475
	<hr/>
Deposits	\$ 15,722,776
Petty cash and change funds	3,345
Investments	15,904,579
Mutual funds	1,765,775
	<hr/>
Total Deposits, Cash on Hand, and Investments	\$ 33,396,475

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County follows state law which requires that all deposits be insured or collateralized. As of December 31, 2009, the County's deposits were not exposed to custodial credit risk.

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

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

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's investment policy is to invest in both short-term and long-term investments to limit exposure to interest rate risk. The investment maturities are limited as follows:

Maturity	Maximum Investment
Less than three years	100%

At December 31, 2009, the County had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1 to 3 Years
U.S. Treasuries	\$ 721,955	\$ 415,832	\$ 306,123
Commercial paper	2,497,624	2,497,624	-
Negotiable certificates	<u>12,685,000</u>	<u>11,080,000</u>	<u>1,605,000</u>
Total Investments	<u>\$ 15,904,579</u>	<u>\$ 13,993,456</u>	<u>\$ 1,911,123</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2009, is as follows:

Standard & Poor's Rating	Fair Value
AAA	\$ 721,955
A-1+/P-1	2,497,624
Not rated	<u>12,685,000</u>
Total	<u>\$ 15,904,579</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy limits the dollar amount of repurchase agreements to no more than ten percent at any time during the year.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit. More than 5 percent of the County's investments are in General Electric Corp. These investments are 17 percent of the County's investments at year-end.

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, for Winona County's governmental activities, including the applicable allowances for uncollectible (Social Services and Health Service Special Revenue Funds) accounts, are as follows:

Accounts receivable	\$ 5,493,161
Less: allowance for uncollectible	<u>(3,947,799)</u>
Net Accounts Receivable	<u>\$ 1,545,362</u>

The loans receivable of \$4,278,914 were made with funding through the State of Minnesota to help qualified businesses directly and adversely affected by the 2007 flood. Part of the loans may be written off if the business meets qualifications for a period of time, and part of the loans will be paid back by the businesses at a rate of one percent. The loans receivable balance includes \$3,326,557, which is not scheduled for collection in the subsequent year.

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land				
General	\$ 2,518,160	\$ -	\$ -	\$ 2,518,160
Highway	50,085	-	-	50,085
Highway right-of-way	3,041,786	-	-	3,041,786
Construction in progress				
General	135,938	317,580	210,403	243,115
Highway	<u>1,905,052</u>	<u>2,208,657</u>	<u>866,756</u>	<u>3,246,953</u>
Total capital assets not depreciated	<u>\$ 7,651,021</u>	<u>\$ 2,526,237</u>	<u>\$ 1,077,159</u>	<u>\$ 9,100,099</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 19,058,621	\$ 43,387	\$ -	\$ 19,102,008
Improvements other than buildings	448,368	12,458	-	460,826
Machinery, furniture, and equipment	8,141,943	1,080,670	633,626	8,588,987
Infrastructure	<u>44,648,714</u>	<u>1,087,139</u>	<u>-</u>	<u>45,735,853</u>
Total capital assets depreciated	<u>\$ 72,297,646</u>	<u>\$ 2,223,654</u>	<u>\$ 633,626</u>	<u>\$ 73,887,674</u>
Less: accumulated depreciation for				
Buildings	\$ 2,542,228	\$ 205,832	\$ -	\$ 2,748,060
Improvements other than buildings	152,170	12,579	-	164,749
Machinery, furniture, and equipment	4,308,833	746,582	533,395	4,522,020
Infrastructure	<u>11,952,047</u>	<u>842,207</u>	<u>-</u>	<u>12,794,254</u>
Total accumulated depreciation	<u>\$ 18,955,278</u>	<u>\$ 1,807,200</u>	<u>\$ 533,395</u>	<u>\$ 20,229,083</u>
Total capital assets depreciated, net	<u>\$ 53,342,368</u>	<u>\$ 416,454</u>	<u>\$ 100,231</u>	<u>\$ 53,658,591</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 60,993,389</u>	<u>\$ 2,942,691</u>	<u>\$ 1,177,390</u>	<u>\$ 62,758,690</u>

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

Governmental Activities			
General government		\$ 363,322	
Public safety		206,504	
Highways and streets, including depreciation of infrastructure assets		1,217,329	
Human services		2,339	
Health		3,333	
Sanitation		3,307	
Conservation		<u>11,066</u>	
Total Depreciation Expense - Governmental Activities		<u>\$ 1,807,200</u>	

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Description	Amount
Health Service Special Revenue Fund	Social Services Special Revenue Fund	Share of collaborative funds	\$ 592
Debt Service Fund	Capital Projects Fund	Debt proceeds	6,670
Total Due To/From Other Funds			<u>\$ 7,262</u>

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Fund From	Fund To	Amount	
Social Services Special Revenue Fund	General Fund	\$ 8,242	Transfer retiree insurance
EDA Loan Special Revenue Fund	General Fund	765	Administration cost
Capital Projects Fund	Debt Service Fund	<u>3,381,970</u>	Transfer refunding dollars
Total Transfers		<u>\$ 3,390,977</u>	

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2009. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	\$ 4,304,801	\$ 850,953

2. Compensated Absences

Employees have the option to take a cash payout or to opt for the other postemployment benefits option. Employees who leave in good standing with more than ten years of service, who have a minimum accumulation of 920 hours of unused sick leave, may opt for a cash option. Department heads have the cash option with a minimum of 800 hours. This option does not apply to the Professionals Union, and nonunion employees do not qualify.

The value of compensated absences for eligible employees at the end of 2009 is \$862,953.

3. Bonded Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General obligation bonds and notes					
2009A G.O. Capital Improvement Plan Bonds	2024	\$25,000 - \$445,000	2.00 - 4.00	\$ 3,735,000	\$ 3,735,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	\$350,000 - \$460,000	1.70 - 2.30	<u>3,435,000</u>	<u>3,135,000</u>
Total general obligation bonds				\$ 7,170,000	\$ 6,870,000
Note payable					
South Branch Whitewater River Watershed Bacteria Reduction Project Note Payable	2018		2.00	<u>69,472</u>	<u>69,472</u>
Total General Obligation Bonds and Notes				<u>\$ 7,239,472</u>	<u>\$ 6,939,472</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

3. Bonded Debt (Continued)

Current Refunding of Bonds

In April 2009, the County issued \$3,735,000 in General Obligation Capital Improvement Plan Refunding Bonds, Series 2009A, which are comprised of \$3,390,000 refunding, \$40,000 equipment, and \$305,000 capital improvement projects, with average interest rates of 2.85 percent, to currently refund \$3,410,000 of outstanding General Obligation Capital Improvement Plan Bonds, Series 2002A, with average interest rates of 4.36 percent. The net proceeds of \$3,458,176, after payment of \$34,697 in underwriting fees, insurance, and other issuance costs, were used to refund the callable portion of the 2009 bonds.

The County completed the refunding to reduce its total debt service payments by \$278,073, for a present value saving of \$243,867.

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2010	\$ 710,000	\$ 248,283
2011	695,000	193,963
2012	730,000	172,712
2013	755,000	149,563
2014	780,000	124,638
2015 - 2019	3,050,000	223,468
2020 - 2024	150,000	16,200
Total	<u>\$ 6,870,000</u>	<u>\$ 1,128,827</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 7,150,000	\$ 3,735,000	\$ 4,015,000	\$ 6,870,000	\$ 710,000
Premium on bonds	65,576	-	7,287	58,289	-
Less: deferred amount for issuance discounts	<u>(8,841)</u>	<u>-</u>	<u>(983)</u>	<u>(7,858)</u>	<u>-</u>
Total bonds payable	\$ 7,206,735	\$ 3,735,000	\$ 4,021,304	\$ 6,920,431	\$ 710,000
Notes	54,472	15,000	-	69,472	-
Capital leases	3,671	-	3,671	-	-
Compensated absences	1,049,902	1,906,518	998,917	1,957,503	72,738
OPEB liability	<u>317,821</u>	<u>347,589</u>	<u>129,937</u>	<u>535,473</u>	<u>-</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 8,632,601</u>	<u>\$ 6,004,107</u>	<u>\$ 5,153,829</u>	<u>\$ 9,482,879</u>	<u>\$ 782,738</u>

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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

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

For all Public Employees Retirement Fund members hired prior to July 1, 1989, 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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

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.

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 internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. 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 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent of their annual covered salary in 2009. 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 in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	2009	2008	2007
Public Employees Retirement Fund	\$ 702,679	\$ 657,243	\$ 599,188
Public Employees Police and Fire Fund	106,178	94,572	82,696
Public Employees Correctional Fund	67,675	63,202	62,925

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

B. Defined Contribution Plan

Five elected employees of Winona County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Winona County during the year ended December 31, 2009, were:

	Employee	Employer
Contribution amount	\$ 5,996	\$ 5,996
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

The County provides health insurance benefits for qualifying retired employees under a single-employer self-insured plan, financed and administered by Winona County and the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota, under contract with Southeast Service Cooperative, is the claims administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program.

Retirees are required to pay 100 percent of the total group rate. The premium is a blended rate determined on the entire active and retiree population. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate "subsidy." As of January 1, 2009, five retirees were receiving health benefits from the County's health plan. As of year-end, the County has four participants. Some employees who leave in good standing with more than ten years of service and who have a minimum accumulation of 100 days of unused sick leave may convert it to paid-up health insurance for the employee only, according to the following schedule:

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Elected Officials

After completing two full terms as an elected County Commissioner and being at least 50 years of age, a Commissioner may receive one year of single health insurance. This benefit is provided pursuant to County Board Resolution 95-27. The County had no participants in 2009.

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, if paid on an ongoing basis, that is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities or (funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2009, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$ 352,374
Interest on net OPEB obligations	14,302
Adjustment to ARC	<u>(19,087)</u>
Annual OPEB cost	\$ 347,589
Contribution during the year	<u>(129,937)</u>
Increase (Decrease) in net OPEB obligation	\$ 217,652
Net OPEB - Beginning of Year	<u>317,821</u>
Net OPEB - End of Year	<u>\$ 535,473</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2009, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 434,114	\$ 116,293	26.79%	\$ 317,821
December 31, 2009	347,589	129,937	37.38	535,473

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

The County finances the plan on a pay-as-you-go basis.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2007	\$ -	\$ 3,297,719	\$ 3,297,719	0.00%	\$ 13,239,417	24.91%
January 1, 2009	-	2,875,818	2,875,818	0.00	13,866,076	20.70

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009, actuarial valuation, the Projected Unit Credit Actuarial Method was used. The actuarial assumptions included a 4.5 percent discount rate (net of expenses), including an inflation assumption of 2.5 percent and an annual health care cost rate of 9.0 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after 8 years. The initial unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period beginning in 2008.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 per claim in 2010. If any insurance and self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

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

Premiums are paid by the fund receiving the benefits.

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

**WINONA COUNTY
WINONA, MINNESOTA**

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Southeastern Minnesota Multi-County HRA

Winona County is a member of the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) that provides housing and redevelopment services to the County. Each member county appoints members to the governing body that consists of a Board of Commissioners. The HRA approves its own budget. Winona County did not contribute to the operations of the HRA in 2009. However, the Board of County Commissioners approves the levy for the HRA each year.

Complete financial statements for the HRA can be obtained at 730 West Sixth Street, Wabasha, Minnesota 55981.

Family Service Collaborative

Winona County has created the Winona Family Service Collaborative pursuant to an interagency agreement and Minn. Stat. § 124D.23. The Collaborative is represented by the following: Winona County; the City of Winona; Independent School Districts 861, 857, and 858; Department of Economic Security Workforce Center; SEMCAC; Hiawatha Valley Mental Health Center; and Hiawatha Valley Education District. The Collaborative Board consists of 21 members, of which Winona County appoints two. The Collaborative was established to support and nurture individuals and families

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Family Service Collaborative (Continued)

through prevention and intervention so as to ensure success for every child. Winona County is the fiscal agent for the Collaborative. The Collaborative had \$253,046 of expenditures in 2009 for the benefit of County services.

D. Jointly-Governed Organizations

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

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to several counties. During the year, the County paid \$4,020 to the Southeast Minnesota Water Resources Board.

Southeast Minnesota Emergency Management Services

Southeast Minnesota Emergency Management Services provides various health services to several counties. During the year, the County did not make any disbursements to this organization.

Southeast Minnesota Regional Radio Board

The Southeast Minnesota Regional Radio Board serves to provide regional administration of enhancement to the allied Radio Matrix for Emergency Response (ARMER) system owned and operated by the State of Minnesota and enhance and improve interoperable public safety communications. During the year, Winona County did not make any disbursements to the organization.

Southeastern Minnesota Narcotics Task Force

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During the year, Winona County paid \$6,038 to the Task Force.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeastern Libraries Cooperative

The Southeastern Libraries Cooperative provides library services within the County. The County did not make any contributions during the year. The Southeastern Library Cooperative has not billed the County for the 2009 allocation.

Southeastern Community Action Council

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

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Winona County expended \$104,559 to the Cooperative.

Whitewater Joint Powers Board

The Whitewater Joint Powers Board is composed of three counties and three county soil and water conservation boards. It provides soil and water conservation services to its members. During the year, Winona County made a \$7,170 payment to the Joint Powers Board.

Southeastern Minnesota Recyclers' Exchange

The Southeastern Minnesota Recyclers' Exchange provides recycling services. During the year, Winona County did not make any payments to the Exchange.

E. Related Organization

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2009, the County settled with the Watershed for property taxes collected in the amount of \$3,480.

**WINONA COUNTY
WINONA, MINNESOTA**

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

F. Subsequent Event

Wind Turbine Project

The Winona County EDA began work on the Winona County wind project in 2005 with Board authorization. The site for the turbine was selected, and preliminary studies were completed. During 2009, special legislation was enacted by the State of Minnesota allowing the Winona County EDA to create a Limited Liability Company for ownership purposes of this project. Approval of the Power Purchase Agreement with the utility will be sought in September, and equity investors will be secured prior to construction beginning. Current plans call for completion of the project by the end of December 2010, as delays may postpone connection to the utility grid.

REQUIRED SUPPLEMENTARY INFORMATION

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 9,126,063	\$ 9,126,063	\$ 9,193,982	\$ 67,919
Special assessments	239,000	239,000	238,368	(632)
Licenses and permits	208,905	208,905	210,471	1,566
Intergovernmental	3,976,806	3,976,806	4,423,806	447,000
Charges for services	2,537,532	2,537,532	1,865,594	(671,938)
Fines and forfeits	23,700	23,700	23,226	(474)
Gifts and contributions	15,505	15,505	27,400	11,895
Investment earnings	606,476	606,476	264,186	(342,290)
Miscellaneous	295,696	295,696	197,543	(98,153)
Total Revenues	\$ 17,029,683	\$ 17,029,683	\$ 16,444,576	\$ (585,107)
Expenditures				
Current				
General government				
Commissioners	\$ 198,539	\$ 198,539	\$ 215,177	\$ (16,638)
Courts	115,000	115,000	128,373	(13,373)
Law library	45,988	45,988	45,738	250
County administration	405,081	408,681	313,734	94,947
County auditor/treasurer	394,231	394,231	447,194	(52,963)
License bureau	228,457	228,457	219,297	9,160
County assessor	489,990	489,990	461,975	28,015
Elections	18,900	18,900	23,106	(4,206)
Accounting and auditing	242,285	242,285	236,169	6,116
Data processing	698,813	698,813	487,281	211,532
Personnel	520,292	520,292	327,878	192,414
Attorney	1,247,312	1,247,312	1,039,457	207,855
Recorder	287,595	287,595	363,368	(75,773)
Vital statistics	105,259	105,259	90,317	14,942
Planning and zoning	427,996	427,996	491,009	(63,013)
Telecommunications	246,090	246,090	194,092	51,998
Maintenance	1,058,489	1,058,489	857,342	201,147
Veterans service officer	155,431	155,431	159,203	(3,772)
Other general government	1,339,105	1,295,830	543,728	752,102
Total general government	\$ 8,224,853	\$ 8,185,178	\$ 6,644,438	\$ 1,540,740

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget		
	Original	Final				
Expenditures						
Current (Continued)						
Public safety						
Sheriff	\$ 2,208,382	\$ 2,208,382	\$ 2,258,410	\$ (50,028)		
Boat and water safety	27,237	27,237	63,777	(36,540)		
Emergency services	236,117	275,792	409,550	(133,758)		
E-911 system	130,000	130,000	43,857	86,143		
County jail	2,281,602	2,281,602	2,110,095	171,507		
Law enforcement center	1,042,996	1,042,996	884,347	158,649		
Probation and parole	650,584	650,584	643,458	7,126		
DARE program	15,074	15,074	8,656	6,418		
Total public safety	\$ 6,591,992	\$ 6,631,667	\$ 6,422,150	\$ 209,517		
Sanitation						
Recycling	\$ 1,128,494	\$ 1,128,494	\$ 1,005,055	\$ 123,439		
Health						
Environmental health	\$ 269,149	\$ 269,149	\$ 312,345	\$ (43,196)		
Culture and recreation						
Historical society	\$ 55,500	\$ 55,500	\$ 49,950	\$ 5,550		
Parks	21,695	21,695	19,953	1,742		
Regional library	246,416	246,416	246,416	-		
Total culture and recreation	\$ 323,611	\$ 323,611	\$ 316,319	\$ 7,292		
Conservation of natural resources						
County extension	\$ 175,496	\$ 175,496	\$ 176,867	\$ (1,371)		
Soil and water conservation	130,000	130,000	117,000	13,000		
Feedlot	117,790	117,790	135,172	(17,382)		
Agricultural inspection	5,966	5,966	5,644	322		
Wetland challenge	63,896	63,896	49,175	14,721		
Other	193,568	193,568	206,774	(13,206)		
Agricultural society/County fair	41,500	41,500	38,550	2,950		
Total conservation of natural resources	\$ 728,216	\$ 728,216	\$ 729,182	\$ (966)		
Economic development						
Other	\$ 86,727	\$ 86,727	\$ 131,910	\$ (45,183)		
Total Expenditures	\$ 17,353,042	\$ 17,353,042	\$ 15,561,399	\$ 1,791,643		

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Excess of Revenues Over (Under) Expenditures	\$ (323,359)	\$ (323,359)	\$ 883,177	\$ 1,206,536
Other Financing Sources (Uses)				
Transfers in	\$ 285,169	\$ 285,169	\$ 9,007	\$ (276,162)
Proceeds from loan	23,028	23,028	15,000	(8,028)
Proceeds from sale of capital assets	-	-	12,979	12,979
Total Other Financing Sources (Uses)	\$ 308,197	\$ 308,197	\$ 36,986	\$ (271,211)
Change in Fund Balance	\$ (15,162)	\$ (15,162)	\$ 920,163	\$ 935,325
Fund Balance - January 1	9,828,931	9,828,931	9,828,931	-
Fund Balance - December 31	\$ 9,813,769	\$ 9,813,769	\$ 10,749,094	\$ 935,325

WINONA COUNTY
WINONA, MINNESOTA

Schedule 2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,023,647	\$ 2,023,647	\$ 1,992,568	\$ (31,079)
Intergovernmental	8,809,215	8,809,215	6,114,739	(2,694,476)
Charges for services	109,150	109,150	30,654	(78,496)
Investment earnings	175,000	175,000	68,289	(106,711)
Miscellaneous	272,000	272,000	221,233	(50,767)
Total Revenues	\$ 11,389,012	\$ 11,389,012	\$ 8,427,483	\$ (2,961,529)
Expenditures				
Current				
General government				
Surveyor	\$ 252,546	\$ 252,546	\$ 221,277	\$ 31,269
Highways and streets				
Administration	\$ 470,539	\$ 470,539	\$ 483,809	\$ (13,270)
Maintenance	2,299,109	2,299,109	2,133,840	165,269
Construction	7,147,043	7,147,043	5,066,618	2,080,425
Equipment maintenance and shop	586,011	586,011	445,908	140,103
Materials and services for resale	643,310	643,310	383,221	260,089
Total highways and streets	\$ 11,146,012	\$ 11,146,012	\$ 8,513,396	\$ 2,632,616
Debt service				
Principal	\$ 2,220	\$ 2,220	\$ 599	\$ 1,621
Interest	234	234	13	221
Total debt service	\$ 2,454	\$ 2,454	\$ 612	\$ 1,842
Total Expenditures	\$ 11,401,012	\$ 11,401,012	\$ 8,735,285	\$ 2,665,727
Excess of Revenues Over (Under) Expenditures				
	\$ (12,000)	\$ (12,000)	\$ (307,802)	\$ (295,802)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	12,000	12,000	19,807	7,807
Change in Fund Balance	\$ -	\$ -	\$ (287,995)	\$ (287,995)
Fund Balance - January 1	5,764,059	5,764,059	5,764,059	-
Increase (decrease) in reserved for inventories	-	-	42,041	42,041
Fund Balance - December 31	\$ 5,764,059	\$ 5,764,059	\$ 5,518,105	\$ (245,954)

The notes to the required supplementary information are an integral part of this schedule.

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,586,995	\$ 3,586,995	\$ 3,527,292	\$ (59,703)
Licenses and permits	-	-	16,450	16,450
Intergovernmental	6,589,645	6,589,645	7,667,171	1,077,526
Charges for services	479,963	479,963	162,762	(317,201)
Gifts and contributions	50	50	-	(50)
Interest on investments	185,000	185,000	48,065	(136,935)
Miscellaneous	17,900	17,900	641,124	623,224
Total Revenues	\$ 10,859,553	\$ 10,859,553	\$ 12,062,864	\$ 1,203,311
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,319,574	\$ 3,319,574	\$ 3,313,897	\$ 5,677
Social services	7,537,792	7,537,792	7,220,568	317,224
Care grant	-	-	26,757	(26,757)
Total human services	\$ 10,857,366	\$ 10,857,366	\$ 10,561,222	\$ 296,144
Debt service				
Principal	\$ 2,142	\$ 2,142	\$ 942	\$ 1,200
Interest	45	45	30	15
Total debt service	\$ 2,187	\$ 2,187	\$ 972	\$ 1,215
Total Expenditures	\$ 10,859,553	\$ 10,859,553	\$ 10,562,194	\$ 297,359
Excess of Revenues Over (Under) Expenditures				
	\$ -	\$ -	\$ 1,500,670	\$ 1,500,670
Other Financing Sources (Uses)				
Transfers out	-	-	(8,242)	(8,242)
Change in Fund Balance	\$ -	\$ -	\$ 1,492,428	\$ 1,492,428
Fund Balance - January 1	\$ 4,916,435	\$ 4,916,435	\$ 4,916,435	\$ -
Fund Balance - December 31	\$ 4,916,435	\$ 4,916,435	\$ 6,408,863	\$ 1,492,428

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 4

**SCHEDEULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2007	\$ -	\$ 3,297,719	\$ 3,297,719	0.00%	\$13,239,417	24.91%
January 1, 2009	-	2,875,818	2,875,818	0.00	13,866,076	20.70

**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Flood Special Revenue Fund and the EDA Loan Special Revenue Fund, which were not budgeted. All annual appropriations lapse at fiscal year-end.

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

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

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

2. Other Postemployment Benefits

The employer contributions of \$129,937 represent the current amount paid by the County for the current year cost of the benefits, which were entirely paid out or on behalf of retirees. Accordingly, as disclosed on the Schedule of Funding Progress, no assets have been placed in an irrevocable trust to advance fund the employer's obligation.

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SUPPLEMENTARY INFORMATION

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**WINONA COUNTY
WINONA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

CAPITAL PROJECTS FUND

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

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**WINONA COUNTY
WINONA, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Health Service Special Revenue	Capital Projects	Total Nonmajor Governmental Funds (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 1,352,053	\$ 590,156	\$ 1,942,209
Petty cash and change funds	100	-	100
Investments	-	1,526,861	1,526,861
Taxes receivable			
Current	11,298	4,054	15,352
Prior	4,183	1,857	6,040
Accounts receivable	128,191	30,890	159,081
Accrued interest receivable	-	5,923	5,923
Due from other funds	592	-	592
Due from other governments	330,085	-	330,085
Total Assets	\$ 1,826,502	\$ 2,159,741	\$ 3,986,243
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 15,429	\$ 20,764	\$ 36,193
Salaries payable	129,063	-	129,063
Contracts payable	49,276	164,352	213,628
Due to other funds	-	6,670	6,670
Due to other governments	1,082	-	1,082
Deferred revenue - unavailable	120,229	35,063	155,292
Total Liabilities	\$ 315,079	\$ 226,849	\$ 541,928
Fund Balances			
Unreserved			
Designated for future expenditures	\$ 130,000	\$ -	\$ 130,000
Designated for cash flows	515,228	-	515,228
Designated for capital improvements	-	1,932,892	1,932,892
Designated for compensated absences	364,934	-	364,934
Undesignated	501,261	-	501,261
Total Fund Balances	\$ 1,511,423	\$ 1,932,892	\$ 3,444,315
Total Liabilities and Fund Balances	\$ 1,826,502	\$ 2,159,741	\$ 3,986,243

**WINONA COUNTY
WINONA, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Health Service Special Revenue	Capital Projects	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	\$ 658,306	\$ 237,507	\$ 895,813
Licenses and permits	15,700	-	15,700
Intergovernmental	938,710	26,198	964,908
Charges for services	1,671,235	-	1,671,235
Fines and forfeits	125	-	125
Investment earnings	-	31,625	31,625
Gifts and contributions	47	-	47
Miscellaneous	<u>21,806</u>	<u>3,700</u>	<u>25,506</u>
Total Revenues	\$ 3,305,929	\$ 299,030	\$ 3,604,959
Expenditures			
Current			
General government	\$ -	\$ 926,682	\$ 926,682
Health	<u>3,261,093</u>	-	<u>3,261,093</u>
Debt service			
Principal	929	-	929
Bond issuance costs	-	51,306	51,306
Interest	<u>43</u>	-	<u>43</u>
Total Expenditures	\$ 3,262,065	\$ 977,988	\$ 4,240,053
Excess of Revenues Over (Under) Expenditures	\$ 43,864	\$ (678,958)	\$ (635,094)
Other Financing Sources (Uses)			
Transfers out	\$ -	\$ (3,381,970)	\$ (3,381,970)
Refunding bonds issued	-	3,735,000	3,735,000
Premium on bonds issued	-	69,554	69,554
Total Other Financing Sources (Uses)	\$ -	\$ 422,584	\$ 422,584
Net Change in Fund Balance	\$ 43,864	\$ (256,374)	\$ (212,510)
Fund Balance - January 1	<u>1,467,559</u>	<u>2,189,266</u>	<u>3,656,825</u>
Fund Balance - December 31	<u>\$ 1,511,423</u>	<u>\$ 1,932,892</u>	<u>\$ 3,444,315</u>

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 669,930	\$ 669,930	\$ 658,306	\$ (11,624)
Licenses and permits	15,000	15,000	15,700	700
Intergovernmental	949,195	1,484,195	938,710	(545,485)
Charges for services	1,793,332	1,793,332	1,671,235	(122,097)
Gifts and contributions	-	-	47	47
Fines and forfeits	500	500	125	(375)
Miscellaneous	18,700	18,700	21,806	3,106
Total Revenues	\$ 3,446,657	\$ 3,981,657	\$ 3,305,929	\$ (675,728)
Expenditures				
Current				
Health				
Nursing service	\$ 635,944	\$ 820,944	\$ 749,039	\$ 71,905
Maternal and child health	676,579	676,579	526,336	150,243
County health officer	317,176	317,176	285,048	32,128
Health center	1,816,958	1,816,958	1,700,670	116,288
Total health	\$ 3,446,657	\$ 3,631,657	\$ 3,261,093	\$ 370,564
Debt service				
Principal	\$ -	\$ -	\$ 929	\$ (929)
Interest	-	-	43	(43)
Total debt service	\$ -	\$ -	\$ 972	\$ (972)
Total Expenditures	\$ 3,446,657	\$ 3,631,657	\$ 3,262,065	\$ 369,592
Excess of Revenues Over (Under) Expenditures				
	\$ -	\$ 350,000	\$ 43,864	\$ (306,136)
Fund Balance - January 1	1,467,559	1,467,559	1,467,559	-
Fund Balance - December 31	\$ 1,467,559	\$ 1,817,559	\$ 1,511,423	\$ (306,136)

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 813,150	\$ 813,150	\$ 802,668	\$ (10,482)
Special assessments	-	-	7,636	7,636
Intergovernmental	90,832	90,832	88,488	(2,344)
Investment earnings	-	-	6,117	6,117
Total Revenues	\$ 903,982	\$ 903,982	\$ 904,909	\$ 927
Expenditures				
Debt service				
Principal	\$ 605,000	\$ 605,000	\$ 300,000	\$ 305,000
Interest	281,420	281,420	257,332	24,088
Administrative - fiscal charges	2,400	2,400	4,138	(1,738)
Total Expenditures	\$ 888,820	\$ 888,820	\$ 561,470	\$ 327,350
Excess of Revenues Over (Under) Expenditures	\$ 15,162	\$ 15,162	\$ 343,439	\$ 328,277
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 3,381,970	\$ 3,381,970
Payment of refunded bonds	-	-	(3,715,000)	(3,715,000)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (333,030)	\$ (333,030)
Change in Fund Balance	\$ 15,162	\$ 15,162	\$ 10,409	\$ (4,753)
Fund Balance - January 1	<u>1,082,006</u>	<u>1,082,006</u>	<u>1,082,006</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,097,168</u>	<u>\$ 1,097,168</u>	<u>\$ 1,092,415</u>	<u>\$ (4,753)</u>

FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

AGENCY FUNDS

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

The Employee Benefit Plans - Liabilities Fund accounts for employee payroll liabilities due as of the end of the year but not disbursed until the following year.

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

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

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

The Planning Escrow Fund accounts for customer deposits with the Planning Department.

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

The Southeast Minnesota Statewide Health Improvement Plan Project (SHIP) Fund is collaboration between nine counties in Southeastern Minnesota. Program and services are targeted to individuals to teach behavioral skills to reduce tobacco use and exposure, increase physical activity, and improve nutrition. Winona County is the fiscal agent for the nine counties.

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**WINONA COUNTY
WINONA, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EMPLOYEE BENEFIT PLANS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 86,560</u>	<u>\$ 828,334</u>	<u>\$ 811,924</u>	<u>\$ 102,970</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 86,560</u>	<u>\$ 828,334</u>	<u>\$ 811,924</u>	<u>\$ 102,970</u>
<u>EMPLOYEE BENEFIT PLANS - LIABILITIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 313,963</u>	<u>\$ 422,855</u>	<u>\$ 313,963</u>	<u>\$ 422,855</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 313,963</u>	<u>\$ 422,855</u>	<u>\$ 313,963</u>	<u>\$ 422,855</u>
<u>WINONA COUNTY FAMILY COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 151,860</u>	<u>\$ 169,975</u>	<u>\$ 253,046</u>	<u>\$ 68,789</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 151,860</u>	<u>\$ 169,975</u>	<u>\$ 253,046</u>	<u>\$ 68,789</u>

**WINONA COUNTY
WINONA, MINNESOTA**

***Statement 3
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>SETTLEMENT</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 410,975</u>	<u>\$ 48,090,428</u>	<u>\$ 48,096,305</u>	<u>\$ 405,098</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 410,975</u>	<u>\$ 48,090,428</u>	<u>\$ 48,096,305</u>	<u>\$ 405,098</u>
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 76,287</u>	<u>\$ 1,409,169</u>	<u>\$ 1,388,022</u>	<u>\$ 97,434</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 76,287</u>	<u>\$ 1,409,169</u>	<u>\$ 1,388,022</u>	<u>\$ 97,434</u>
<u>PLANNING ESCROW</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>

**WINONA COUNTY
WINONA, MINNESOTA**

***Statement 3
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 18,592</u>	<u>\$ 46,727</u>	<u>\$ 47,682</u>	<u>\$ 17,637</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 18,592</u>	<u>\$ 46,727</u>	<u>\$ 47,682</u>	<u>\$ 17,637</u>
<u>SHIP</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 635,000</u>	<u>\$ 107,392</u>	<u>\$ 527,608</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ -</u>	<u>\$ 635,000</u>	<u>\$ 107,392</u>	<u>\$ 527,608</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 1,062,237</u>	<u>\$ 51,602,488</u>	<u>\$ 51,022,334</u>	<u>\$ 1,642,391</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 400,523</u>	<u>\$ 1,251,189</u>	<u>\$ 1,125,887</u>	<u>\$ 525,825</u>
Due to other governments	<u>\$ 661,714</u>	<u>\$ 50,351,299</u>	<u>\$ 49,896,447</u>	<u>\$ 1,116,566</u>
Total Liabilities	<u>\$ 1,062,237</u>	<u>\$ 51,602,488</u>	<u>\$ 51,022,334</u>	<u>\$ 1,642,391</u>

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OTHER SCHEDULES

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

Shared Revenue

State

Highway users tax	\$ 4,741,306
PERA rate reimbursement	54,309
Disparity reduction aid	41,574
Police aid	120,958
County program aid	2,694,326
Agricultural conservation credit	40,946
Market value credit	1,668,358
Enhanced 911	137,738
Disaster credit	1,695
Total shared revenue	\$ 9,501,210

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 1,591,728
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Payments

Local

Local contributions	\$ 570
Payments in lieu of taxes	263,233
Total payments	\$ 263,803

Grants

State

Minnesota Department/Board of Public Safety	\$ 317,425
Health	256,588
Employment and Economic Development	115,406
Natural Resources	382,400
Human Services	2,375,439
Corrections	132,260
Transportation	720,864
Water and Soil Resources	9,255
Veterans Affairs	12,700
Peace Officer Standards and Training Board	7,135
Pollution Control Agency	145,585
Total state	\$ 4,475,057

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 7
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

Grants (Continued)

Federal

Department of	\$	462,116
Agriculture		145,799
Commerce		43,759
Justice		331,443
Transportation		2,832,076
Health and Human Services		567,573
Homeland Security		14,943
Education		21,355
Environmental Protection Agency		
Total federal	\$	4,419,064
Total state and federal grants	\$	8,894,121
Total Intergovernmental Revenue	\$	20,250,862

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 8

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS
FOR CALENDAR YEARS 2008 THROUGH 2010**

	Tax Year 2008		Tax Year 2009		Tax Year 2010	
	Net Tax Capacity	Tax Capacity Rate Percent (%)	Net Tax Capacity	Tax Capacity Rate Percent (%)	Net Tax Capacity	Tax Capacity Rate Percent (%)
Tax Capacity						
Real property	\$ 38,712,201		\$ 39,935,972		\$ 41,682,706	
Personal property	505,811		512,392		510,200	
Tax increment financing	(261,781)		(233,362)		(180,756)	
Net Tax Capacity	\$ 38,956,231		\$ 40,215,002		\$ 42,012,150	
Tax Levied for County						
County Revenue	\$ 9,221,969	24.361	\$ 9,843,223	25.16	\$ 9,696,412	23.787
Road and Bridge	2,437,739	6.263	2,201,878	5.475	2,020,545	4.829
Human Services	3,454,052	8.874	3,905,210	9.711	4,034,195	9.64
Community Health	575,869	1.479	729,465	1.814	686,970	1.642
Chse Bond 2009	-	-	-	-	465,598	1.108
Chse Bond 2007	875,349	2.247	887,279	2.211	462,299	1.1
Building/Capital Improvement	455,422	1.17	261,814	0.651	462,850	1.106
Net Tax Levy	\$ 17,020,400	44.394	\$ 17,828,869	45.022	\$ 17,828,869	43.212
	Tax Capacity	Market Value	Tax Capacity	Market Value	Tax Capacity	Market Value
Taxable Valuations						
Light and power tax						
Transmission lines	\$ 33,108	\$ 1,692,900	\$ 31,774	\$ 1,626,200	\$ 31,288	\$ 1,601,900
Distribution lines	12,126	643,800	16,230	849,000	15,330	804,000
Total Taxable Valuations - Light and Power	\$ 45,234	\$ 2,336,700	\$ 48,004	\$ 2,475,200	\$ 46,618	\$ 2,405,900
Light and Power Tax Levy						
Transmission lines	\$ 44,980	\$ 4,254	\$ 4,470	\$ 29,010	\$ 4,147	\$ 27,965
Distribution lines	16,500	1,618	2,334	14,818	2,082	13,702
Total Light and Power Tax Levy	\$ 61,480	\$ 5,872	\$ 6,804	\$ 43,828	\$ 6,229	\$ 41,667
Percentage of Tax Collections for All Purposes	98.65%			0.00%		

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Management and Compliance Section

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 9

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Winona County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Winona County and are 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*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Winona County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Winona County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Winona County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563

Schedule 9
(Continued)

Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658
Medical Assistance Program	CFDA #93.778

- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Winona County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

06-2 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Adjustments were made to the government-wide conversion trial balance for the following:

- increase long-term and short-term liabilities to record compensated absences liability of \$862,953 and
- increase deferred revenue - unavailable \$313,755 to correct the improperly recorded amount.

Schedule 9
(Continued)

Adjustments were made to the Road and Bridge Special Revenue Fund for the following:

- decrease due from other governments \$313,756 to correct the improperly recorded amount,
- decrease deferred revenue \$313,756 to correct the improperly recorded amount,
- increase accounts payable \$123,346 to record additional payables, and
- increase advance from other governments \$97,317 to record additional payables.

Adjustments were made to the Social Services Special Revenue Fund for the following:

- increase deferred revenue \$30,455 to record additional items.

Adjustments were made to the Health Service Special Revenue Fund for the following:

- decrease cash \$527,608 for SHIP grant funds that are being held for other entities and to record the cash in an agency fund.

Adjustments were made to the EDA Loan Special Revenue Fund for the following:

- decrease loan receivable \$234,272 to report the forgiveness of part of a loan, and
- decrease deferred revenue \$234,280 to forgive part of a loan.

Adjustments were made to the Capital Projects Fund for the following:

- increase accounts payable \$20,764 to record additional payables, and
- increase contracts payable \$164,352 to record additional payables.

Reclassification entries were also made within:

- government-wide conversion trial balance operating grant functions \$384,730, \$107,179 from general government to public safety expenses, and net assets \$3,877,106;
- General Fund fund balance \$436,436;

Schedule 9
(Continued)

- Road and Bridge Special Revenue Fund revenues \$489,782 and fund balance \$77,935;
- Social Services Special Revenue Fund revenues and expenditures \$420,699 and fund balance \$174,291;
- Health Service Special Revenue Fund revenues \$12,216 and fund balance \$701,899; and
- Debt Service Fund revenues \$8,710 and fund balance \$185,116.

Proposed audit adjustments were reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend that the County modify internal controls over financial reporting to prevent, or detect and correct, misstatements in the financial statements.

Client's Response:

Winona County is implementing procedures to ensure that the financial statements are presented correctly. These procedures should reduce the reclassifications and adjustments. The reclassifications and adjustments were reduced from the 2008 audit. Winona County has implemented a monthly review and monitoring of the daily receipts and expenses to ensure proper posting. Winona County has implemented a tracking feature to month-end reports. Documentation can be printed to monitor that month-end reports are being reviewed. Winona County will continue to enhance the monitoring area.

07-2 New Vendors and Disbursement Internal Control

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

New vendors can be added by the same employee who records the disbursements and prints the checks. The Finance Director is the backup for performing disbursement duties and could add a new vendor, and create, approve, process, and print disbursements. The Account Technician could create a disbursement, add a new vendor, bypass the approval process, and print disbursements as well. In addition, Human Services Department

Schedule 9
(Continued)

warrants are returned to the employees who performed inputting of disbursements to stuff and mail the warrants. Also, disbursements are not being compared to original source documents by an employee independent of the input process.

We recommend the County implement proper segregation of duties to prevent, or detect and correct, errors or irregularities in the disbursement process.

Client's Response:

At the end of 2008, Winona County has implemented a vendor form when adding or making changes to vendors. The Winona County Finance Director will run an add/change vendor report from the IFS system. The Finance Director will verify that the proper paper work is on file. There were menu access changes to the Finance Director on IFS and SSIS staff on the SSIS system. Winona County will change the warrant process for Human Services to make sure an employee independent of the input process is completing the task. Winona County will explore reorganization which will enhance the segregation of accounting duties to ensure adequate internal controls.

07-3 Segregation of Duties in Treasury Function

In the treasury function of the County Auditor/Treasurer's Office, the collection of funds, recording of receipts, preparation of the bank deposits, and taking the bank deposits to the bank can be performed by the same employee. There are no compensating controls or monitoring activities documented or being performed to ensure accurate reporting.

We recommend the duties in the treasury function be segregated between employees. If this is not feasible, the County should consider other compensating controls, including review procedures.

Client's Response:

Winona County has implemented the segregation of duties in the Auditor/Treasurer's Office. The person that prepares the bank deposit will be different than the person that is taking the deposit to the bank.

08-1 Departmental Internal Accounting Controls

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

Schedule 9
(Continued)

Due to the limited number of personnel within some County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Winona County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend the County Board segregate accounting duties as much as possible. When it is not feasible to segregate certain duties, Winona County management should be aware of the absence of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being followed by staff.

Client's Response:

Winona County will monitor to ensure internal controls and policies and procedures are being followed. Winona County will explore reorganization which will enhance the segregation of accounting duties to ensure adequate internal accounting controls.

ITEM ARISING THIS YEAR

09-1 **Investment Oversight**

The Winona County Auditor/Treasurer has the ability to purchase, exchange, and sell CDs and also has physical custody of them. Investments are not reviewed or approved by anyone other than the County Auditor/Treasurer.

We recommend that someone other than the individual making the investment purchases periodically review the investment purchases. The investments should be reviewed for both legality and appropriateness. Also, local CDs should be in the custody of someone other than the individual with the ability to purchase, exchange, and sell the CDs.

Client's Response:

Winona County is implementing a process that all maturing investments and wire transfers need to be deposited into a Winona County account and bearing the Federal ID number.

PREVIOUSLY REPORTED ITEMS RESOLVED

Prior Period Adjustment (07-6)

The January 1, 2008, fund balance of the EDA Loan Special Revenue Fund was restated to recognize loans receivable and deferred revenue not previously reported.

Resolution

A prior period adjustment was not made for 2009.

Segregation of Duties - Payroll (08-2)

The Account Support Assistant in the Finance Department has the ability to process bi-weekly payroll, disburse payroll, and perform general ledger functions. No other County employee reviews or monitors what is processed or entered into the payroll system except for the Social Services Department. Payroll charges were not reviewed before the disbursement was made and reports run for each pay period to verify information on the payroll system was being reviewed only by the individual who enters the information.

Resolution

The County has established review procedures.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

A. COMPLIANCE

ITEM ARISING THIS YEAR

09-2 Temporary Assistance for Needy Families (TANF) Grant Reporting
(CFDA #93.558)

Questioned Costs: \$38,000

The TANF grant guidelines for the federal TANF grant indicates program costs can include salary and fringe benefits for staff directly involved in program activities. The County is charging \$140 per hour to this grant which is from the Winona County Community Health Public Health Nursing Service fee schedule. The TANF grant guideline also indicates administrative costs can be computed as an indirect cost rate or a cost allocation plan but cannot exceed 15 percent of program costs. The County is charging 15 percent of program costs without using

Schedule 9
(Continued)

an indirect cost rate or a cost allocation plan. Therefore, there are \$38,000 of estimated questioned costs reported on the Local Public Health Grant - TANF Funds Report.

We recommend the County calculate program and administrative costs in accordance with the TANF grant guidelines. These guidelines require program costs to be actual costs to the County and administrative costs to be based on an indirect cost rate or a cost allocation.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Interim CHS Director

Corrective Action Planned:

Winona County will prepare the TANF quarterly reports based on actual wages and benefits versus the \$140 Winona County public health nurse visit rate. This process was started in FY 2010 and is currently in place.

Anticipated Completion Date:

Winona County will submit TANF quarterly reports using actual wages and benefits in 2010.

B INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

**Monitoring County Financial Workers' Eligibility Determinations
(CFDA #93.558) (08-3)**

Review of the controls over eligibility determinations for the Temporary Assistance for Needy Families program disclosed no monitoring procedures were in place to ensure information entered into the state MAXIS system is accurate and properly documented.

Resolution

The County has established monitoring procedures.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Sheriff's Department Canteen Funds (08-4)

While reviewing the Sheriff's canteen fund operations, we noted that the receipts and disbursements were not accounted for in the County's financial system.

Resolution

The County is now following Minn. Stat. §§ 387.20 and 384.13 and recording all proceeds from the canteen operations and remitting all proceeds to the County Auditor/Treasurer's Office.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Schedule 9
(Continued)

- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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
Winona County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winona County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 07-2, 07-3, 08-1, and 09-1 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Winona County did not have any.

The results of our tests indicate that, for the items tested, Winona County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

Winona County's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Winona County, 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 19, 2010

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners
Winona County

Compliance

We have audited the compliance of Winona County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Winona County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Winona County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as item 09-2.

Internal Control Over Compliance

Management of Winona County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 19 2010. Our audit was performed for the purpose of forming opinions on Winona County's 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.

Winona County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 19, 2010

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 10

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 142,607
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	7,835
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>300,262</u>
State Administrative Matching Grants for SNAP		
Total U.S. Department of Agriculture		\$ 450,704
U.S. Department of Commerce		
Passed Through Minnesota Department of Public Safety Applied Meteorological Research	11.468	\$ 153,365
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 3,486
Passed Through National Association of VOCA Assistance Administrators Crime Victim Assistance Discretionary Grants	16.582	1,026
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grants	16.588	12,710
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories - ARRA	16.803	24,342
Enforcing Underage Drinking Laws Program	16.727	<u>2,554</u>
Total U.S. Department of Justice		\$ 44,118
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 293,992
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	22,448
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>22,698</u>
Total U.S. Department of Transportation		\$ 339,138

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 10
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Health		
State Indoor Radon Grants	66.032	\$ 2,772
Passed Through Southeast Minnesota Water Resource Board		
Nonpoint Source Implementation Grants	66.460	18,583
Total U.S. Environmental Protection Agency		\$ 21,355
U.S. Department of Education		
Passed Through the Hiawatha Valley Education District		
Special Education - Grants for Infants and Families	84.181	\$ 14,943
U.S. Department of Health and Human Services		
Passed Through the National Association of County and City Health Officials		
Medical Reserve Corps Small Grant Program	93.008	\$ 10,000
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	57,632
Immunization Grants	93.268	800
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	48,321
Temporary Assistance for Needy Families (TANF)	93.558	53,571
Maternal and Child Health Services Block Grant to the States	93.994	50,534
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	91,628
Temporary Assistance for Needy Families (TANF)	93.558	315,072
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	746,360
Child Support Enforcement - ARRA	93.563	97,213
Refugee and Entrant Assistance State-Administered Programs	93.566	750
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	37,995
Child Welfare Services - State Grants	93.645	19,938
Foster Care Title IV-E Cluster		
Foster Care Title IV-E - ARRA	93.658	6,030
Foster Care Title IV-E	93.658	127,047
Social Services Block Grant	93.667	267,898
Child Abuse and Neglect State Grants	93.669	2,975
Chafee Foster Care Independence Program	93.674	4,145
Medical Assistance Program	93.778	831,127
Block Grants for Community Mental Health Services	93.958	5,371
Total U.S. Department of Health and Human Services		\$ 2,774,407

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 10
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 43,646
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	25,937
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	289,161
Hazard Mitigation Grant	97.039	43,870
Emergency Management Performance Grants	97.042	25,265
Homeland Security Grant Program	97.067	<u>4,787</u>
Total U.S. Department of Homeland Security		\$ 432,666
Total Federal Awards		\$ 4,230,696

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**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Winona County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Winona County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Winona County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Winona County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,419,064
Special Supplemental Nutrition Program for Women, Infants, and Children grant, deferred in 2008 (CFDA #10.557)	(11,412)
Medical Assistance grant, deferred in 2008 (CFDA #93.778)	(65,576)
Disaster grant, deferred in 2008 (CFDA #97.036)	(554,456)
Applied Meteorological Research (CFDA #11.468)	7,566
Enforcing Underage Drinking Laws Program (CFDA #16.727)	359
State and Community Highway Safety (CFDA #20.600)	7,695
Foster Care Title IV-E (CFDA #93.658)	1,602
Medical Assistance (CFDA #93.778)	6,305
Homeland Security Grant Program (CFDA #97.067)	242
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	<u>419,307</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 4,230,696</u>

**WINONA COUNTY
WINONA, MINNESOTA**

5. Subrecipients

During 2009, Winona County did not pass any federal money to subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.