

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WABASHA COUNTY
WABASHA, 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.

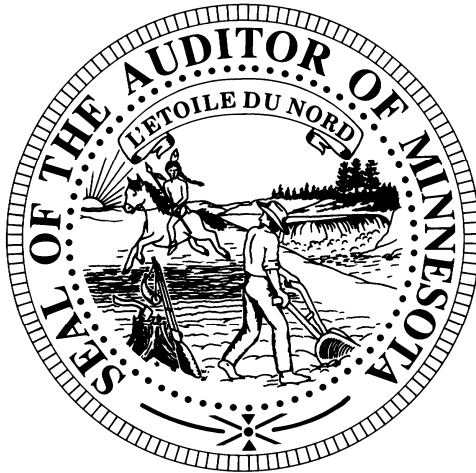
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Year Ended December 31, 2009



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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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WABASHA, MINNESOTA**

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**WABASHA COUNTY
WABASHA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2009

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Richard H. Hall	District 1	January 2013
Board Member	David Windhorst	District 2	January 2011
Vice Chair	Merl Norman	District 3	January 2013
Board Member	Peter Riester	District 4	January 2011
Chair	Tom Dwelle	District 5	January 2011
Attorney	James C. Nordstrom		January 2011
Auditor/Treasurer	Jerry Leisen		January 2011
County Recorder	Jeffery Aitken		January 2011
County Sheriff	Rodney Bartsh		January 2011
Appointed			
Administrator	David Johnson		Indefinite
Assessor	Loren Benz		December 2012
County Engineer	Dietrich Flesch		May 2011
Coroner	Dr. Daniel Pesch		January 2011
	Dr. Thomas Peyla		January 2011
Financial Services Director	Deb Koenig		Indefinite
Social Services Director	Terry Smith		Indefinite
Public Health Director	Judy Barton		Indefinite
Solid Waste Officer	Tom Mosher		Indefinite
Surveyor	David Johnson		January 2013
Veterans Service Officer	Lisa Jaeger		March 2014

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wabasha County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha 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 Wabasha 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha 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 Wabasha 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 Wabasha County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2010, on our consideration of Wabasha 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

July 14, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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

INTRODUCTION

Wabasha County's Management's Discussion and Analysis (MD&A) provides the readers of Wabasha County's financial statements with a narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information in the financial statements, including the information in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- At the end of 2009, the assets of Wabasha County exceeded its liabilities by \$79,848,253. Of this amount, \$13,146,162 represents unrestricted net assets that may be used to meet the County's ongoing obligation to citizens and creditors. The remaining \$66,702,091 is invested in capital assets or restricted to specific purposes.
- At the end of the fiscal year, Wabasha County governmental funds reported a combined ending fund balance of \$16,512,000.
- Wabasha County's total long-term liabilities increased by \$1,539,746 during the fiscal year. The key factor in this increase was due to issuing General Obligation Jail Bonds in the amount of \$1,915,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to Wabasha County's basic financial statements. Wabasha County's financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements.

Management's Discussion and Analysis
(required supplementary information)

Government-Wide
Financial Statements



Fund Financial
Statements

Required Supplementary Information
(other than MD&A)

There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start with Exhibit 3. Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. Exhibit 7 provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities

The government-wide financial statements are designed to provide the readers with a broad overview of Wabasha County's finances in a manner similar to a private-sector business. Our analysis of the County as a whole begins with Exhibit 1. The statement of net assets presents information on all Wabasha County's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Wabasha County is improving or deteriorating. The statement of activities presents information showing how Wabasha County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

In the statement of net assets and the statement of activities, we divide the County into two kinds of activities:

- Governmental activities - Most of the County's basic services are reported here, including general government, public safety, highways and streets, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.
- Component units - The Reads Landing Water and Sanitary District is presented in a separate column. Although legally separate, component units are important because the County is financially accountable for them.

Fund Financial Statements

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide information about the County's significant funds--not the County as a whole. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of a governmental fund financial statement is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds: General Fund, Road and Bridge Special Revenue Fund, Social Service Special Revenue Fund, and Criminal Justice Center Capital Projects Fund.

- Governmental funds - Most of the County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation in a statement following each governmental fund financial statement.
- Fiduciary Funds (agency funds) - Fiduciary funds are used to account for resources held for the benefit of parties outside County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Wabasha County's own programs.

The County as a Whole

The County's combined net assets increased from \$76,169,808 to \$79,848,253. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

Table 1
Net Assets

	Governmental Activities	
	2009	2008
Assets		
Current and other assets	\$ 19,851,822	\$ 23,126,115
Capital assets	84,814,939	77,127,403
Total Assets	<u>\$ 104,666,761</u>	<u>\$ 100,253,518</u>
Liabilities		
Long-term liabilities outstanding	\$ 22,583,625	\$ 21,043,879
Other liabilities	2,234,883	3,039,831
Total Liabilities	<u>\$ 24,818,508</u>	<u>\$ 24,083,710</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 63,612,580	\$ 61,548,320
Restricted	3,089,511	2,896,042
Unrestricted	13,146,162	11,725,446
Total Net Assets	<u>\$ 79,848,253</u>	<u>\$ 76,169,808</u>

Net assets of the County governmental activities increased by five percent (\$79,848,253 compared to \$76,169,808). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from \$11,725,446 at December 31, 2008, to \$13,146,162 at the end of 2009.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2009	2008
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 1,815,304	\$ 1,742,179
Operating grants and contributions	10,947,897	7,977,132
Capital grants and contributions	43,248	-
General revenues		
Property taxes	11,400,987	10,239,850
Other taxes	17,250	40,338
Grants and contributions	2,170,162	1,938,819
Other general revenues	744,174	1,021,841
Total Revenues	<u>\$ 27,139,022</u>	<u>\$ 22,960,159</u>
Program Expenses		
General government	\$ 3,647,492	\$ 3,373,805
Public safety	4,977,438	4,176,819
Highways and streets	6,975,911	5,988,824
Human services	3,936,959	4,369,368
Health	1,524,466	1,534,510
Sanitation	246,573	275,873
Culture and recreation	305,372	296,245
Conservation of natural resources	371,588	371,700
Economic development	600,150	352,818
Interest	874,628	641,738
Total Program Expenses	<u>\$ 23,460,577</u>	<u>\$ 21,381,700</u>
Increase (Decrease) in Net Assets	\$ 3,678,445	\$ 1,578,459
Net Assets - January 1	<u>76,169,808</u>	<u>74,591,349</u>
Net Assets - December 31	<u>\$ 79,848,253</u>	<u>\$ 76,169,808</u>

Governmental Activities

Revenues for the County's governmental activities were \$27,139,022, while expenses were \$23,460,577. This resulted in a \$3,678,445 increase in net assets for the year ended December 31, 2009.

The cost of all governmental activities in 2009 was \$23,460,577, compared to \$21,381,700 in 2008. However, as shown in the Statement of Activities, Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes and other general revenues was only \$10,654,128, because some of the cost was paid by those who directly benefited from the programs (\$1,815,304) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10,991,145). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased from \$9,719,311 in 2008 to \$12,806,449 in 2009, primarily caused by an increase in grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with \$14,332,573 in general revenues, primarily taxes.

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

**Table 3
Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2009	2008	2009	2008
Highways and streets	\$ 6,975,911	\$ 5,988,824	\$ 164,562	\$ 1,955,125
Public safety	4,977,438	4,176,819	4,012,106	3,243,945
Human services	3,936,959	4,369,368	1,463,017	1,768,962
General government	3,647,492	3,373,805	3,107,998	2,821,552
Health	1,524,466	1,534,510	294,777	464,050
All others	2,398,311	1,938,374	1,611,668	1,408,755
Totals	\$ 23,460,577	\$ 21,381,700	\$ 10,654,128	\$ 11,662,389

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wabasha County, assets exceeded liabilities by \$79,848,253 at the end of 2009, an increase of \$3,678,445.

The County's \$63,612,580 investment in capital assets, net of related debt, is 80 percent of total net assets. Wabasha County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wabasha County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate liabilities.

Four percent of Wabasha County's net assets (\$3,089,511) are subject to restrictions on how they may be used. The remaining 16 percent (\$13,146,162 unrestricted net assets) may be used to meet Wabasha County's ongoing obligations to citizens and creditors.

Wabasha County's total liabilities (\$24,818,508) are 24 percent of total assets and 125 percent of current assets.

Financial Analysis of the Government's Funds

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

As of the end of 2009, Wabasha County's governmental funds report combined fund balances of \$16,512,000. This is a decrease of \$2,911,295 from the prior year. Approximately 35 percent of this amount (\$5,746,386) constitutes unreserved, undesignated fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved or designated for specific purposes.

The General Fund is the chief operating fund of Wabasha County. At the end of 2009, the unreserved, undesignated fund balance was \$3,362,721, while the total fund balance was \$8,953,275. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 33 percent of total General Fund expenditures, while total fund balance represents 88 percent of the same amount.

The Road and Bridge Special Revenue Fund ended the year with a fund balance of \$1,611,104. This was an increase of \$295,285. There is no unreserved, undesignated fund balance. The Social Service Special Revenue fund balance increased by \$563,606 to \$3,295,762, of which \$1,949,031 is unreserved, undesignated.

General Fund Budgetary Highlights

Revisions were made to the General Fund budget during 2009. Budget amendments generally fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreements reached on employee contracts. The General Fund actual revenues were \$499,656 above budget and expenditures were below budget by \$51,101.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wabasha County's investment in capital assets as of December 31, 2009, amounts to \$84,814,939 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. (See Table 4.)

The net increase in Wabasha County's investment in capital assets for the current year was \$7,687,536. If you need more information on Wabasha County's capital assets, please see the notes to the financial statements.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$ 5,206,009	\$ 4,639,629
Construction in process	451,259	13,996,432
Buildings and improvements	21,062,724	1,571,981
Machinery, vehicles, furniture, and equipment	1,949,311	1,373,795
Infrastructure	56,145,636	55,545,566
Total	\$ 84,814,939	\$ 77,127,403

Construction on the Criminal Justice Center was completed in 2009, creating a decrease to construction in process and an increase to building and improvements. Increases are also shown in land, equipment, and infrastructure.

Debt

At the end of 2009, the County had total debt outstanding in the amount of \$21,202,359, as shown in Table 5. In 2009, the County issued a General Obligation Jail Bond for \$1,915,000. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

**Table 5
Outstanding Debt**

	Governmental Activities	
	2009	2008
General Obligation Jail Bonds (net of unamortized discount)	\$ 13,756,291	\$ 12,232,448
Certificates of Participation (net of unamortized discount)	7,274,636	7,628,827
Capital leases	171,432	2,144
Promissory note	-	3,908
Total	\$ 21,202,359	\$ 19,867,327

The County’s general obligation bond rating is “AA-,” a rating assigned by national rating agencies to the County’s debt. The amount of general obligation debt a county can incur is limited by Minn. Stat. § 475.53 to no more than three percent of taxable market value without the approval of the majority of the voters of the county voting on the questions of issuing the obligation at an election. The County’s outstanding net debt is significantly below the state-imposed limit of \$73,349,475 based on the 2008 taxable market value of \$2,444,982,500.

Other obligations include compensated absences and other postemployment benefits (OPEB).

ECONOMIC FACTORS

The Wabasha County elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged.

- The unemployment rate in Wabasha County increased from 5.9 percent at the end of 2008 to 6.8 percent at the end of 2009. At the end of 2009, the Minnesota rate was 7.4 percent, and the U.S. rate 9.7 percent.
- The County did not increase the property tax levy for 2010.
- The Wabasha County Board of Commissioners uses a conservative approach to budgeting. Expenditures are reduced where possible, and new revenue sources are explored. All capital expenditures are thoroughly reviewed initially by the budget committee and again by the Board of Commissioners.
- The County continues to monitor the impact the State Budget deficit will have on local government aid and expects to see further reductions to be made by the State.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Wabasha County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or additional financial information, should be addressed to the Finance Director, Wabasha County, 625 Jefferson Street, Wabasha, Minnesota 55981.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 1

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

	Primary Government Governmental Activities	Reads Landing Water and Sanitary District Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 17,027,409	\$ 4,853
Petty cash and change funds	3,325	-
Investment in joint venture	382,156	-
Taxes receivable		
Prior - net	240,395	-
Special assessments receivable	-	4,729
Accounts receivable - net	373,888	5,350
Accrued interest receivable	23,926	-
Due from other governments	1,480,379	-
Inventories	155,967	-
Restricted assets		
Cash and pooled investments	-	5,350
Deferred debt issuance costs	164,377	-
Capital assets		
Non-depreciable	5,657,268	-
Depreciable - net of accumulated depreciation	79,157,671	1,119,213
Total Assets	\$ 104,666,761	\$ 1,139,495
<u>Liabilities</u>		
Accounts payable	\$ 695,481	\$ 436
Salaries payable	320,327	-
Contracts payable	202,245	-
Retainage payable	485,151	-
Due to other governments	126,332	3,464
Accrued interest payable	353,138	-
Unearned revenue	52,209	66
Long-term liabilities		
Net OPEB obligation	172,490	-
Due within one year	852,582	1,257
Due in more than one year	21,558,553	93,233
Total Liabilities	\$ 24,818,508	\$ 98,456

**WABASHA COUNTY
WABASHA, MINNESOTA**

***EXHIBIT 1
(Continued)***

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

	Primary Government Governmental Activities	Reads Landing Water and Sanitary District Component Unit
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 63,612,580	\$ 1,024,723
Restricted for		
General government	335,051	-
Public safety	17,001	-
Highways and streets	614,259	-
Human services	200,732	-
Health	26,425	-
Conservation of natural resources	1,138	-
Debt service	1,894,905	5,350
Equipment replacement	-	10,966
Unrestricted	13,146,162	-
Total Net Assets	\$ 79,848,253	\$ 1,041,039

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 3,647,492	\$ 447,893
Public safety	4,977,438	327,092
Highways and streets	6,975,911	24,111
Sanitation	246,573	121,811
Human services	3,936,959	379,863
Health	1,524,466	513,050
Culture and recreation	305,372	1,359
Conservation of natural resources	371,588	125
Economic development	600,150	-
Interest	874,628	-
Total Governmental Activities	<u>\$ 23,460,577</u>	<u>\$ 1,815,304</u>
Component unit		
Reads Landing Water and Sanitary District	<u>\$ 84,950</u>	<u>\$ 51,614</u>
 General Revenues		
		Property taxes
		Mortgage registry and deed tax
		Tax increment
		Payments in lieu of tax
		Grants and contributions not restricted to specific programs
		Unrestricted investment earnings
		Miscellaneous
		Gain on sale of capital assets
		Total general revenues
		Change in net assets
		Net Assets - Beginning
		Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Reads Landing Water and Sanitary District Component Unit
\$ 91,601	\$ -	\$ (3,107,998)	
594,992	43,248	(4,012,106)	
6,787,238	-	(164,562)	
57,667	-	(67,095)	
2,094,079	-	(1,463,017)	
716,639	-	(294,777)	
107,938	-	(196,075)	
170,778	-	(200,685)	
326,965	-	(273,185)	
-	-	(874,628)	
\$ 10,947,897	\$ 43,248	\$ (10,654,128)	
\$ -	\$ -		\$ (33,336)
		\$ 11,400,987	\$ -
		16,077	-
		1,173	-
		200,483	-
		2,170,162	-
		359,268	38
		157,925	-
		26,498	-
		\$ 14,332,573	\$ 38
		\$ 3,678,445	\$ (33,298)
		76,169,808	1,074,337
		\$ 79,848,253	\$ 1,041,039

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

	General	Road and Bridge Special Revenue
<u>Assets</u>		
Cash and pooled investments	\$ 9,495,094	\$ 1,463,666
Petty cash and change funds	3,325	-
Taxes receivable		
Prior	144,590	25,991
Accounts receivable	8,457	-
Accrued interest receivable	21,826	-
Due from other governments	195,755	836,450
Inventories	-	155,967
	-	155,967
Total Assets	\$ 9,869,047	\$ 2,482,074

EXHIBIT 3

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,972,354	\$ 524,341	\$ 2,571,954	\$ 17,027,409
-	-	-	3,325
34,100	-	35,714	240,395
288,868	962	75,601	373,888
-	15	2,085	23,926
298,586	37,399	112,189	1,480,379
-	-	-	155,967
<u>\$ 3,593,908</u>	<u>\$ 562,717</u>	<u>\$ 2,797,543</u>	<u>\$ 19,305,289</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

	General	Road and Bridge Special Revenue
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 503,736	\$ 58,175
Salaries payable	182,668	44,413
Contracts payable	-	132,033
Retainage payable	-	-
Due to other governments	43,363	2,010
Deferred revenue - unavailable	154,603	634,339
Deferred revenue - unearned	31,402	-
	\$ 915,772	\$ 870,970
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 155,967
Recorder's unallocated fund	213,370	-
Recorder's technology fund	63,049	-
Extension publications	1,138	-
Sheriff's contingency	4,404	-
Sheriff's forfeited property	3,261	-
Attorney's forfeited property	51,103	-
Sheriff's permit to carry	9,336	-
Health	-	-
Tobacco settlement	7,529	-
Human services/health care	-	-
Debt service	-	-
Unreserved		
Designated for future expenditures	1,212,879	557,740
Designated for cash flows	3,377,000	667,000
Designated for compensated absences	647,485	230,397
Undesignated	3,362,721	-
Unreserved, reported in nonmajor Special revenue funds	-	-
	\$ 8,953,275	\$ 1,611,104
Total Liabilities and Fund Balances	\$ 9,869,047	\$ 2,482,074

EXHIBIT 3
(Continued)

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 119,657	\$ 7,354	\$ 6,559	\$ 695,481
54,255	-	38,991	320,327
-	70,212	-	202,245
-	485,151	-	485,151
80,580	-	379	126,332
43,654	-	78,948	911,544
-	-	20,807	52,209
\$ 298,146	\$ 562,717	\$ 145,684	\$ 2,793,289
\$ -	\$ -	\$ -	\$ 155,967
-	-	-	213,370
-	-	-	63,049
-	-	-	1,138
-	-	-	4,404
-	-	-	3,261
-	-	-	51,103
-	-	-	9,336
-	-	26,425	26,425
-	-	-	7,529
200,732	-	-	200,732
-	-	1,894,905	1,894,905
-	-	-	1,770,619
949,000	-	-	4,993,000
196,999	-	-	1,074,881
1,949,031	-	-	5,311,752
-	-	730,529	730,529
\$ 3,295,762	\$ -	\$ 2,651,859	\$ 16,512,000
\$ 3,593,908	\$ 562,717	\$ 2,797,543	\$ 19,305,289

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**WABASHA COUNTY
WABASHA, 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)		\$ 16,512,000
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.		84,814,939
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		382,156
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		911,544
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	\$ (13,780,000)	
Certificates of participation	(7,385,000)	
Bond discount	134,073	
Deferred debt issuance charges	164,377	
Capital leases	(171,432)	
Accrued interest payable	(353,138)	
Net OPEB obligation	(172,490)	
Compensated absences	(1,208,776)	
	(22,772,386)	(22,772,386)
Net Assets of Governmental Activities (Exhibit 1)		\$ <u>79,848,253</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

	General	Road and Bridge Special Revenue
Revenues		
Taxes	\$ 6,981,637	\$ 1,124,733
Licenses and permits	209,671	-
Intergovernmental	2,749,834	6,606,029
Charges for services	591,165	6,469
Fines and forfeits	29,566	-
Gifts and contributions	9,428	-
Investment earnings	290,901	-
Miscellaneous	161,073	16,607
	\$ 11,023,275	\$ 7,753,838
Expenditures		
Current		
General government	\$ 3,595,049	\$ -
Public safety	5,103,708	-
Highways and streets	-	7,521,919
Sanitation	244,605	-
Human services	-	-
Health	-	-
Culture and recreation	274,383	-
Conservation of natural resources	370,516	-
Economic development	600,150	-
Capital outlay	-	-
Debt service		
Principal	10,195	-
Interest	4,624	-
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
	\$ 10,203,230	\$ 7,521,919
Excess of Revenues Over (Under) Expenditures	\$ 820,045	\$ 231,919

EXHIBIT 5

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,510,504	\$ -	\$ 1,806,681	\$ 11,423,555
11,150	-	180	221,001
2,436,654	166,632	908,836	12,867,985
58,540	-	484,533	1,140,707
-	-	-	29,566
-	-	6,210	15,638
-	66,049	2,318	359,268
355,971	54,913	6,248	594,812
\$ 4,372,819	\$ 287,594	\$ 3,215,006	\$ 26,652,532
\$ -	\$ -	\$ -	\$ 3,595,049
-	317,222	-	5,420,930
-	-	-	7,521,919
-	-	-	244,605
3,810,725	-	-	3,810,725
-	-	1,488,517	1,488,517
-	-	4,730	279,113
-	-	-	370,516
-	-	-	600,150
-	6,701,651	-	6,701,651
-	-	753,908	764,103
-	-	902,216	906,840
-	23,445	-	23,445
-	-	5,300	5,300
\$ 3,810,725	\$ 7,042,318	\$ 3,154,671	\$ 31,732,863
\$ 562,094	\$ (6,754,724)	\$ 60,335	\$ (5,080,331)

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge Special Revenue</u>
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(327,237)	-
Bonds and notes issued	-	-
Discount on bonds/notes issued	-	-
Capital lease/installment purchase	179,483	-
Proceeds from sale of capital assets	<u>13,592</u>	<u>17,600</u>
Total Other Financing Sources (Uses)	<u>\$ (134,162)</u>	<u>\$ 17,600</u>
Change in Fund Balance	\$ 685,883	\$ 249,519
Fund Balance - January 1	8,267,392	1,315,819
Increase (decrease) in reserved for inventories	<u>-</u>	<u>45,766</u>
Fund Balance - December 31	<u><u>\$ 8,953,275</u></u>	<u><u>\$ 1,611,104</u></u>

EXHIBIT 5
(Continued)

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,512	\$ 322,575	\$ 24,682	\$ 348,769
-	(21,532)	-	(348,769)
-	1,915,000	-	1,915,000
-	(2,405)	-	(2,405)
-	-	-	179,483
-	-	-	31,192
<u>\$ 1,512</u>	<u>\$ 2,213,638</u>	<u>\$ 24,682</u>	<u>\$ 2,123,270</u>
\$ 563,606	\$ (4,541,086)	\$ 85,017	\$ (2,957,061)
2,732,156	4,541,086	2,566,842	19,423,295
-	-	-	45,766
<u>\$ 3,295,762</u>	<u>\$ -</u>	<u>\$ 2,651,859</u>	<u>\$ 16,512,000</u>

**WABASHA COUNTY
WABASHA, 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 balances - total governmental funds (Exhibit 5) \$ (2,957,061)

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	\$ 911,544	
Deferred revenue - January 1	<u>(451,552)</u>	459,992

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

Expenditures for general capital assets and infrastructure	\$ 10,274,674	
Net book value of assets sold	(32,325)	
Current year depreciation	<u>(2,554,813)</u>	7,687,536

In the statement of net assets, an asset is reported for the equity interest in joint ventures. The change in net assets differs from the change in fund balance by the increases or decreases in the investment in joint venture. (86,056)

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. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net assets.

Proceeds of new debt		
General obligation bonds issued	\$ (1,915,000)	
Capital leases issued	(179,483)	
Discount on bonds issued	2,405	
Bond issuance costs	<u>23,445</u>	(2,068,633)

**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT 6
(Continued)**

**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**

Principal repayments		
General obligation bonds	\$	390,000
Certificates of participation		360,000
Capital lease		10,195
Promissory note		3,908
		764,103
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	\$	53,220
Amortization of premiums and bond issuance costs		(15,708)
Change in compensated absences		(123,596)
Change in net OPEB obligation		(81,118)
Change in inventories		45,766
		(121,436)
Change in Net Assets of Governmental Activities (Exhibit 2)		\$ 3,678,445

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FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 7

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

<u>Assets</u>	
Cash and pooled investments	<u>\$ 952,094</u>
<u>Liabilities</u>	
Accounts payable	\$ 31,119
Due to other governments	<u>920,975</u>
Total Liabilities	<u>\$ 952,094</u>

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**WABASHA COUNTY
WABASHA, 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) as of and 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

Wabasha County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Wabasha County (primary government) and its component units for which Wabasha County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Blended Component Unit

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

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Regional Railroad Authority (RRA) provides for the preservation or improvement of rail transportation within the County.	County Commissioners are the members of the RRA Board.	Separate financial statements are not prepared.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Reads Landing Water and Sanitary District formed under Minn. Stat. § 115.18-.37.	County appoints members, and the Reads Landing Water and Sanitary District is a financial burden.	Separate financial statements are not prepared.

Joint Ventures

Wabasha County participates in joint ventures described in Note 6.B. Wabasha County also participates in jointly-governed organizations and a related organization described in Notes 6.C. and 6.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are supported by taxes and intergovernmental revenues.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. 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 a separate column in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The Criminal Justice Center Capital Projects Fund is used to account for financial resources to be used for the construction of the criminal justice center.

Additionally, Wabasha County reports the following fund type:

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

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first 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 Finance Director 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 \$290,901.

2. Receivables and Payables

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

All receivables, including those of the discretely presented component unit, are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due 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 the first in/first out (FIFO) method for highway supplies, except for fuel, which uses weighted average. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

4. Capital Assets

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	15 - 50
Building improvements	15 - 50
Public domain infrastructure	10 - 50
Furniture, equipment, and vehicles	3 - 12

5. Compensated Absences

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

6. Deferred Revenue

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts 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.

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Stewardship, Compliance and Accountability

Excess of Expenditures Over Budget

The Regional Railroad Nonmajor Special Revenue Fund expenditures of \$8,720 exceeded the final budget of \$5,422 by \$3,298.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 17,027,409
Petty cash and change funds	3,325
Reads Landing component unit	
Cash and pooled investments	4,853
Restricted cash and pooled investments	5,350
Fiduciary funds	
Cash - agency funds	<u>952,094</u>
Total Cash	<u>\$ 17,993,031</u>

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better or 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 has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2009, the County’s deposits were not exposed to custodial credit risk.

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;

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

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 minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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 the 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 that are in the possession of an outside party. The County policy states the Chief Financial Officer or appointed person shall, after careful study of potential additional costs to the County, attempt to structure all investments and deposits so that the custodial risk is in category #1 according to GASB Statement 3.

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 portfolio maturities shall be staggered to avoid undue concentration of assets in a specific sector. The maturities selected shall provide for stability of income and reasonable liquidity.

The following table presents the County's deposits and investment balances at December 31, 2009, and information relating to potential investment risk.

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
Wells Fargo Advantage Government Money Market Fund	AAA	Moody	N/A	N/A	\$ 55,936
Federal National Mortgage Association Deposits	Aaa	Moody	<5%	12/30/2015	246,478
Petty cash and change funds					17,687,292
					3,325
Total Cash and Investments					\$ 17,993,031

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 859,530
Less: allowance for uncollectible accounts	<u>(485,642)</u>
Net Accounts Receivable	<u>\$ 373,888</u>

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 939,353	\$ 555,670	\$ -	\$ 1,495,023
Land highway right-of-way	3,700,276	27,610	16,900	3,710,986
Construction in process	<u>13,996,432</u>	<u>451,259</u>	<u>13,996,432</u>	<u>451,259</u>
Total capital assets not depreciated	<u>\$ 18,636,061</u>	<u>\$ 1,034,539</u>	<u>\$ 14,013,332</u>	<u>\$ 5,657,268</u>
Capital assets depreciated				
Buildings	\$ 2,322,650	\$ 18,474,299	\$ -	\$ 20,796,949
Improvements other than buildings	97,503	1,178,151	-	1,275,654
Machinery, furniture, and equipment	4,961,016	1,010,554	186,876	5,784,694
Infrastructure - trails	525,178	-	-	525,178
Infrastructure - highways	<u>100,134,228</u>	<u>2,573,563</u>	<u>267,963</u>	<u>102,439,828</u>
Total capital assets depreciated	<u>\$ 108,040,575</u>	<u>\$ 23,236,567</u>	<u>\$ 454,839</u>	<u>\$ 130,822,303</u>
Less: accumulated depreciation for				
Buildings	\$ 782,734	\$ 144,172	\$ -	\$ 926,906
Improvements other than buildings	65,438	17,535	-	82,973
Machinery, furniture, and equipment	3,587,221	419,613	171,451	3,835,383
Infrastructure - trails	210,071	26,259	-	236,330
Infrastructure - highways	<u>44,903,769</u>	<u>1,947,234</u>	<u>267,963</u>	<u>46,583,040</u>
Total accumulated depreciation	<u>\$ 49,549,233</u>	<u>\$ 2,554,813</u>	<u>\$ 439,414</u>	<u>\$ 51,664,632</u>
Total capital assets depreciated, net	<u>\$ 58,491,342</u>	<u>\$ 20,681,754</u>	<u>\$ 15,425</u>	<u>\$ 79,157,671</u>
Governmental Activities Capital Assets, Net	<u>\$ 77,127,403</u>	<u>\$ 21,716,293</u>	<u>\$ 14,028,757</u>	<u>\$ 84,814,939</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	55,004
Public safety		260,903
Highways and streets, including depreciation of infrastructure assets		2,175,479
Human services		32,664
Health		4,504
Culture and recreation		<u>26,259</u>
Total Depreciation Expense - Governmental Activities	\$	<u>2,554,813</u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

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

Transfer to Social Service Special Revenue Fund from General Fund	\$ 1,512	Youthlink Mentorship Program
Transfer to Regional Railroad Special Revenue Fund from General Fund	3,150	Minnesota High Speed Rail membership
Transfer to Criminal Justice Center Capital Projects Fund from General Fund	322,575	County reserve funds used for project
Transfer to Criminal Justice Center Debt Service Fund from Criminal Justice Center Capital Projects Fund	<u>21,532</u>	Unused discount
Total Interfund Transfers	<u>\$ 348,769</u>	

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2009.

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
IBM AS-400	2014	Monthly	\$ 409	\$ 24,540	\$ 21,673
Kitchen equipment	2016	Monthly	2,450	205,800	<u>196,000</u>
Total Capital Leases					<u>\$ 217,673</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2010	\$ 34,308
2011	34,308
2012	34,308
2013	34,308
2014	31,441
2015	29,400
2016	19,600
Less: amount representing interest	<u>(46,241)</u>
Present Value of Minimum Lease Payments	<u>\$ 171,432</u>

Both leases are paid from the General Fund.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Bonded Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Principal Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2009</u>
General obligation bonds					
2007A G.O. Jail Bonds	2028	\$200,000 - \$725,000	4.00 - 4.10	\$ 10,000,000	\$ 9,800,000
Less: unamortized discount				-	(1,622)
2008A G.O. Jail Bonds	2028	\$80,000 - \$190,000	3.00 - 4.10	2,255,000	2,065,000
Less: unamortized discount				-	(19,802)
2009A G.O. Jail Bonds	2028	\$60,000 - \$135,000	2.00 - 4.15	1,915,000	1,915,000
Less: unamortized discount				-	(2,285)
General Obligation Bonds, Net				<u>\$ 14,170,000</u>	<u>\$ 13,756,291</u>
2008B Certificates of Participation	2028	\$280,000 - \$545,000	4.00 - 4.75	\$ 7,745,000	\$ 7,385,000
Less: unamortized discount					(110,364)
Certificates of Participation, Net					<u>\$ 7,274,636</u>

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

<u>Year Ending December 31</u>	<u>General Obligation Jail Bonds</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 490,000	\$ 526,451	\$ 280,000	\$ 314,072
2011	525,000	508,064	290,000	302,673
2012	545,000	488,635	300,000	290,872
2013	565,000	468,338	305,000	278,773
2014	585,000	447,084	305,000	266,572
2015 - 2019	3,280,000	1,879,449	1,750,000	1,131,641
2020 - 2024	3,980,000	1,182,954	2,115,000	724,031
2025 - 2028	3,810,000	319,806	2,040,000	198,650
Total	<u>\$ 13,780,000</u>	<u>\$ 5,820,781</u>	<u>\$ 7,385,000</u>	<u>\$ 3,507,284</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General Obligation Jail Bonds	\$ 12,255,000	\$ 1,915,000	\$ 390,000	\$ 13,780,000	\$ 490,000
Certificates of Participation	7,745,000	-	360,000	7,385,000	280,000
Less: deferred amounts for issuance discounts	<u>(138,725)</u>	<u>(2,405)</u>	<u>(7,057)</u>	<u>(134,073)</u>	<u>-</u>
Total bonds payable	\$ 19,861,275	\$ 1,912,595	\$ 742,943	\$ 21,030,927	\$ 770,000
Capital leases	2,144	179,483	10,195	171,432	22,143
Promissory note	3,908	-	3,908	-	-
Net OPEB obligation	91,372	81,118	-	172,490	-
Compensated absences	<u>1,085,180</u>	<u>130,174</u>	<u>6,578</u>	<u>1,208,776</u>	<u>60,439</u>
Governmental Activities Long-Term Liabilities	<u>\$ 21,043,879</u>	<u>\$ 2,303,370</u>	<u>\$ 763,624</u>	<u>\$ 22,583,625</u>	<u>\$ 852,582</u>

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

All full-time and certain part-time employees of Wabasha 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution 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 of average salary for each year of service.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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.

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, Saint 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. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.4 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

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	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

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:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 400,403	\$ 379,619	\$ 336,832
Public Employees Police and Fire Fund	148,738	133,475	104,366
Public Employees Correctional Fund	50,589	47,799	45,799

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

B. Defined Contribution Plan

Three elected employees, one appointed employee, and four Board members of Wabasha 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 Min. 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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 plan provisions, including 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.

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 15,040	\$ 15,040
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

The County provides health insurance benefits for certain retired employees under a single-employer self-insured health care plan, financed and administered by the Southeast Service Cooperative and Wabasha County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the 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 a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are 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

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy (Continued)

100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate subsidy. As of January 1, 2009, one retiree was receiving health benefits from the County's health plan. The postemployment benefit is funded on a pay-as-you go basis.

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, projected to cover normal costs each year and amortize any unfunded actuarial 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	\$	109,669
Interest on net OPEB obligations		4,112
Adjustment to ARC		(5,487)

Annual OPEB cost	\$	108,294
Contribution during the year		(27,176)

Increase in net OPEB obligation	\$	81,118
Net OPEB, Beginning of Year		91,372

Net OPEB, End of Year	\$	172,490

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 109,669	\$ 18,297	16.68%	\$ 91,372
December 31, 2009	108,294	27,176	25.09	172,490

Funded Status and Funding Progress

The County is planning to restrict cash and investments to offset the liability of the plan. However, since such restricted cash and investments have not been irrevocably deposited into a trust for future health benefits, the actuarial value of assets is \$0.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
January 1, 2007	\$ -	\$ 749,441	\$ 749,441	0.00%	\$ 6,372,223	11.76%

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 liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2007, 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 ten years. The initial unfunded actuarial liability is being amortized as a level dollar amount over an open 30-year period beginning in 2008.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties 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. 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 in 2009 and \$450,000 in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. 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.

B. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

Wabasha County and other regional counties have formed the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) for the purpose of providing housing and redevelopment services to Southeastern Minnesota counties. The governing body consists of a Board of Commissioners. Each member county appoints two Commissioners. The HRA adopts its own budget. Complete financial statements for the HRA can be obtained at 134 East Second Street, Wabasha, Minnesota 55981.

Family Services Collaborative

The Wabasha County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Wabasha County and numerous other human services-related agencies serving Wabasha County residents. The governing board consists of seven members, of whom four represent the legally required participants of a collaborative (a school district, the county, public health, and a community action agency). The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success of every child.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Family Services Collaborative (Continued)

Any withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to any compensation as long as the Collaborative continues in existence. Should the Collaborative cease to exist, all property, real and personal, at the time of the termination shall be distributed by the Wabasha County Family Services Collaborative Board of Directors.

The main source of financing is provided by federal grants. Wabasha County, in an agent capacity, reports the cash transactions of the Wabasha County Family Services Collaborative as an agency fund in its financial statements.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating counties' health care functions, referred to as county-based purchasing.

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2009, was \$382,156. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Human Services.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Country Health Alliance (Continued)

Complete financial statements for the SCHA may be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

C. Jointly-Governed Organizations

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

Minnesota Computer Cooperative

The Minnesota Computer Cooperative provides computer programming service to several counties. During 2009, the County paid \$95,102 for dues, membership, and services.

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs to members. During 2009, the County paid \$175 for an annual membership fee to the Cooperative.

Southeast Minnesota Water Quality Board

The Southeast Minnesota Water Quality Board provides regional water quality services to member counties. During 2009, Wabasha County made no payments to the Board.

Southeast Minnesota Emergency Management Services

The Southeast Minnesota Emergency Management Services (EMS) provides various health services to member counties. During 2009, Wabasha County made no payments to the EMS.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Southeast Minnesota Regional Radio Board

The Southeast Minnesota Regional Radio Board provides for the regional administration of enhancements to the Statewide Public Safety Radio and Communications System (ARMER). During 2009, Wabasha County paid \$500 to the Board.

Southeast Minnesota Narcotics and Gang Task Force

The Southeast Minnesota Narcotics and Gang Task Force provides specialized law enforcement services to several counties. During 2009, Wabasha County made no payments to the Task Force.

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. During 2009, Wabasha County paid \$145,460 to the Library.

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During 2009, Wabasha County paid \$4,498 to the Project.

Three Rivers Community Action

Three Rivers Community Action provides various programs to several counties. During 2009, Wabasha County made no payments to Three Rivers.

Workforce Development, Inc.

Workforce Development, Inc., provides various job training services to several counties. During 2009, the County paid \$112,008 to this organization.

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

D. Related Organization

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2009, the County paid \$4,111 to the Bear Valley Watershed.

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies

Although the Reads Landing Water and Sanitary District has the option to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, it has chosen not to do so.

Reporting Entity

The Reads Landing Water and Sanitary District is governed by a five-member Board of Directors who are appointed jointly by the County Board and the Township Board. Because of the significance of its financial relationship, Wabasha County considers this entity a major component unit.

Basis of Presentation

The District is accounted for as an enterprise fund/business-type activity. The District does not prepare separate financial statements.

Basis of Accounting

The District is accounted for on the accrual basis of accounting.

Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Cash and Pooled Investments

All cash of the District is on deposit with Wabasha County and included within its pooled cash and investments. The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, the District's equity in the County's investment pool is treated as a cash equivalent because it can deposit or effectively withdraw cash at any time without prior notice or penalty.

Receivables

No allowance has been made for uncollectible accounts.

Restricted Assets

Certain funds of the District are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as needed.

Capital Assets

All purchased capital assets are valued at historical cost. All donated capital assets are valued at fair value at the date of donation. Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the assets' estimated useful lives using the straight-line method. The estimated useful life of the sewer lines is 40 years.

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue is made up of prepaid sewer usage fees.

B. Detailed Notes - Assets, Liabilities, and Net Assets

Capital Assets

Component unit capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	(213,590)	(34,175)	-	(247,765)
Total Capital Assets, Net	<u>\$ 1,153,388</u>	<u>\$ (34,175)</u>	<u>\$ -</u>	<u>\$ 1,119,213</u>

Depreciation expense of \$34,175 was charged to sewer operations.

C. Liabilities

1. Long-Term Debt

Reads Landing Water and Sanitary District issued General Obligation Sewer Revenue Bonds in 2004.

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General obligation bonds	2043	\$972 - \$5,166	4.375	\$ 101,000	<u>\$ 94,490</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

C. Liabilities (Continued)

2. Debt Service Requirements

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

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,257	\$ 4,134
2011	1,312	4,079
2012	1,370	4,022
2013	1,430	3,962
2014	1,492	3,899
2015 - 2019	8,498	18,457
2020 - 2024	10,529	16,428
2025 - 2029	13,040	13,914
2030 - 2034	16,154	10,801
2035 - 2039	20,010	6,945
2040 - 2043	19,398	2,167
Total	\$ 94,490	\$ 88,808

3. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 95,694	\$ -	\$ 1,204	\$ 94,490	\$ 1,257

REQUIRED SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,846,301	\$ 6,846,301	\$ 6,981,637	\$ 135,336
Licenses and permits	177,542	183,542	209,671	26,129
Intergovernmental	2,322,925	2,351,520	2,749,834	398,314
Charges for services	657,419	657,419	591,165	(66,254)
Fines and forfeits	8,000	8,000	29,566	21,566
Gifts and contributions	5,980	5,980	9,428	3,448
Investment earnings	300,000	300,000	290,901	(9,099)
Miscellaneous	170,857	170,857	161,073	(9,784)
Total Revenues	\$ 10,489,024	\$ 10,523,619	\$ 11,023,275	\$ 499,656
Expenditures				
Current				
General government				
Commissioners	\$ 202,123	\$ 190,284	\$ 166,395	\$ 23,889
Courts	37,000	37,000	35,956	1,044
Other courts	36,297	36,297	32,607	3,690
County administrator	367,072	366,072	348,888	17,184
County auditor/treasurer	277,761	274,861	266,919	7,942
County assessor	381,989	378,159	377,608	551
Elections	7,455	5,155	10,163	(5,008)
Data processing	263,316	263,316	272,075	(8,759)
Attorney	481,855	434,943	412,628	22,315
Law library	34,090	34,090	24,807	9,283
Recorder	397,060	394,560	444,353	(49,793)
Surveyor	30,000	30,000	34,940	(4,940)
Planning and zoning	297,581	297,581	283,058	14,523
Geographic information systems (GIS)	74,448	73,598	73,405	193
Buildings and plant	655,698	648,698	316,333	332,365
Veterans service officer	221,537	217,492	216,039	1,453
Other general government	367,626	367,626	278,875	88,751
Total general government	\$ 4,132,908	\$ 4,049,732	\$ 3,595,049	\$ 454,683
Public safety				
Sheriff	\$ 2,662,343	\$ 2,621,925	\$ 2,612,989	\$ 8,936
Boat and water safety	18,282	18,282	54,630	(36,348)
Emergency services	62,599	62,599	93,007	(30,408)
Coroner	26,243	26,243	17,684	8,559
E-911 system	490,000	483,500	837,799	(354,299)
County jail	1,509,723	1,417,560	930,086	487,474
Community corrections	607,910	597,035	557,513	39,522
Total public safety	\$ 5,377,100	\$ 5,227,144	\$ 5,103,708	\$ 123,436

**WABASHA COUNTY
WABASHA, MINNESOTA**

**Schedule 1
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Hazardous waste	\$ 37,076	\$ 37,076	\$ 38,654	\$ (1,578)
SCORE	104,044	104,044	89,354	14,690
Environmental services	119,596	119,596	116,597	2,999
Total sanitation	\$ 260,716	\$ 260,716	\$ 244,605	\$ 16,111
Culture and recreation				
Historical society	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Snowmobile	85,600	85,600	121,423	(35,823)
Senior citizens	1,500	1,500	1,500	-
County/regional library	145,460	145,460	145,460	-
Total culture and recreation	\$ 238,560	\$ 238,560	\$ 274,383	\$ (35,823)
Conservation of natural resources				
County extension	\$ 123,319	\$ 123,319	\$ 121,429	\$ 1,890
Soil and water conservation	140,000	140,000	141,048	(1,048)
Agricultural inspections	1,100	1,100	75	1,025
Agricultural society/County fair	21,012	21,012	21,140	(128)
Predator control	8,000	8,000	11,652	(3,652)
Water planning	23,924	23,924	23,924	-
Wetland challenge	13,806	13,806	13,806	-
Environmental services	9,731	9,731	18,940	(9,209)
Other	18,525	18,525	18,502	23
Total conservation of natural resources	\$ 359,417	\$ 359,417	\$ 370,516	\$ (11,099)
Economic development				
Housing development	\$ 113,461	\$ 113,461	\$ 597,150	\$ (483,689)
Tourism	3,000	3,000	3,000	-
Total economic development	\$ 116,461	\$ 116,461	\$ 600,150	\$ (483,689)

**WABASHA COUNTY
WABASHA, MINNESOTA**

**Schedule 1
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Debt service				
Principal	\$ 2,287	\$ 2,287	\$ 10,195	\$ (7,908)
Interest	14	14	4,624	(4,610)
Total debt service	\$ 2,301	\$ 2,301	\$ 14,819	\$ (12,518)
Total Expenditures	\$ 10,487,463	\$ 10,254,331	\$ 10,203,230	\$ 51,101
Excess of Revenues Over (Under)				
Expenditures	\$ 1,561	\$ 269,288	\$ 820,045	\$ 550,757
Other Financing Sources (Uses)				
Transfers out	-	-	(327,237)	(327,237)
Proceeds from capital lease purchase	-	-	179,483	179,483
Proceeds from sale of capital assets	-	-	13,592	13,592
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (134,162)	\$ (134,162)
Net Change in Fund Balance	\$ 1,561	\$ 269,288	\$ 685,883	\$ 416,595
Fund Balance - January 1	8,267,392	8,267,392	8,267,392	-
Fund Balance - December 31	\$ 8,268,953	\$ 8,536,680	\$ 8,953,275	\$ 416,595

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,133,628	\$ 1,133,628	\$ 1,124,733	\$ (8,895)
Intergovernmental	7,762,588	7,756,044	6,606,029	(1,150,015)
Charges for services	9,100	9,100	6,469	(2,631)
Miscellaneous	9,925	9,925	16,607	6,682
Total Revenues	\$ 8,915,241	\$ 8,908,697	\$ 7,753,838	\$ (1,154,859)
Expenditures				
Current				
Highways and streets				
Administration	\$ 372,628	\$ 370,128	\$ 355,534	\$ 14,594
Engineering	403,073	401,523	449,955	(48,432)
Maintenance	1,446,255	1,450,511	1,476,806	(26,295)
Construction	5,976,957	5,976,957	4,652,747	1,324,210
Equipment maintenance and shop	716,328	709,578	586,877	122,701
Total Expenditures	\$ 8,915,241	\$ 8,908,697	\$ 7,521,919	\$ 1,386,778
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 231,919	\$ 231,919
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	17,600	17,600
Net Change in Fund Balance	\$ -	\$ -	\$ 249,519	\$ 249,519
Fund Balance - January 1	1,315,819	1,315,819	1,315,819	-
Increase (decrease) in reserved for inventories	-	-	45,766	45,766
Fund Balance - December 31	\$ 1,315,819	\$ 1,315,819	\$ 1,611,104	\$ 295,285

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,523,136	\$ 1,523,136	\$ 1,510,504	\$ (12,632)
Licenses and permits	10,000	10,000	11,150	1,150
Intergovernmental	2,543,630	2,543,630	2,436,654	(106,976)
Charges for services	29,350	29,350	58,540	29,190
Miscellaneous	95,100	95,100	355,971	260,871
Total Revenues	\$ 4,201,216	\$ 4,201,216	\$ 4,372,819	\$ 171,603
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,053,998	\$ 1,053,773	\$ 1,107,247	\$ (53,474)
Social services	3,147,218	3,109,306	2,703,478	405,828
Total Expenditures	\$ 4,201,216	\$ 4,163,079	\$ 3,810,725	\$ 352,354
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 38,137	\$ 562,094	\$ 523,957
Other Financing Sources (Uses)				
Transfers in	-	-	1,512	1,512
Net Change in Fund Balance	\$ -	\$ 38,137	\$ 563,606	\$ 525,469
Fund Balance - January 1	2,732,156	2,732,156	2,732,156	-
Fund Balance - December 31	\$ 2,732,156	\$ 2,770,293	\$ 3,295,762	\$ 525,469

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	\$ -	\$ 749,441	\$ 749,441	0.00%	\$ 6,372,223	11.76%

**WABASHA COUNTY
WABASHA, 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 capital projects funds. The capital projects funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. Before September 15, 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's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board did not make supplemental budgetary appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders and 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 Funding Status

Wabasha County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero. Currently, only one year's worth of data is available. Future reports will provide additional trend analysis to meet the three-actuarial-valuation data requirement as it becomes available.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Regional Railroad Fund accounts for the operations of the Railroad Authority, which is a component unit of the County.

The Public Health Fund accounts for the financial activities relating to nursing services and health education.

DEBT SERVICE FUND

The Criminal Justice Center Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs associated with the debt incurred for the construction of the criminal justice center.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 1

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

	Special Revenue Funds		Debt Service Fund	Total (Exhibit 3)
	Regional Railroad	Public Health	Criminal Justice Center	
<u>Assets</u>				
Cash and pooled investments	\$ 51,839	\$ 634,535	\$ 1,885,580	\$ 2,571,954
Taxes receivable				
Prior	-	6,990	28,724	35,714
Accounts receivable	-	75,601	-	75,601
Accrued interest receivable	-	-	2,085	2,085
Due from other governments	-	112,189	-	112,189
Total Assets	\$ 51,839	\$ 829,315	\$ 1,916,389	\$ 2,797,543
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 4,459	\$ 2,100	\$ 6,559
Salaries payable	-	38,991	-	38,991
Due to other governments	-	379	-	379
Deferred revenue - unavailable	-	59,564	19,384	78,948
Deferred revenue - unearned	-	20,807	-	20,807
Total Liabilities	\$ -	\$ 124,200	\$ 21,484	\$ 145,684
Fund Balances				
Reserved for health	\$ -	\$ 26,425	\$ -	\$ 26,425
Reserved for debt service	-	-	1,894,905	1,894,905
Unreserved				
Designated for cash flows	-	162,000	-	162,000
Designated for compensated absences	-	133,895	-	133,895
Undesignated	51,839	382,795	-	434,634
Total Fund Balances	\$ 51,839	\$ 705,115	\$ 1,894,905	\$ 2,651,859
Total Liabilities and Fund Balances	\$ 51,839	\$ 829,315	\$ 1,916,389	\$ 2,797,543

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 2

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total (Exhibit 5)</u>
	<u>Regional Railroad</u>	<u>Public Health</u>	<u>Criminal Justice Center</u>	
Revenues				
Taxes	\$ -	\$ 319,686	\$ 1,486,995	\$ 1,806,681
Licenses and permits	-	180	-	180
Intergovernmental	-	774,466	134,370	908,836
Charges for services	-	484,533	-	484,533
Gifts and contributions	5,000	1,210	-	6,210
Investment earnings	-	-	2,318	2,318
Miscellaneous	1,359	3,197	1,692	6,248
Total Revenues	\$ 6,359	\$ 1,583,272	\$ 1,625,375	\$ 3,215,006
Expenditures				
Current				
Health	\$ -	\$ 1,488,517	\$ -	\$ 1,488,517
Culture and recreation	4,730	-	-	4,730
Debt service				
Principal	3,908	-	750,000	753,908
Interest	82	-	902,134	902,216
Administrative - fiscal charges	-	-	5,300	5,300
Total Expenditures	\$ 8,720	\$ 1,488,517	\$ 1,657,434	\$ 3,154,671
Excess of Revenues Over (Under) Expenditures	\$ (2,361)	\$ 94,755	\$ (32,059)	\$ 60,335
Other Financing Sources (Uses)				
Transfers in	3,150	-	21,532	24,682
Net Change in Fund Balance	\$ 789	\$ 94,755	\$ (10,527)	\$ 85,017
Fund Balance - January 1	51,050	610,360	1,905,432	2,566,842
Fund Balance - December 31	\$ 51,839	\$ 705,115	\$ 1,894,905	\$ 2,651,859

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
REGIONAL RAILROAD SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Gifts and contributions	\$ 4,022	\$ 4,022	\$ 5,000	\$ 978
Miscellaneous	1,400	1,400	1,359	(41)
Total Revenues	\$ 5,422	\$ 5,422	\$ 6,359	\$ 937
Expenditures				
Current				
Culture and recreation				
Trails	\$ 1,417	\$ 1,417	\$ 1,580	\$ (163)
Minnesota High Speed Rail Commission	-	-	3,150	(3,150)
Total culture and recreation	\$ 1,417	\$ 1,417	\$ 4,730	\$ (3,313)
Debt service				
Principal	\$ 3,908	\$ 3,908	\$ 3,908	\$ -
Interest	97	97	82	15
Total debt service	\$ 4,005	\$ 4,005	\$ 3,990	\$ 15
Total Expenditures	\$ 5,422	\$ 5,422	\$ 8,720	\$ (3,298)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (2,361)	\$ (2,361)
Other Financing Sources (Uses)				
Transfers in	-	-	3,150	3,150
Net Change in Fund Balance	\$ -	\$ -	\$ 789	\$ 789
Fund Balance - January 1	51,050	51,050	51,050	-
Fund Balance - December 31	\$ 51,050	\$ 51,050	\$ 51,839	\$ 789

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 6

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 322,258	\$ 322,258	\$ 319,686	\$ (2,572)
Licenses and permits	300	300	180	(120)
Intergovernmental	326,743	341,743	774,466	432,723
Charges for services	773,723	773,723	484,533	(289,190)
Gifts and contributions	1,500	1,500	1,210	(290)
Miscellaneous	88,000	88,000	3,197	(84,803)
Total Revenues	\$ 1,512,524	\$ 1,527,524	\$ 1,583,272	\$ 55,748
Expenditures				
Current				
Health				
Nursing service	\$ 818,405	\$ 800,016	\$ 721,661	\$ 78,355
Family health	197,070	182,771	177,628	5,143
Disease prevention	35,770	34,545	66,403	(31,858)
Health education	75,759	90,759	59,419	31,340
Community health services	385,520	385,520	463,406	(77,886)
Total Expenditures	\$ 1,512,524	\$ 1,493,611	\$ 1,488,517	\$ 5,094
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 33,913	\$ 94,755	\$ 60,842
Fund Balance - January 1	610,360	610,360	610,360	-
Fund Balance - December 31	\$ 610,360	\$ 644,273	\$ 705,115	\$ 60,842

FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

AGENCY FUNDS

The Revolving Fund accounts for the transfer of funds through various local governments and the state.

The Family Service Collaborative Fund accounts for funds received and expended by the Family Service Collaborative.

The Pre-Tax Fund accounts for collections that will be paid to the Southeast Service Cooperative.

The Taxes and Penalties Fund accounts for all taxes and penalties collected and distribution of the taxes collected.

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**WABASHA COUNTY
WABASHA, 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>REVOLVING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>52,459</u>	\$ <u>673,949</u>	\$ <u>674,889</u>	\$ <u>51,519</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>52,459</u>	\$ <u>673,949</u>	\$ <u>674,889</u>	\$ <u>51,519</u>
 <u>FAMILY SERVICE COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>463,890</u>	\$ <u>152,567</u>	\$ <u>227,238</u>	\$ <u>389,219</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>463,890</u>	\$ <u>152,567</u>	\$ <u>227,238</u>	\$ <u>389,219</u>
 <u>PRE-TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>150,021</u>	\$ <u>1,770,590</u>	\$ <u>1,745,168</u>	\$ <u>175,443</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>150,021</u>	\$ <u>1,770,590</u>	\$ <u>1,745,168</u>	\$ <u>175,443</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 3
(Continued)

**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>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 296,652	\$ 25,420,042	\$ 25,380,781	\$ 335,913
<u>Liabilities</u>				
Accounts payable	\$ 11,935	\$ 101,357	\$ 82,173	\$ 31,119
Due to other funds	-	11,584,061	11,584,061	-
Due to other governments	284,717	13,734,624	13,714,547	304,794
Total Liabilities	\$ 296,652	\$ 25,420,042	\$ 25,380,781	\$ 335,913
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 963,022	\$ 28,017,148	\$ 28,028,076	\$ 952,094
<u>Liabilities</u>				
Accounts payable	\$ 11,935	\$ 101,357	\$ 82,173	\$ 31,119
Due to other funds	-	11,584,061	11,584,061	-
Due to other governments	951,087	16,331,730	16,361,842	920,975
Total Liabilities	\$ 963,022	\$ 28,017,148	\$ 28,028,076	\$ 952,094

COMPONENT UNIT

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 7

**STATEMENT OF NET ASSETS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
DECEMBER 31, 2009**

Assets

Current assets

Cash and pooled investments	\$ 4,853
Special assessments receivable	
Current	4,729
Accounts receivable	5,350
	<hr/>

Total current assets **\$ 14,932**

Restricted assets

Cash and pooled investments	5,350
-----------------------------	-------

Noncurrent assets

Capital assets	
Depreciable - net	1,119,213
	<hr/>

Total Assets **\$ 1,139,495**

Liabilities

Current liabilities

Accounts payable	\$ 436
Due to other governments	3,464
Deferred revenue - unearned	66
Revenue bonds payable - current	1,257
	<hr/>

Total current liabilities **\$ 5,223**

Noncurrent liabilities

Revenue bonds payable - long-term	93,233
	<hr/>

Total Liabilities **\$ 98,456**

Net Assets

Invested in capital assets - net of related debt	\$ 1,024,723
Restricted for	
Equipment replacement	10,966
Debt service	5,350
	<hr/>

Total Net Assets **\$ 1,041,039**

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating Revenues	
Charges for services	\$ 48,945
Special assessments	2,669
	<hr/>
Total Operating Revenues	\$ 51,614
Operating Expenses	
Professional services	\$ 286
Contracted services	42,461
Machinery and equipment, repair, and maintenance	-
Other services and charges	234
Telephone	554
Utilities	1,257
Insurance	1,690
Postage	106
Depreciation	34,175
	<hr/>
Total Expenditures	\$ 80,763
Operating Income (Loss)	\$ (29,149)
Nonoperating Revenues (Expenses)	
Interest income	\$ 38
Interest expense	(4,187)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (4,149)
Change in Net Assets	\$ (33,298)
Net Assets - January 1	1,074,337
	<hr/>
Net Assets - December 31	\$ 1,041,039
	<hr/>

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 9

**STATEMENT OF CASH FLOWS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2009
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 51,049
Payments to suppliers	<u>(46,303)</u>
Net cash provided by (used in) operating activities	<u>\$ 4,746</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (1,204)
Interest paid on long-term debt	<u>(4,187)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (5,391)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 38</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (607)
Cash and Cash Equivalents at January 1	<u>10,810</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 10,203</u></u>
Cash and Cash Equivalents - Schedule 6	
Cash and pooled investments	\$ 4,853
Restricted cash and pooled investments	<u>5,350</u>
Total Cash and Cash Equivalents	<u><u>\$ 10,203</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (29,149)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 34,175
(Increase) decrease in special assessments receivable	(732)
(Increase) decrease in accounts receivable	131
Increase (decrease) in accounts payable	285
Increase (decrease) in unearned revenue	<u>36</u>
Total adjustments	<u>\$ 33,895</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 4,746</u></u>

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OTHER SCHEDULE

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 10

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

Shared Revenue

State

Highway users tax	\$ 3,234,729
PERA rate reimbursement	22,637
Disparity reduction aid	19,809
Police aid	128,272
County program aid	962,639
Market value credit	998,445
Enhanced 911	98,331
Sales tax rebate	166,632

Total Shared Revenue **\$ 5,631,494**

Reimbursement for Services

Minnesota Department of Human Services **\$ 459,257**

Payments

Local

Local contributions	\$ 10,418
Payments in Lieu of Taxes	200,483

Total Payments **\$ 210,901**

Grants

State

Minnesota Department of Corrections	\$ 190,457
Public Safety	63,709
Health	100,153
Natural Resources	129,696
Human Services	1,060,794
Veterans Services	35,395
Transportation	2,983,427
Water and Soil Resources Board	102,938
Pollution Control Agency	57,667
Peace Officer Standards and Training Board	7,928

Total State **\$ 4,732,164**

Federal

Department of Agriculture	\$ 184,961
Commerce	4,310
Housing and Urban Development	326,965
Justice	4,567
Transportation	132,039
Health and Human Services	1,056,875
Homeland Security	90,795
Environmental Protection Agency	33,657

Total Federal **\$ 1,834,169**

Total State and Federal Grants **\$ 6,566,333**

Total Intergovernmental Revenue **\$ 12,867,985**

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 11

**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 Wabasha County.
- B. A significant deficiency in internal control was disclosed by the audit of financial statements of Wabasha County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Wabasha County were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award programs is 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." It was not a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for Wabasha County expresses an unqualified opinion.
- F. Findings relative to major federal award programs for Wabasha County were reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Community Development Block Grants/State's Program	CFDA #14.228
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wabasha County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-3 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.

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

Client's Response:

The County will continue to evaluate its processes and procedures to ensure segregation of duties as much as possible with the staffing that is available. When segregation of duties is not feasible the department head is responsible for reviewing financial transactions to ensure internal controls are in place over these types of transactions.

PREVIOUSLY REPORTED ITEMS RESOLVED

Prior Period Adjustment (08-1)

The January 1, 2008, net assets of Wabasha County were restated to properly account for state park funds.

Resolution

No prior period adjustment was required in the current audit year.

Audit Adjustment (08-2)

An audit adjustment was proposed for the reclassification of \$1,905,432 of net assets invested in capital assets, net of related debt, to restricted net assets.

Resolution

No audit adjustments were required in the current audit year

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

A. COMPLIANCE

09-1 Child Support Enforcement and Child Support Enforcement - ARRA
(CFDA #93.563) Activities Allowed and Unallowed

Wabasha County inaccurately reported the salaries and benefits of employees on the Income Maintenance DHS 2550 report. The County reported two employees in the Child Support expenditures category of the report when they should have been reported in Income Maintenance.

We recommend the County review the account coding of salaries and benefits of employees on a periodic basis to ensure that costs are being coded to the proper programs and functions.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Nicki Moline

Corrective Action Planned:

Wabasha County Social Services has put into place procedures for reviewing the account coding of employees periodically with payroll personnel.

Anticipated Completion Date:

March 2010

09-2 Community Development Block Grants/State's Program (CFDA #14.228)
Subrecipient Monitoring

Wabasha County failed to appropriately monitor the subrecipient activity for the Community Development Block Grants/State's Program until November 2009.

We recommend that Wabasha County effectively monitor and oversee the subrecipient's activities for the Community Development Block Grants/State's Program to ensure that they are in compliance with federal regulations. The monitoring and overseeing should also be documented.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Debbie Koenig

Corrective Action Planned:

Wabasha County has put into place procedures for monitoring and overseeing the subrecipient's (SEMMCHRA) activities as related to the above noted grant.

Anticipated Completion Date:

November 2009

B. INTERNAL CONTROL

ITEM ARISING THIS YEAR

09-3 Community Development Block Grants/State's Program (CFDA #14.228)
Subrecipient Monitoring Controls

Wabasha County failed to document all monitoring policies and procedures for the subrecipient activity of the Community Development Block Grants/State's Program.

We recommend that Wabasha County document all monitoring procedures of the subrecipient's activities for the Community Development Block Grants/State's Program to ensure that they are in compliance with Federal regulations.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Debbie Koenig

Corrective Action Planned:

Wabasha County has put into place written procedures outlining the monitoring controls to be used to oversee the activities of the subrecipient's (SEMMCHRA) activities as related to the above noted grant.

Anticipated Completion Date:

December 2009

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-4 Safe Driving Class

Wabasha County has established a Safe Driving Class option in lieu of issuance or court filing of a state uniform traffic ticket. The County hands out a Safe Driving Class brochure with "simpler" traffic tickets. Motorists who are given brochures are given the option of paying \$125 and attending a two-hour Safe Driving Class in lieu of having their citation prosecuted. The County's website asserts that if a person chooses the class, the citation "will not go on your record, or affect your insurance." The website notes that most of the \$127 paid for a speeding citation goes to the state, but that the \$125 paid for the class "will stay in the county" to be used for traffic enforcement. In a December 2004 letter to the County Sheriff, the Office of the State Auditor's General Counsel explained the position of the Office of the State Auditor that this class program was unauthorized as a diversion program or otherwise and was an effort to issue County penalties for traffic offenses regulated by state law.

The Office of the State Auditor's letter to the Sheriff agreed with a December 1, 2003, letter from the Attorney General's Office to Rep. Steve Smith. In this letter, the Attorney General's Office found that the state had preempted the field with respect to the offenses and procedures defined in Minn. Stat. chs. 169 and 609 through 634 so that local governments [in that case cities] may not "redefine the nature or level of criminal offenses as specified by statute or modify statutory procedures for enforcement or penalties for an offense." The Attorney General's Office found "[i]n the specific case of traffic offenses, the legislature has plainly preempted the field of enforcement." It quoted Minn. Stat. § 169.022, which states:

"The provisions of this chapter shall be applicable and uniform throughout this state and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense."

The Attorney General also noted that Minn. Stat. §§ 169.91 and 169.99 "specify the procedures to be followed by peace officers in connection with arrest of traffic violators, and the uniform form of traffic ticket, having the effect of a summons and complaint, which must be used by all peace officers." Local governments are precluded from creating their own enforcement systems inconsistent with those proscribed in statute.

Although Minn. Stat. § 169.89, subd. 5, authorized a trial court to order a convicted person to attend a driver improvement clinic, the Attorney General's Office found no authority for local officials to create their own pretrial diversion programs. This lack of authority is not remedied by a "To Whom it May Concern" memo in which Judge Terrence Walters indicates he told the Sheriff he considered the Driver Safety Class to be a form of diversion.

Schedule 11
(Continued)

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. See 2009 Minn. Laws, ch. 158. Among other provisions, the new law states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999, and specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the Commissioner of Public Safety and specifies that the fine for an administrative violation must be \$60, two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Commissioner of Minnesota Management & Budget for deposit in the state's General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the new statute.

We recommend the County comply with Minn. Stat. ch. 169, including Minn. Stat. § 169.999, or any subsequent legislation by not offering a safety class in lieu of issuance or court filing of a state uniform traffic ticket.

Client's Response:

The Wabasha County Sheriff disagrees with the State Auditor in regards to their interpretation of State Statutes pertaining to our diversion class that we host in our county once a month.

The Wabasha County program is not an Administrative Citation program. It does not preempt the court process. It simply gives the offender a chance to learn of the consequences of their mistakes without having that citation follow their record the rest of their lives. The participants that go through the class applaud the Wabasha County Sheriff's Office for their efforts in traffic safety education. Many feel that they are better off from having attended. Our office has not heard that from someone just having paid the citation.

Our Sheriff's Office is committed to keeping the public safer while driving through our county. We are accomplishing this. The mere issuance of a tax (citation) without anything in return to our public is not acceptable to us.

Auditor's Reply:

As indicated by the Minnesota Attorney General's Office, the state has fully entered the field of traffic regulation through Chapter 169 of the Minnesota Statutes. See Attorney General's Office December 1, 2003, letter to Rep. Steve Smith. For this reason, local governments are precluded from creating their own enforcement systems inconsistent with those prescribed by statute. *Id.* As noted above, Minn. Stat. § 169.999 authorizes administrative citations and prescribes criteria for them.

The Attorney General recognized that Minn. Stat. § 169.89, subd. 5, "authorizes a trial court to require, as part of or in lieu of other penalties, that convicted persons attend a driver improvement clinic. All such programs, however, require that a *trial court* make the determination as to whether attendance at such a clinic is appropriate." The statutes regarding driver improvement clinics specifically state that such clinics are for "persons convicted of traffic violations." Minn. Stat. § 169.971. The tuition fee for an authorized clinic may not exceed \$50 or the actual cost of the course. Minn. Stat. § 169.972, subd. 2. The "Safe Driving Class" is not authorized by these statutes.

The "Safe Driving Class" is neither an authorized administrative citation program nor an authorized driver improvement clinic. We recommend the County comply with Minn. Stat. ch. 169.

ITEM ARISING THIS YEAR

09-4

Insufficient Collateral

Minn. Stat. § 118A.03 requires governmental entities to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit. The County had deposits at the Bank of Alma that were not adequately covered by collateral. The amount of collateral required to secure deposits at the Bank of Alma at December 31, 2009, was \$310,000 more than the amount of collateral pledged.

We recommend the County monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

Corrective action was taken during the audit to ensure the County deposits with this bank were collateralized. The Finance Officer will review deposits on a monthly basis to ensure adequate collateral has been pledged.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-10 Disaster Recovery Plan

While reviewing the Data Processing Department, we noted Wabasha County has a data processing disaster recovery agreement with Goodhue County but has no disaster recovery plan to ensure continued operation if a disaster or major computer breakdown were to occur. A disaster recovery plan would give greater assurance that the County is prepared for a disaster or major computer breakdown. The County needs to provide for the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements. A disaster recovery plan should include, but not be limited to, the following:

- a list of key personnel, including the actual recovery team, who should be available during the recovery process;
- a description of the responsibilities of each member of the recovery team and of all other County employees;
- a plan as to how the County will continue operations until normal operations are re-established;
- a list of materials the County needs to continue operations and how they will be obtained;
- identification of the space to be used; and
- a schedule for developing and periodically reviewing and updating the plan.

We recommend the County develop, implement, and test the disaster recovery plan. All County employees should be familiar with the plan.

Client's Response:

Management of Wabasha County recognizes the need for a disaster recovery plan and will work on developing a plan.

C. 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 (for example, 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.
- *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.

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REBECCA OTTO
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
Wabasha County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha 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 July 14, 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 Wabasha 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 Wabasha County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as item 08-3, that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wabasha 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 Wabasha County did not have any.

The results of our tests indicate that, for the items tested, Wabasha County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 08-4 and 09-4.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe this recommendation and information to be of benefit to the County, and they are reported for that purpose.

Wabasha County's written responses to the internal control, legal compliance, and management practice 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 Wabasha 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

July 14, 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
Wabasha County

Compliance

We have audited the compliance of Wabasha 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. Wabasha 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 Wabasha 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, Wabasha 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 items 09-1 and 09-2.

Internal Control Over Compliance

Management of Wabasha 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 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. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 09-3. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha 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 July 14, 2010. Our audit was performed for the purpose of forming opinions on Wabasha 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.

Wabasha County's corrective action plans to the federal award findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plans 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 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

July 14, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 12

**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	\$ 104,479
Passed Through Minnesota Department of Human Services State Administrative Matching Grants State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	78,039
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA	10.561	<u>2,443</u>
Total U.S. Department of Agriculture		<u>\$ 184,961</u>
U.S. Department of Commerce		
Passed Through Olmsted County Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 40,247</u>
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program	14.228	<u>\$ 326,965</u>
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	<u>\$ 4,567</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 129,780
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>2,259</u>
Total U.S. Department of Transportation		<u>\$ 132,039</u>
U.S. Environmental Protection Agency		
Passed Through Southeastern Minnesota Water Resources Board Nonpoint Source Implementation Grants	66.460	<u>\$ 33,657</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

***Schedule 12
(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 Health and Human Services		
Passed Through National Association of County & City Health Officials Medical Reserve Corps Small Grants Program	93.008	\$ 2,839
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	22,292
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	18,524
Temporary Assistance for Needy Families	93.558	40,865
Maternal and Child Health Services Block Grant	93.994	23,872
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	6,751
Temporary Assistance for Needy Families Child Support Enforcement	93.558	111,345
Child Support Enforcement	93.563	298,572
Child Support Enforcement - ARRA	93.563	38,634
Refugee and Entrant Assistance - State Administered Program	93.566	211
Child Care Mandatory and Matching Funds of the Childcare and Development Fund	93.596	10,857
Foster Care - Title IV-E Foster Care - Title IV-E	93.658	86,313
Foster Care - Title IV-E - ARRA	93.658	2,148
Social Services Block Grant	93.667	124,769
Chafee Foster Care Independence Program	93.674	5,073
Children's Health Insurance Program	93.767	27
Medical Assistance Program	93.778	254,053
Block Grants for Community Mental Health Services	93.958	1,588
Total U.S. Department of Health and Human Services		\$ 1,048,733
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 48,248
Passed Through Minnesota Department of Public Safety Hazard Mitigation Grant	97.039	24,925
Emergency Management Performance Grant	97.042	17,622
Homeland Security Grant Program	97.067	3,000
Total U.S. Department of Homeland Security		\$ 93,795
Total Federal Awards		\$ 1,864,964

**WABASHA COUNTY
WABASHA, 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 Wabasha 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 Wabasha 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 Wabasha County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wabasha 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 (Schedule 10)	\$ 1,834,169
Medical Assistance Program grant deferred in 2008 and recognized in 2009	(19,770)
Public Safety Interoperable Communications Grant Program deferred in 2009	35,937
Child Support Enforcement grant deferred in 2009	11,400
Foster Care - Title IV-E - ARRA - grant deferred in 2009	228
Homeland Security Grant Program deferred in 2009	3,000
	3,000
Expenditures per Schedule of Expenditures of Federal Awards (Schedule 12)	\$ 1,864,964

**WABASHA COUNTY
WABASHA, MINNESOTA**

5. Subrecipients

During 2009, Wabasha County passed \$326,965 (CFDA #14.228) to Southeastern Minnesota Multi-County Housing and Redevelopment Authority, a subrecipient of Wabasha County.

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.