

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WINONA COUNTY
WINONA, MINNESOTA

YEAR ENDED DECEMBER 31, 2010

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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**WINONA COUNTY
WINONA, MINNESOTA**

Year Ended December 31, 2010



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

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**WINONA COUNTY
WINONA, MINNESOTA**

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WINONA, MINNESOTA**

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**WINONA COUNTY
WINONA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2010**

Office	Name	Term Expires
Commissioners		
First District	Jim Pomeroy	January 2011
Second District	Dwayne Voegeli	January 2011
Third District	Mena Kaehler	January 2013
Fourth District	Greg Olson	January 2013
Fifth District	Marcia Ward	January 2011
Officers		
Elected		
Attorney	Thomas Frost	January 2011
Recorder	Robert Bambenek	January 2011
Sheriff	Dave Brand	January 2011
Auditor/Treasurer	Suzanne Rivers	January 2011
Appointed		
Administrator	Duane Hebert	Indefinite
Interim Community Health Director	Merrily Hazelton	Interim
County Assessor	Steven Hacken	December 2012
Environmental Services Director	Jill Johnson	Indefinite
Facility Manager	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2011
Interim Human Services Director	Julie A. Thompson	Interim
Information Technology Director	Mark Anderson	Indefinite
Personnel Director	Maureen Holte	Indefinite
Planning Director	Vacant	Indefinite
Veterans Service Officer	Steven Johnson	June 2011

**WINONA COUNTY
WINONA, MINNESOTA**

ORGANIZATION OF THE COUNTY

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

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

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Winona County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winona County's management. Our responsibility is to express opinions on these financial statements based on our audit

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of December 31, 2010, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information,

although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winona County's basic financial statements taken as a whole. The supplementary information and Exhibit E-1 included in the other information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information includes the Schedule of Expenditures of Federal Awards required by OMB Circular A-133. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. Exhibit E-1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2011, on our consideration of Winona County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WINONA COUNTY
WINONA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(Unaudited)**

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Winona County, Minnesota, for the year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements, including the notes, to enhance their understanding of the County's financial activity and performance. All amounts are expressed in dollars, unless specifically noted.

FINANCIAL HIGHLIGHTS

- At the end of 2010, Winona County's assets exceeded liabilities by \$97.6 million (net assets). Of that amount, \$5.1 million is restricted; \$29.4 million is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$63.1 million is invested in capital assets.
- At the close of the current year, the ending fund balances for all governmental funds were \$33.6 million. This is an increase of \$1.3 million from the previous year. Of the combined ending fund balances, \$7.4 million is unreserved, undesignated fund balance available for spending by the County.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was zero.
- Total bonded debt increased by \$1.7 million, or 24 percent, during the year. The increase was due to the 2010A bond.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A useful tool for analyzing financial statements is comparative information from previous years. Net assets may be a useful indicator of a government's financial position over time. As of December 31, 2010, assets exceeded liabilities by \$97.6 million. The following table provides a summary of Winona County's governmental net assets.

	<u>2010</u>	<u>2009</u>	<u>Percent Change (%)</u>
Assets			
Current and other assets	\$ 42,276,625	\$ 41,732,911	1
Capital assets	<u>72,027,963</u>	<u>62,758,690</u>	15
Total Assets	<u>\$ 114,304,588</u>	<u>\$ 104,491,601</u>	9
Liabilities			
Current and other liabilities	\$ 5,205,375	\$ 6,081,894	(14)
Long-term liabilities	<u>11,479,036</u>	<u>9,482,879</u>	21
Total Liabilities	<u>\$ 16,684,411</u>	<u>\$ 15,564,773</u>	7
Net Assets			
Invested in capital assets, net of related debt	\$ 63,135,185	\$ 55,813,884	13
Restricted	5,112,202	4,847,428	5
Unrestricted	<u>29,372,790</u>	<u>28,265,516</u>	4
Total Net Assets	<u>\$ 97,620,177</u>	<u>\$ 88,926,828</u>	10

The largest portion of Winona County's net assets, 64.6 percent, or \$63.1 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt. However, resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional \$5.1 million of the County's net assets, or 5.2 percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as land acquisition and public safety projects.

The remaining \$29.4 million of net assets, or 30.1 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2010, Winona County had positive balances in all categories of net assets.

Change in net assets--In 2010, government-wide revenue exceeded expenses by \$8.7 million, thereby increasing net assets. Net assets changed as follows:

	<u>2010</u>	<u>2009</u>	<u>Percent Change (%)</u>
Revenues			
Program revenues			
Charges for services	\$ 5,540,117	\$ 5,089,522	9
Operating grants and contributions	17,816,267	15,826,265	13
Capital Grants and contributions	356	-	
General revenues			
Property taxes	16,322,553	16,439,435	(1)
Unrestricted grants	3,908,911	4,501,208	(13)
Investment income	237,557	418,282	(43)
Other	701,534	647,955	8
Total Revenues	<u>\$ 44,527,295</u>	<u>\$ 42,922,667</u>	4
Expenses			
General government	\$ 6,470,442	\$ 8,191,315	(21)
Public safety	7,182,487	6,659,366	8
Highways and streets	6,336,138	6,889,283	(8)
Sanitation	1,071,386	1,017,177	5
Human services	9,828,406	10,805,096	(9)
Health	3,455,316	3,788,534	(9)
Interest on long-term debt	286,718	267,718	7
Other	1,203,053	1,226,044	2
Total Expenses	<u>\$ 35,833,946</u>	<u>\$ 38,844,533</u>	(8)
Increase in Net Assets	\$ 8,693,349	\$ 4,078,134	113
Net Assets - January 1	<u>88,926,828</u>	<u>84,848,694</u>	5
Net Assets - December 31	<u>\$ 97,620,177</u>	<u>\$ 88,926,828</u>	10

The following three statements depict relationships:

- Program revenues indicate the proportion of program revenue available to fund expenses. Program revenues derive from the program itself or outside the government's taxpayers or citizenry and help reduce the cost of the program.
- General revenue by source indicates the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 37 percent of the total revenue for the County.
- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$16.3 million are leveraged to provide \$35.8 million in services.

Governmental activities increased Winona County's net assets by \$8.7 million, which is 20 percent of current year revenues, 24 percent of current expenses, or 10 percent of beginning net assets. Following are the major components of this portion of the growth:

- property taxes decreased one percent;
- expenses for general government, highways and streets, human services, and health decreased from 2009 to 2010; and
- unrestricted grants decreased by 13 percent.

FUND LEVEL FINANCIAL ANALYSIS

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

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

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

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

For the year ended December 31, 2010, the combined ending fund balances of governmental funds were \$33.6 million. Approximately 89 percent, or \$29.8 million, of the combined ending fund balances consists of unreserved fund balances. Unreserved fund balances are available as working capital and for current spending consistent with the purposes of each of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes:

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

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

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

- (1) The General Fund is the primary operating fund of the Winona County government. The General Fund fund balance was \$10.8 million at the end of 2010. Of that amount, \$1.6 million is reserved for acquisition of assets, forfeited property, donations, and loans receivable. In addition, the Board of Commissioners has designated \$9.3 million for cash flow, compensated absences, recycling, and future expenditures. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unreserved, undesignated fund balance is zero percent of 2010 expenditures, while total fund balance is 70 percent of the same amount. The second purpose is to compare the unreserved fund balance percentages to the recommended percentage given by the Office of the State Auditor. The recommendations are 35 to 50 percent of operating revenues, or no less than five months of expenditures. Winona County's General Fund unreserved fund balance is sufficient to cover seven months of expenditures.

When compared to 2009, the ending fund balance of the General Fund increased \$85,309. When the Flood Special Revenue Fund is complete, these funds will be incorporated into the General Fund.

- (2) The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$4.0 million fund balance at the end of 2010 that represented a \$1.6 million, or 28 percent, decrease from 2009. The decrease was due to a transfer to the Capital Projects Fund.
- (3) The Social Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$6.4 million fund balance at the end of 2010 that represented a \$25,458, or less than one percent, decrease from the 2009 fund balance.
- (4) The Flood Special Revenue Fund exists to account for resources expended to repair for damages incurred during the 2007 flood. The fund balance at the end of 2010 was \$4,638,188. This fund will be closed as soon as all the work is completed for the 2007 flood.

- (5) The EDA Loan Special Revenue Fund exists to provide grants and loans to businesses affected by the 2007 flood. Repayment of these loans will be used to fund other loans. The fund balance at the end of 2010 was \$1,270,497.
- (6) The Capital Projects Fund exists to account for construction and capital purchases. The fund balance at the end of 2010 was \$3,969,029. The fund balance increased by \$2,036,137.

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

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

General Fund Budgetary Highlights

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

For 2010, the Board of Commissioners adopted the following budget:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources</u>
Board-adopted	\$ 16,579,150	\$ 16,905,330	\$ 299,406

The adopted General Fund budget anticipated using \$26,774 of fund balance. There were no budget adjustments for the General Fund approved during the year. General Fund actual revenues were \$415,226 below final budget, and actual expenditures were \$1,467,858 below budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Winona County’s investment in capital assets for its governmental activities as of December 31, 2010, was \$72.0 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

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

	Capital Assets		Percent Change (%)
	2010	2009	
Capital assets not depreciated			
Land			
General	\$ 2,518,160	\$ 2,518,160	-
Highways	50,085	50,085	-
Highway right-of-way	3,150,724	3,041,786	4
Construction in progress	<u>12,252,781</u>	<u>3,490,068</u>	251
Total capital assets not depreciated	<u>\$ 17,971,750</u>	<u>\$ 9,100,099</u>	97
Capital assets depreciated			
Buildings	\$ 19,102,008	\$ 19,102,008	-
Improvements other than buildings	460,826	460,826	-
Machinery, furniture, and equipment	8,866,584	8,588,987	3
Infrastructure	<u>46,982,809</u>	<u>45,735,853</u>	3
Total capital assets depreciated	<u>\$ 75,412,227</u>	<u>\$ 73,887,674</u>	2
Less: accumulated depreciation for			
Buildings	\$ 2,954,201	\$ 2,748,060	8
Improvements other than buildings	177,380	164,749	8
Machinery, furniture, and equipment	4,571,736	4,522,020	1
Infrastructure	<u>13,652,697</u>	<u>12,794,254</u>	7
Total accumulated depreciation	<u>\$ 21,356,014</u>	<u>\$ 20,229,083</u>	6
Total capital assets depreciated, net	<u>\$ 54,056,213</u>	<u>\$ 53,658,591</u>	1
Governmental Activities Capital Assets, Net	<u>\$ 72,027,963</u>	<u>\$ 62,758,690</u>	15

Capital Lease Agreement and Outstanding Bonds

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

Outstanding Long-Term Debt

	Governmental Activities	
	2010	2009
Notes	\$ 68,861	\$ 69,472
General obligation bonds	<u>8,560,000</u>	<u>6,870,000</u>
Total	<u>\$ 8,628,861</u>	<u>\$ 6,939,472</u>

The outstanding debt, listed above, of Winona County increased \$2.4 million for the 2010A bond, with principal reduction for 2010 payment.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment

The 12-month average for unemployment in 2010 for the U.S., Minnesota, and Winona County was 9.6 percent, 7.3 percent, and 6.8 percent, respectively. This compared to 2009 averages of 9.3 percent, 8.0 percent, and 7.8 percent.

New Construction

New construction for all of Winona County was valued at \$23 million in 2010. A decrease of 42.5 percent was experienced from the previous year.

State Financial Position

The state was faced with a budget deficit for FY 2011-12 with little time left in the current biennium to make substantive changes to spending, causing a state shutdown in July 2011. Net general fund revenues totaled \$2.307 billion during February and March, \$32 million (1.4 percent) more than forecast in February. Individual income tax withholding was the source of much of the gain. Net sales tax receipts were less than projected.

Budgeting Approach

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

All of these factors are being considered in preparing the Winona County budget for 2012.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Winona County's finances for those with an interest in the government's financial activities. Questions concerning any of the information provided in this report, or for additional financial information, should be addressed to Patrick Moga, Finance Director, 177 Main Street, Winona, Minnesota 55987. The telephone number is 507-457-8820.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Assets

Cash and pooled investments	\$	20,128,920
Petty cash and change funds		2,820
Investments		11,904,358
Taxes receivable		
Current		267,168
Prior		169,540
Special assessments receivable		
Current		7,312
Prior		7,298
Accounts receivable - net		1,911,560
Accrued interest receivable		81,970
Loan receivable		3,500,816
Due from other governments		4,086,775
Inventories		208,088
Capital assets		
Non-depreciable		17,971,750
Depreciable - net of accumulated depreciation		54,056,213
		114,304,588
Total Assets	\$	114,304,588

Liabilities

Accounts payable	\$	1,185,650
Salaries payable		326,597
Contracts payable		678,308
Due to other governments		460,255
Accrued interest payable		129,184
Unearned revenue		2,425,381
Long-term liabilities		
Due within one year		855,325
Due in more than one year		10,623,711
		16,684,411
Total Liabilities	\$	16,684,411

Net Assets

Invested in capital assets - net of related debt	\$	63,135,185
Restricted for		
General government		678,040
Public safety		720,379
Highways and streets		1,349,011
Culture and recreation		14,642
Debt service		1,079,633
Economic development		1,270,497
Unrestricted		29,372,790
		97,620,177
Total Net Assets	\$	97,620,177

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

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Revenues				Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Assets
<u>Functions/Programs</u>					
Primary government					
Governmental activities					
General government	\$ 6,470,442	\$ 1,240,903	\$ 333,150	\$ -	\$ (4,896,389)
Public safety	7,182,487	404,010	1,061,765	-	(5,716,712)
Highways and streets	6,336,138	16,655	9,114,865	-	2,795,382
Sanitation	1,071,386	885,907	10,000	-	(175,479)
Human services	9,828,406	1,247,151	5,937,578	-	(2,643,677)
Health	3,455,316	1,709,770	855,716	-	(889,830)
Culture and recreation	302,025	5,317	353	356	(295,999)
Conservation of natural resources	672,148	13,614	383,455	-	(275,079)
Economic development	228,880	16,790	119,385	-	(92,705)
Interest	286,718	-	-	-	(286,718)
Total Governmental Activities	\$ 35,833,946	\$ 5,540,117	\$ 17,816,267	\$ 356	\$ (12,477,206)
 General Revenues					
Property taxes				\$ 16,322,553	
Mortgage registry and deed tax				20,750	
Payments in lieu of tax				242,743	
Grants and contributions not restricted to specific programs				3,908,911	
Unrestricted investment earnings				237,557	
Miscellaneous				427,498	
Gain on sale of capital assets				10,543	
Total general revenues				\$ 21,170,555	
Change in net assets					\$ 8,693,349
Net Assets - Beginning					88,926,828
Net Assets - Ending					\$ 97,620,177

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WINONA COUNTY
WINONA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge	Special Social Services
<u>Assets</u>			
Cash and pooled investments	\$ 10,913,070	\$ 170,342	\$ 234,516
Petty cash and change funds	2,770	-	-
Investments	-	3,575,616	6,027,971
Taxes receivable			
Current	145,443	30,261	60,407
Prior	93,851	22,551	37,085
Special assessments			
Current	7,312	-	-
Prior	7,298	-	-
Accounts receivable	65,385	6,124	1,560,707
Accrued interest receivable	61,315	5,918	7,467
Loans receivable	168,995	-	-
Due from other governments	319,431	1,860,682	797,386
Inventories	-	208,088	-
	\$ 11,784,870	\$ 5,879,582	\$ 8,725,539
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 298,314	\$ 122,068	\$ 379,979
Salaries payable	167,739	37,140	79,613
Contracts payable	-	288,651	-
Due to other governments	210,529	5,069	244,657
Deferred revenue - unavailable	273,885	1,458,835	1,637,885
Deferred revenue - unearned	-	-	-
	\$ 950,467	\$ 1,911,763	\$ 2,342,134

EXHIBIT 3

Revenue Funds		Capital Projects	Other Governmental Funds	Total
Flood	EDA Loan			
\$ 3,897,623	\$ 364,057	\$ 2,417,259	\$ 2,132,053	\$ 20,128,920
-	-	-	50	2,820
-	-	2,300,771	-	11,904,358
-	-	6,931	24,126	267,168
-	-	2,467	13,586	169,540
-	-	-	-	7,312
-	-	-	-	7,298
-	-	-	279,344	1,911,560
-	-	7,270	-	81,970
-	3,331,821	-	-	3,500,816
740,565	-	105,537	263,174	4,086,775
-	-	-	-	208,088
\$ 4,638,188	\$ 3,695,878	\$ 4,840,235	\$ 2,712,333	\$ 42,276,625
\$ -	\$ -	\$ 377,474	\$ 7,815	\$ 1,185,650
-	-	-	42,105	326,597
-	-	381,970	7,687	678,308
-	-	-	-	460,255
-	-	111,762	141,738	3,624,105
-	2,425,381	-	-	2,425,381
\$ -	\$ 2,425,381	\$ 871,206	\$ 199,345	\$ 8,700,296

**WINONA COUNTY
WINONA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge	Special Social Services
<u>Liabilities and Fund Balances</u>			
(Continued)			
Fund Balances			
Reserved for			
Debt service	\$ -	\$ -	\$ -
Apple Blossom Drive	14,642	-	-
Inventories	-	208,088	-
Loans receivable	168,995	-	-
Recorder's unallocated land-based	388,121	-	-
Recorder's equipment purchases	223,127	-	-
Enhanced 911	615,367	-	-
Sheriff's contingency	5,000	-	-
DARE	15,668	-	-
Sheriff's forfeited property	5,424	-	-
Attorney's forfeited property	66,460	-	-
Explorer post	332	-	-
Police dog donations	6,453	-	-
Permits to carry	72,467	-	-
Unreserved			
Designated for future expenditures	1,132,049	906,863	565,695
Designated for cash flows	6,456,503	1,802,540	4,130,210
Designated for capital improvements	-	-	-
Designated for compensated absences	1,069,153	261,127	400,063
Designated for recycling	504,847	-	-
Designated for EDA	-	-	-
Designated for employee wellness	18,296	-	-
Designated for tobacco settlement	71,499	-	-
Reported in nonmajor Special Revenue Fund	-	-	-
Undesignated	-	789,201	1,287,437
Total Fund Balances	\$ 10,834,403	\$ 3,967,819	\$ 6,383,405
Total Liabilities and Fund Balances	\$ 11,784,870	\$ 5,879,582	\$ 8,725,539

EXHIBIT 3
(Continued)

Revenue Funds		Capital Projects	Other Governmental Funds	Total
Flood	EDA Loan			
\$ -	\$ -	\$ -	\$ 1,079,633	\$ 1,079,633
-	-	-	-	14,642
-	-	-	-	208,088
-	906,441	-	-	1,075,436
-	-	-	-	388,121
-	-	-	-	223,127
-	-	-	-	615,367
-	-	-	-	5,000
-	-	-	-	15,668
-	-	-	-	5,424
-	-	-	-	66,460
-	-	-	-	332
-	-	-	-	6,453
-	-	-	-	72,467
-	-	-	-	2,604,607
-	-	-	-	12,389,253
-	-	3,969,029	-	3,969,029
-	-	-	-	1,730,343
-	-	-	-	504,847
-	364,056	-	-	364,056
-	-	-	-	18,296
-	-	-	-	71,499
-	-	-	1,433,355	1,433,355
4,638,188	-	-	-	6,714,826
\$ 4,638,188	\$ 1,270,497	\$ 3,969,029	\$ 2,512,988	\$ 33,576,329
\$ 4,638,188	\$ 3,695,878	\$ 4,840,235	\$ 2,712,333	\$ 42,276,625

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Fund balances - total governmental funds (Exhibit 3)	\$	33,576,329
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.		72,027,963
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,624,105
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	\$ (8,560,000)	
Notes payable	(68,861)	
Bond discount	6,875	
Bond premium	(51,002)	
Net pension obligation	(685,429)	
Accrued interest payable	(129,184)	
Compensated absences	(2,120,619)	
	(11,608,220)	(11,608,220)
Net Assets of Governmental Activities (Exhibit 1)	\$	<u>97,620,177</u>

**WINONA COUNTY
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Social Services</u>
Revenues			
Taxes	\$ 8,948,165	\$ 1,831,793	\$ 3,651,244
Special assessments	273,031	-	-
Licenses and permits	240,635	-	19,075
Intergovernmental	4,398,060	9,122,829	6,627,736
Charges for services	1,930,461	5,737	601,864
Fines and forfeits	27,978	-	-
Gifts and contributions	13,704	-	-
Investment earnings	150,804	26,659	31,040
Miscellaneous	181,086	237,207	541,909
Total Revenues	\$ 16,163,924	\$ 11,224,225	\$ 11,472,868
Expenditures			
Current			
General government	\$ 6,622,745	\$ 223,583	\$ -
Public safety	6,325,183	-	-
Highways and streets	-	10,116,505	-
Sanitation	1,047,769	-	-
Human services	-	-	9,762,816
Health	239,828	-	-
Culture and recreation	302,025	-	-
Conservation of natural resources	691,908	-	-
Economic development	208,014	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Administrative (fiscal) charges	-	-	-
Total Expenditures	\$ 15,437,472	\$ 10,340,088	\$ 9,762,816
Excess of Revenues Over (Under)			
Expenditures	\$ 726,452	\$ 884,137	\$ 1,710,052

EXHIBIT 5

Revenue Funds		Capital Projects	Other Governmental Funds	Total
Flood	EDA Loan			
\$ -	\$ -	\$ 417,859	\$ 1,462,642	\$ 16,311,703
-	-	-	9,404	282,435
-	-	-	12,850	272,560
854,645	-	35,004	1,082,322	22,120,596
-	-	-	1,545,314	4,083,376
-	-	-	375	28,353
-	-	-	100	13,804
-	9,861	29,054	-	247,418
-	154	30,790	35,304	1,026,450
\$ 854,645	\$ 10,015	\$ 512,707	\$ 4,148,311	\$ 44,386,695
\$ -	\$ -	\$ 4,342,817	\$ -	\$ 11,189,145
-	-	968,916	-	7,294,099
-	-	633,420	-	10,749,925
-	-	-	-	1,047,769
-	-	-	-	9,762,816
-	-	-	3,166,520	3,406,348
-	-	-	-	302,025
-	-	-	-	691,908
-	20,866	-	-	228,880
-	-	-	713,276	713,276
-	-	-	249,005	249,005
-	-	47,183	-	47,183
-	-	750	1,056	1,806
\$ -	\$ 20,866	\$ 5,993,086	\$ 4,129,857	\$ 45,684,185
\$ 854,645	\$ (10,851)	\$ (5,480,379)	\$ 18,454	\$ (1,297,490)

**WINONA COUNTY
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Social Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 21,964	\$ -	\$ -
Transfers out	(776,015)	(2,451,849)	(1,735,510)
Proceeds from sale of wind turbine project	102,465	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Proceeds from sale of capital assets	10,443	100	-
Total Other Financing Sources (Uses)	\$ (641,143)	\$ (2,451,749)	\$ (1,735,510)
Change in Fund Balance	\$ 85,309	\$ (1,567,612)	\$ (25,458)
Fund Balance - January 1	10,749,094	5,518,105	6,408,863
Increase (decrease) in reserved for inventories	-	17,326	-
Fund Balance - December 31	\$ 10,834,403	\$ 3,967,819	\$ 6,383,405

EXHIBIT 5
(Continued)

Revenue Funds			Other	
Flood	EDA Loan	Capital	Governmental	Total
		Projects	Funds	
\$ -	\$ -	\$ 5,081,329	\$ 30,615	\$ 5,133,908
-	-	(30,615)	(139,919)	(5,133,908)
-	-	-	-	102,465
-	-	2,400,000	-	2,400,000
-	-	65,802	-	65,802
-	-	-	-	10,543
\$ -	\$ -	\$ 7,516,516	\$ (109,304)	\$ 2,578,810
\$ 854,645	\$ (10,851)	\$ 2,036,137	\$ (90,850)	\$ 1,281,320
3,783,543	1,281,348	1,932,892	2,603,838	32,277,683
-	-	-	-	17,326
\$ 4,638,188	\$ 1,270,497	\$ 3,969,029	\$ 2,512,988	\$ 33,576,329

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,281,320

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

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

Deferred revenue - December 31	\$ 3,624,105	
Deferred revenue - January 1	(3,494,048)	130,057

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, the gain or loss on the disposal of assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 11,225,048	
Net book value of assets disposed of	(127,484)	
Current depreciation	(1,828,291)	9,269,273

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

Proceeds of new debt		
General obligation refunding bonds issued	\$ (2,400,000)	
Note issued	(2,665)	(2,402,665)

Principal repayments		
General obligation bonds	\$ 710,000	
Interest (premiums)	6,304	
Note	3,276	719,580

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

Change in OPEB obligation	\$ (149,956)	
Change in accrued interest payable	(8,470)	
Change in compensated absences	(163,116)	
Change in inventories	17,326	(304,216)

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 8,693,349

FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010**

	HC Garvin Private-Purpose Trust	Agency Funds
<u>Assets</u>		
Cash and pooled investments	\$ -	\$ 1,790,329
Investments	47,715	-
Accrued interest receivable	25	-
	\$ 47,740	\$ 1,790,329
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 481,472
Due to other governments	-	1,308,857
	\$ -	\$ 1,790,329
<u>Net Assets</u>		
Net assets, held in trust	\$ 47,740	

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>HC Garvin Private-Purpose Trust</u>
<u>Additions</u>	
Interest on investments	\$ 1,264
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>2,397</u>
Change in net assets	\$ (1,133)
Net Assets - January 1	<u>48,873</u>
Net Assets - December 31	<u><u>\$ 47,740</u></u>

**WINONA COUNTY
WINONA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Component Units

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

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Component Units (Continued)

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those requiring a separate fund.

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

The Capital Projects Fund is used to account for financial resources used for the construction of major capital expenditures.

Additionally, the County reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, 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 2010 were \$150,804.

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

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

3. Inventories

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

4. Capital Assets

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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

5. Compensated Absences

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

8. Fund Equity

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 20,128,920
Petty cash and change funds	2,820
Investments	11,904,358
Statement of fiduciary net assets	
Private-purpose trust	
Investments	47,715
Agency	1,790,329
	33,874,142
Total Cash and Investments	
	\$ 33,874,142
Deposits	\$ 16,461,353
Petty cash and change funds	2,820
Investments	15,814,859
Mutual funds	1,595,110
	33,874,142
Total Deposits, Cash on Hand, and Investments	
	\$ 33,874,142

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County follows state law which requires that all deposits be insured or collateralized. As of December 31, 2010, 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;

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

<u>Maturity</u>	<u>Maximum Investment</u>
Less than three years	100%

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2010, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 3 Years</u>
U.S. Treasuries	\$ 1,500,216	\$ -	\$ 1,500,216
Commercial paper	5,297,643	5,297,643	-
Negotiable certificates	9,017,000	6,567,000	2,450,000
Total Investments	<u>\$ 15,814,859</u>	<u>\$ 11,864,643</u>	<u>\$ 3,950,216</u>

Credit Risk

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

The County's exposure to credit risk as of December 31, 2010, is as follows:

<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
AAA	\$ 1,500,216
A-1+/P-1	5,297,643
Not rated	9,017,000
Total	<u>\$ 15,814,859</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. 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 in the possession of an outside party. The County's investment policy limits the dollar amount of repurchase agreements to no more than ten percent at any time during the year.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit. More than five percent of the County's investments are in Basin Electric Power Cooperative, HSBC Finance Corporation, Toyota Motor Credit Corporation, and ING Funding. These investments are each six percent of the County's total investments.

2. Receivables

Receivables as of December 31, 2010, for Winona County's governmental activities, including the applicable allowances for uncollectible (Social Services and Health Service Special Revenue Funds) accounts, are as follows:

Accounts receivable	\$ 6,274,133
Less: allowance for uncollectible	<u>(4,362,573)</u>
Net Accounts Receivable	<u>\$ 1,911,560</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

The loans receivable of \$3,331,821 were made with funding through the State of Minnesota to help qualified businesses directly and adversely affected by the 2007 flood. Part of the loans may be written off if the business meets qualifications for a period of time, and part of the loans will be paid back by the businesses at a rate of one percent. The loans receivable balance includes \$2,360,463 not scheduled for collection in the subsequent year.

Wind Turbine Project

The Winona County EDA began work on the Winona County wind project in 2005 with County Board authorization. Site selection and preliminary studies were completed. During 2009, special legislation was enacted by the State of Minnesota allowing the Winona County EDA to create a Limited Liability Company and negotiate a power purchase agreement. Progress in 2010 included the transfer of ownership in Winona County Wind LLC to Winona Wind Holdings LLC, a privately owned corporation, for the sum of \$99,800. The EDA, a blended component unit of the County, receives the funds which are deposited into the County's General Fund. The first payment of \$5,000 has been received, and the EDA holds a note for the remainder of \$94,800. Construction on the project began in 2010 and will be completed in 2011. The EDA has an exclusive option to purchase Winona County Wind LLC after the tax benefits to the private investors have expired, approximately six to seven years from the commencement of operations.

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
General	\$ 2,518,160	\$ -	\$ -	\$ 2,518,160
Highway	50,085	-	-	50,085
Highway right-of-way	3,041,786	108,938	-	3,150,724
Construction in progress				
General	243,115	5,211,819	248,657	5,206,277
Highway	3,246,953	5,046,510	1,246,959	7,046,504
Total capital assets not depreciated	\$ 9,100,099	\$ 10,367,267	\$ 1,495,616	\$ 17,971,750

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Buildings	\$ 19,102,008	\$ -	\$ -	\$ 19,102,008
Improvements other than buildings	460,826	-	-	460,826
Machinery, furniture, and equipment	8,588,987	1,106,441	828,844	8,866,584
Infrastructure	<u>45,735,853</u>	<u>1,246,956</u>	<u>-</u>	<u>46,982,809</u>
Total capital assets depreciated	<u>\$ 73,887,674</u>	<u>\$ 2,353,397</u>	<u>\$ 828,844</u>	<u>\$ 75,412,227</u>
Less: accumulated depreciation for				
Buildings	\$ 2,748,060	\$ 206,141	\$ -	\$ 2,954,201
Improvements other than buildings	164,749	12,631	-	177,380
Machinery, furniture, and equipment	4,522,020	751,076	701,360	4,571,736
Infrastructure	<u>12,794,254</u>	<u>858,443</u>	<u>-</u>	<u>13,652,697</u>
Total accumulated depreciation	<u>\$ 20,229,083</u>	<u>\$ 1,828,291</u>	<u>\$ 701,360</u>	<u>\$ 21,356,014</u>
Total capital assets depreciated, net	<u>\$ 53,658,591</u>	<u>\$ 525,106</u>	<u>\$ 127,484</u>	<u>\$ 54,056,213</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 62,758,690</u>	<u>\$ 10,892,373</u>	<u>\$ 1,623,100</u>	<u>\$ 72,027,963</u>

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

Governmental Activities	
General government	\$ 337,054
Public safety	230,927
Highways and streets, including depreciation of infrastructure assets	1,247,484
Human services	2,147
Health	4,259
Sanitation	3,348
Conservation	<u>3,072</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,828,291</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

<u>Fund From</u>	<u>Fund To</u>	<u>Amount</u>	
Social Services Fund	General Fund	\$ 12,045	Transfer retiree insurance
Health Service Fund	General Fund	9,919	Transfer retiree insurance
General Fund	Capital Projects Fund	599,000	Transfer for building construction
Social Services Fund	Capital Projects Fund	1,075,000	Transfer for building construction
Health Service Fund	Capital Projects Fund	100,000	Transfer for building construction
General Fund	Capital Projects Fund	177,015	Transfer for capital projects
Road and Bridge Fund	Capital Projects Fund	2,451,849	Transfer for capital projects
Social Services Fund	Capital Projects Fund	648,465	Transfer for capital projects
Health Service Fund	Capital Projects Fund	30,000	Transfer for capital projects
Capital Projects Fund	Debt Service Fund	30,615	Transfer refunding dollars and close capital project
		<u>\$ 5,133,908</u>	
Total Transfers			

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2010. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and bridges	\$ 5,989,847	\$ 685,730
800 mhz project	125,878	1,765,155
County building project	3,254,317	1,199,628

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Compensated Absences

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

The value of compensated absences for eligible employees at the end of 2010 is \$975,563.

3. Bonded Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General obligation bonds and notes					
2010 G.O. Capital Improvement Plan Bonds	2021	\$225,000 - \$265,000	2.00 - 4.00	\$ 2,400,000	\$ 2,400,000
2009A G.O. Capital Improvement Plan Bonds	2024	\$25,000 - \$445,000	2.00 - 4.00	3,735,000	3,375,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	\$350,000 - \$460,000	1.70 - 2.30	<u>3,435,000</u>	<u>2,785,000</u>
Total general obligation bonds				\$ 9,570,000	\$ 8,560,000
Note payable					
South Branch Whitewater River Watershed Bacteria Reduction Project Note Payable	2018		2.00	<u>69,472</u>	<u>68,861</u>
Total General Obligation Bonds and Notes				<u>\$ 9,639,472</u>	<u>\$ 8,628,861</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

3. Bonded Debt (Continued)

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2011	\$ 695,000	\$ 280,498
2012	955,000	241,588
2013	980,000	213,938
2014	1,005,000	184,512
2015	1,055,000	152,212
2016 - 2020	3,480,000	292,744
2021 - 2024	390,000	16,000
Total	<u>\$ 8,560,000</u>	<u>\$ 1,381,492</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 6,870,000	\$ 2,400,000	\$ 710,000	\$ 8,560,000	\$ 695,000
Premium on bonds	58,289	-	7,287	51,002	-
Less: deferred amount for issuance discounts	(7,858)	-	(983)	(6,875)	-
Total bonds payable	<u>\$ 6,920,431</u>	<u>\$ 2,400,000</u>	<u>\$ 716,304</u>	<u>\$ 8,604,127</u>	<u>\$ 695,000</u>
Notes	69,472	2,665	3,276	68,861	6,651
Compensated absences	1,957,503	1,765,753	1,602,637	2,120,619	153,674
OPEB liability	535,473	343,999	194,043	685,429	-
Governmental Activities Long-Term Liabilities	<u>\$ 9,482,879</u>	<u>\$ 4,512,417</u>	<u>\$ 2,516,260</u>	<u>\$ 11,479,036</u>	<u>\$ 855,325</u>

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Winona County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General 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.

General 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, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's highest average yearly salary for any five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

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

For all General 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 General 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 General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans (Continued)

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2010:

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

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 743,065	\$ 702,679	\$ 657,243
Public Employees Police and Fire Fund	120,124	106,178	94,572
Public Employees Correctional Fund	71,523	67,675	63,202

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies 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 Winona County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,854	\$ 7,854
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

The County provides health insurance benefits for qualifying retired employees under a single-employer self-insured plan, financed and administered by Winona County and the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota, under contract with 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 similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program.

Retirees are required to pay 100 percent of the total group rate. The premium is a blended rate determined on the entire active and retiree population. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate "subsidy." As of January 1, 2010, four retirees were receiving health benefits from the County's health plan. As of year-end, the County has 11 participants. Some employees who leave in good standing with more than ten years of service and who have a minimum accumulation of 100 days of unused sick leave may convert it to paid-up health insurance for the employee only, according to the following schedule:

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

Elected Officials

After completing two full terms as an elected County Commissioner and being at least 50 years of age, a Commissioner may receive one year of single health insurance. This benefit is provided pursuant to County Board Resolution 95-27. The County had no participants in 2010.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, if paid on an ongoing basis, that is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities or (funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$	352,374
Interest on net OPEB obligations		24,096
Adjustment to ARC		<u>(32,471)</u>
Annual OPEB cost	\$	343,999
Contribution during the year		<u>(194,043)</u>
Increase (Decrease) in net OPEB obligation	\$	149,956
Net OPEB - Beginning of Year		<u>535,473</u>
Net OPEB - End of Year	\$	<u>685,429</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2010, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed (%)	Net OPEB Obligation
December 31, 2008	\$ 434,114	\$ 116,293	26.79	\$ 317,821
December 31, 2009	347,589	129,937	37.38	535,473
December 31, 2010	343,999	194,043	56.40	685,429

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the January 1, 2009, actuarial valuation, the Projected Unit Credit Actuarial Method was used. The actuarial assumptions included a 4.5 percent discount rate (net of expenses), including inflation assumption of 2.5 percent and an annual health care cost rate of 9.0 percent initially, and reduced incrementally to an ultimate rate of 5.0 percent after 8 years. The initial unfunded actuarial accrued liability is being amortized as a level dollar amount over a closed period (not to exceed 30 years) beginning in 2008.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2010 and 2011. If any insurance and self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

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

Premiums are paid by the fund receiving the benefits.

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

**WINONA COUNTY
WINONA, MINNESOTA**

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Southeastern Minnesota Multi-County HRA

Winona County is a member of the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) that provides housing and redevelopment services to the County. Each member county appoints members to the governing body that consists of a Board of Commissioners. The HRA approves its own budget. Winona County did not contribute to the operations of the HRA in 2010. However, the Board of County Commissioners approves the levy for the HRA each year.

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

Family Service Collaborative

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

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Family Service Collaborative (Continued)

The Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. Winona County is the fiscal agent for the Collaborative. The Collaborative had \$141,041 of expenditures in 2010 for the benefit of County services.

D. Jointly-Governed Organizations

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

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to several counties. During the year, the County paid \$5,050 to the Southeast Minnesota Water Resources Board.

Southeast Minnesota Emergency Management Services

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

Southeast Minnesota Regional Radio Board

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

Southeastern Minnesota Narcotics Task Force

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During the year, Winona County paid \$6,000 to the Task Force.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeastern Libraries Cooperative

The Southeastern Libraries Cooperative provides library services within the County. During the year, the County paid \$24,218 to the Southeastern Libraries Cooperative.

Southeastern Community Action Council

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

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Winona County expended \$104,294 to the Cooperative.

Whitewater Joint Powers Board

The Whitewater Joint Powers Board is composed of three counties and three county soil and water conservation boards. It provides soil and water conservation services to its members. During the year, Winona County made a \$7,907 payment to the Joint Powers Board.

Southeastern Minnesota Recyclers' Exchange

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

E. Related Organization

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2010, the County settled with the Watershed for property taxes collected in the amount of \$3,565.

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REQUIRED SUPPLEMENTARY INFORMATION

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,266,294	\$ 9,266,294	\$ 8,948,165	\$ (318,129)
Special assessments	266,000	266,000	273,031	7,031
Licenses and permits	221,141	221,141	240,635	19,494
Intergovernmental	3,698,162	3,698,162	4,398,060	699,898
Charges for services	2,477,658	2,477,658	1,930,461	(547,197)
Fines and forfeits	21,200	21,200	27,978	6,778
Gifts and contributions	8,300	8,300	13,704	5,404
Investment earnings	300,000	300,000	150,804	(149,196)
Miscellaneous	320,395	320,395	181,086	(139,309)
Total Revenues	\$ 16,579,150	\$ 16,579,150	\$ 16,163,924	\$ (415,226)
Expenditures				
Current				
General government				
Commissioners	\$ 222,155	\$ 222,155	\$ 212,648	\$ 9,507
Courts	112,000	112,000	107,554	4,446
Law library	49,100	49,100	48,624	476
County administration	420,546	420,546	290,123	130,423
County auditor/treasurer	343,222	343,222	325,234	17,988
License bureau	239,373	239,373	215,890	23,483
County assessor	507,455	507,455	499,889	7,566
Elections	60,700	60,700	55,169	5,531
Accounting and auditing	261,015	261,015	243,069	17,946
Data processing	715,206	715,206	469,498	245,708
Personnel	427,335	427,335	399,007	28,328
Attorney	1,388,736	1,388,736	1,093,433	295,303
Recorder	304,616	304,616	481,362	(176,746)
Vital statistics	93,235	93,235	94,460	(1,225)
Planning and zoning	436,551	436,551	366,879	69,672
Telecommunications	234,019	234,019	182,584	51,435
Maintenance	1,100,824	1,100,824	887,809	213,015
Veterans service officer	176,433	176,433	158,109	18,324
Other general government	406,683	406,683	491,404	(84,721)
Total general government	\$ 7,499,204	\$ 7,499,204	\$ 6,622,745	\$ 876,459

**WINONA COUNTY
WINONA, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,158,883	\$ 2,158,883	\$ 2,240,844	\$ (81,961)
Boat and water safety	23,974	23,974	26,654	(2,680)
Emergency services	213,805	213,805	173,846	39,959
E-911 system	179,000	179,000	28,459	150,541
County jail	2,377,901	2,377,901	2,009,594	368,307
Law enforcement center	1,152,919	1,152,919	1,065,195	87,724
Probation and parole	768,367	768,367	776,873	(8,506)
DARE program	8,550	8,550	3,718	4,832
Total public safety	\$ 6,883,399	\$ 6,883,399	\$ 6,325,183	\$ 558,216
Sanitation				
Recycling	\$ 1,145,694	\$ 1,145,694	\$ 1,047,769	\$ 97,925
Health				
Environmental health	\$ 250,118	\$ 250,118	\$ 239,828	\$ 10,290
Culture and recreation				
Historical society	\$ 49,950	\$ 49,950	\$ 49,950	\$ -
Parks	19,855	19,855	14,122	5,733
Regional library	237,953	237,953	237,953	-
Total culture and recreation	\$ 307,758	\$ 307,758	\$ 302,025	\$ 5,733
Conservation of natural resources				
County extension	\$ 174,368	\$ 174,368	\$ 162,000	\$ 12,368
Soil and water conservation	117,000	117,000	117,000	-
Feedlot	124,874	124,874	152,386	(27,512)
Agricultural inspection	6,127	6,127	5,626	501
Wetland challenge	61,524	61,524	47,842	13,682
Other	203,466	203,466	168,504	34,962
Agricultural society/County fair	38,550	38,550	38,550	-
Total conservation of natural resources	\$ 725,909	\$ 725,909	\$ 691,908	\$ 34,001
Economic development				
Other	\$ 93,248	\$ 93,248	\$ 208,014	\$ (114,766)
Total Expenditures	\$ 16,905,330	\$ 16,905,330	\$ 15,437,472	\$ 1,467,858

**WINONA COUNTY
WINONA, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (326,180)</u>	<u>\$ (326,180)</u>	<u>\$ 726,452</u>	<u>\$ 1,052,632</u>
Other Financing Sources (Uses)				
Transfers in	\$ 281,906	\$ 281,906	\$ 21,964	\$ (259,942)
Transfers out	-	-	(776,015)	(776,015)
Proceeds from sale of wind turbine project	-	-	102,465	102,465
Proceeds from sale of capital assets	<u>17,500</u>	<u>17,500</u>	<u>10,443</u>	<u>(7,057)</u>
Total Other Financing Sources (Uses)	<u>\$ 299,406</u>	<u>\$ 299,406</u>	<u>\$ (641,143)</u>	<u>\$ (940,549)</u>
Change in Fund Balance	<u>\$ (26,774)</u>	<u>\$ (26,774)</u>	<u>\$ 85,309</u>	<u>\$ 112,083</u>
Fund Balance - January 1	<u>10,749,094</u>	<u>10,749,094</u>	<u>10,749,094</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 10,722,320</u></u>	<u><u>\$ 10,722,320</u></u>	<u><u>\$ 10,834,403</u></u>	<u><u>\$ 112,083</u></u>

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,909,354	\$ 1,909,354	\$ 1,831,793	\$ (77,561)
Intergovernmental	16,010,831	16,010,831	9,122,829	(6,888,002)
Charges for services	348,000	348,000	5,737	(342,263)
Investment earnings	100,000	100,000	26,659	(73,341)
Miscellaneous	344,000	344,000	237,207	(106,793)
Total Revenues	\$ 18,712,185	\$ 18,712,185	\$ 11,224,225	\$ (7,487,960)
Expenditures				
Current				
General government				
Surveyor	\$ 244,586	\$ 244,586	\$ 223,583	\$ 21,003
Highways and streets				
Administration	\$ 500,909	\$ 500,909	\$ 481,016	\$ 19,893
Maintenance	1,945,105	1,945,105	1,946,358	(1,253)
Construction	14,944,835	14,944,835	6,811,255	8,133,580
Equipment maintenance and shop	532,933	532,933	461,375	71,558
Materials and services for resale	558,817	558,817	416,501	142,316
Total highways and streets	\$ 18,482,599	\$ 18,482,599	\$ 10,116,505	\$ 8,366,094
Total Expenditures	\$ 18,727,185	\$ 18,727,185	\$ 10,340,088	\$ 8,387,097
Excess of Revenues Over (Under)				
Expenditures	\$ (15,000)	\$ (15,000)	\$ 884,137	\$ 899,137
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (2,451,849)	\$ (2,451,849)
Proceeds from sale of capital assets	15,000	15,000	100	(14,900)
Total Other Financing Sources (Uses)	\$ 15,000	\$ 15,000	\$ (2,451,749)	\$ (2,466,749)
Change in Fund Balance	\$ -	\$ -	\$ (1,567,612)	\$ (1,567,612)
Fund Balance - January 1	5,518,105	5,518,105	5,518,105	-
Increase (decrease) in reserved for inventories	-	-	17,326	17,326
Fund Balance - December 31	\$ 5,518,105	\$ 5,518,105	\$ 3,967,819	\$ (1,550,286)

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,795,379	\$ 3,795,379	\$ 3,651,244	\$ (144,135)
Licenses and permits	23,300	23,300	19,075	(4,225)
Intergovernmental	7,682,437	7,682,437	6,627,736	(1,054,701)
Charges for services	258,500	258,500	601,864	343,364
Interest on investments	100,000	100,000	31,040	(68,960)
Miscellaneous	700,524	700,524	541,909	(158,615)
Total Revenues	<u>\$ 12,560,140</u>	<u>\$ 12,560,140</u>	<u>\$ 11,472,868</u>	<u>\$ (1,087,272)</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,559,981	\$ 3,559,981	\$ 3,207,840	\$ 352,141
Social services	8,803,718	8,803,718	6,400,808	2,402,910
Care grant	196,441	196,441	154,168	42,273
Total Expenditures	<u>\$ 12,560,140</u>	<u>\$ 12,560,140</u>	<u>\$ 9,762,816</u>	<u>\$ 2,797,324</u>
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 1,710,052	\$ 1,710,052
Other Financing Sources (Uses)				
Transfers out	-	-	(1,735,510)	(1,735,510)
Change in Fund Balance	\$ -	\$ -	\$ (25,458)	\$ (25,458)
Fund Balance - January 1	<u>6,408,863</u>	<u>6,408,863</u>	<u>6,408,863</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 6,408,863</u>	<u>\$ 6,408,863</u>	<u>\$ 6,383,405</u>	<u>\$ (25,458)</u>

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2010**

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

**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Budgetary Information

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

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

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

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

2. Other Postemployment Benefits

The employer contributions of \$194,043 represent the current amount paid by the County for the current year cost of the benefits, which were entirely paid out or on behalf of retirees. Accordingly, as disclosed on the Schedule of Funding Progress - Other Postemployment Benefits, no assets have been placed in an irrevocable trust to advance fund the employer's obligation.

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SUPPLEMENTARY INFORMATION

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**WINONA COUNTY
WINONA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

DEBT SERVICE FUND

The Debt Service Fund is used to account for financial resources for the repayment of bonds.

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>Health Service Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,058,889	\$ 1,073,164	\$ 2,132,053
Petty cash and change funds	50	-	50
Taxes receivable			
Current	10,289	13,837	24,126
Prior	6,345	7,241	13,586
Accounts receivable	279,344	-	279,344
Due from other governments	263,174	-	263,174
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 1,618,091	\$ 1,094,242	\$ 2,712,333
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 7,815	\$ -	\$ 7,815
Salaries payable	42,105	-	42,105
Contracts payable	7,687	-	7,687
Deferred revenue - unavailable	127,129	14,609	141,738
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 184,736	\$ 14,609	\$ 199,345
	<hr/>	<hr/>	<hr/>
Fund Balances			
Reserved for debt service	\$ -	\$ 1,079,633	\$ 1,079,633
Unreserved			
Designated for cash flows	375,749	-	375,749
Designated for compensated absences	390,276	-	390,276
Undesignated	667,330	-	667,330
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 1,433,355	\$ 1,079,633	\$ 2,512,988
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 1,618,091	\$ 1,094,242	\$ 2,712,333
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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Health Service Special Revenue	Debt Service	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	\$ 622,116	\$ 840,526	\$ 1,462,642
Special assessments	-	9,404	9,404
Licenses and permits	12,850	-	12,850
Intergovernmental	1,012,312	70,010	1,082,322
Charges for services	1,545,314	-	1,545,314
Fines and forfeits	375	-	375
Gifts and contributions	100	-	100
Miscellaneous	35,304	-	35,304
	\$ 3,228,371	\$ 919,940	\$ 4,148,311
Expenditures			
Current			
Health	\$ 3,166,520	\$ -	\$ 3,166,520
Debt service			
Principal	-	713,276	713,276
Administrative (fiscal) charges	-	1,056	1,056
Interest	-	249,005	249,005
	\$ 3,166,520	\$ 963,337	\$ 4,129,857
Excess of Revenues Over (Under)			
Expenditures	\$ 61,851	\$ (43,397)	\$ 18,454
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 30,615	\$ 30,615
Transfers out	(139,919)	-	(139,919)
	\$ (139,919)	\$ 30,615	\$ (109,304)
Net Change in Fund Balance	\$ (78,068)	\$ (12,782)	\$ (90,850)
Fund Balance - January 1	1,511,423	1,092,415	2,603,838
Fund Balance - December 31	\$ 1,433,355	\$ 1,079,633	\$ 2,512,988

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 646,211	\$ 646,211	\$ 622,116	\$ (24,095)
Licenses and permits	15,000	15,000	12,850	(2,150)
Intergovernmental	2,199,964	2,199,964	1,012,312	(1,187,652)
Charges for services	1,751,975	1,751,975	1,545,314	(206,661)
Gifts and contributions	-	-	100	100
Fines and forfeits	300	300	375	75
Miscellaneous	115,000	115,000	35,304	(79,696)
Total Revenues	\$ 4,728,450	\$ 4,728,450	\$ 3,228,371	\$ (1,500,079)
Expenditures				
Current				
Health				
Nursing service	\$ 2,225,815	\$ 2,225,815	\$ 709,621	\$ 1,516,194
Maternal and child health	581,474	581,474	461,688	119,786
County health officer	312,410	312,410	350,978	(38,568)
Health center	1,982,399	1,982,399	1,644,233	338,166
Total Expenditures	\$ 5,102,098	\$ 5,102,098	\$ 3,166,520	\$ 1,935,578
Excess of Revenues Over (Under) Expenditures	\$ (373,648)	\$ (373,648)	\$ 61,851	\$ 435,499
Other Financing Sources (Uses)				
Transfers in	\$ 373,648	\$ 373,648	\$ -	\$ (373,648)
Transfers out	-	-	(139,919)	(139,919)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (139,919)	\$ (513,567)
Net Change in Fund Balance	\$ (373,648)	\$ (373,648)	\$ (78,068)	\$ (78,068)
Fund Balance - January 1	1,511,423	1,511,423	1,511,423	-
Fund Balance - December 31	\$ 1,137,775	\$ 1,137,775	\$ 1,433,355	\$ 295,580

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 875,553	\$ 875,553	\$ 840,526	\$ (35,027)
Special assessments	-	-	9,404	9,404
Intergovernmental	70,048	70,048	70,010	(38)
Total Revenues	\$ 945,601	\$ 945,601	\$ 919,940	\$ (25,661)
Expenditures				
Current				
Principal	\$ 710,000	\$ 710,000	\$ 713,276	\$ (3,276)
Administrative (fiscal) charges	-	-	1,056	(1,056)
Interest	208,827	208,827	249,005	(40,178)
Total Expenditures	\$ 918,827	\$ 918,827	\$ 963,337	\$ (44,510)
Excess of Revenues Over (Under) Expenditures	\$ 26,774	\$ 26,774	\$ (43,397)	\$ (70,171)
Other Financing Sources (Uses)				
Transfers in	-	-	30,615	30,615
Change in Fund Balance	\$ 26,774	\$ 26,774	\$ (12,782)	\$ (39,556)
Fund Balance - January 1	1,092,415	1,092,415	1,092,415	-
Fund Balance - December 31	\$ 1,119,189	\$ 1,119,189	\$ 1,079,633	\$ (39,556)

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 431,193	\$ 431,193	\$ 417,859	\$ (13,334)
Intergovernmental	34,937	34,937	35,004	67
Investment earnings	37,500	37,500	29,054	(8,446)
Gifts and contributions	21,247	21,247	-	(21,247)
Miscellaneous	-	-	30,790	30,790
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 524,877	\$ 524,877	\$ 512,707	\$ (12,170)
Expenditures				
Current				
General	\$ 6,682,110	\$ 6,682,110	\$ 4,342,817	\$ 2,339,293
Public safety	156,967	156,967	968,916	(811,949)
Highways and streets	325,000	325,000	633,420	(308,420)
Human service	10,800	10,800	-	10,800
Debt service				
Bond issue cost	-	-	47,183	(47,183)
Fiscal charges	-	-	750	(750)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 7,174,877	\$ 7,174,877	\$ 5,993,086	\$ 1,181,791
Excess of Revenues Over (Under) Expenditures	\$ (6,650,000)	\$ (6,650,000)	\$ (5,480,379)	\$ 1,169,621
Other Financing Sources (Uses)				
Transfers in	\$ 4,150,000	\$ 4,150,000	\$ 5,081,329	\$ 931,329
Transfers out	-	-	(30,615)	(30,615)
Bonds issued	2,500,000	2,500,000	2,400,000	(100,000)
Premiums on bonds issued	-	-	65,802	65,802
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ 6,650,000	\$ 6,650,000	\$ 7,516,516	\$ 866,516
Change in Fund Balance	\$ -	\$ -	\$ 2,036,137	\$ 2,036,137
Fund Balance - January 1	1,932,892	1,932,892	1,932,892	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 1,932,892	\$ 1,932,892	\$ 3,969,029	\$ 2,036,137

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FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

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

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EMPLOYEE BENEFIT PLANS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>102,970</u>	\$ <u>966,074</u>	\$ <u>949,841</u>	\$ <u>119,203</u>
<u>Liabilities</u>				
Accounts payable	\$ <u>102,970</u>	\$ <u>966,074</u>	\$ <u>949,841</u>	\$ <u>119,203</u>
 <u>EMPLOYEE BENEFIT PLANS - LIABILITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>422,855</u>	\$ <u>362,269</u>	\$ <u>422,855</u>	\$ <u>362,269</u>
<u>Liabilities</u>				
Accounts payable	\$ <u>422,855</u>	\$ <u>362,269</u>	\$ <u>422,855</u>	\$ <u>362,269</u>
 <u>WINONA COUNTY FAMILY COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>68,789</u>	\$ <u>129,782</u>	\$ <u>141,040</u>	\$ <u>57,531</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>68,789</u>	\$ <u>129,782</u>	\$ <u>141,040</u>	\$ <u>57,531</u>

**WINONA COUNTY
WINONA, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SETTLEMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>405,098</u>	\$ <u>48,356,005</u>	\$ <u>48,367,465</u>	\$ <u>393,638</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>405,098</u>	\$ <u>48,356,005</u>	\$ <u>48,367,465</u>	\$ <u>393,638</u>
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>97,434</u>	\$ <u>1,245,229</u>	\$ <u>1,196,749</u>	\$ <u>145,914</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>97,434</u>	\$ <u>1,245,229</u>	\$ <u>1,196,749</u>	\$ <u>145,914</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>17,637</u>	\$ <u>64,340</u>	\$ <u>44,099</u>	\$ <u>37,878</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>17,637</u>	\$ <u>64,340</u>	\$ <u>44,099</u>	\$ <u>37,878</u>

**WINONA COUNTY
WINONA, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SHIP</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>527,608</u>	\$ <u>1,266,000</u>	\$ <u>1,119,712</u>	\$ <u>673,896</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>527,608</u>	\$ <u>1,266,000</u>	\$ <u>1,119,712</u>	\$ <u>673,896</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>1,642,391</u>	\$ <u>52,389,699</u>	\$ <u>52,241,761</u>	\$ <u>1,790,329</u>
<u>Liabilities</u>				
Accounts payable	\$ 525,825	\$ 1,328,343	\$ 1,372,696	\$ 481,472
Due to other governments	<u>1,116,566</u>	<u>51,061,356</u>	<u>50,869,065</u>	<u>1,308,857</u>
Total Liabilities	\$ <u>1,642,391</u>	\$ <u>52,389,699</u>	\$ <u>52,241,761</u>	\$ <u>1,790,329</u>

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OTHER SCHEDULES

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Shared Revenue

State

Highway users tax	\$	4,630,945
PERA rate reimbursement		54,309
Disparity reduction aid		40,772
Police aid		124,094
County program aid		2,535,044
Agricultural conservation credit		32,841
Market value credit		1,245,945
Enhanced 911		137,736
Disaster credit		-

Total shared revenue **\$ 8,801,686**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	1,121,445
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Payments

Local

Local contributions	\$	10,000
Payments in lieu of taxes		242,743

Total payments **\$ 252,743**

Grants

State

Minnesota Department/Board of		
Public Safety	\$	367,311
Health		314,122
Natural Resources		109,950
Human Services		1,973,507
Corrections		125,453
Transportation		3,868,878
Water and Soil Resources		199,522
Veterans Affairs		7,832
Peace Officer Standards and Training Board		6,811
Pollution Control Agency		149,068

Total state **\$ 7,122,454**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010

Grants (Continued)

Federal

Department of	
Agriculture	\$ 484,981
Commerce	140,099
Housing and Urban Development	119,385
Justice	456,606
Transportation	171,731
Health and Human Services	2,685,395
Homeland Security	705,992
Education	13,319
Environmental Protection Agency	44,760

Total federal \$ 4,822,268

Total state and federal grants \$ 11,944,722

Total Intergovernmental Revenue \$ 22,120,596

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	\$ 163,960
Passed Through Minnesota Department of Human Services Supplemental Nutrition Assistance Program (SNAP) Cluster State Administrative Matching Grants for SNAP - ARRA	10.561	8,058
State Administrative Matching Grants for SNAP	10.561	<u>312,964</u>
Total U.S. Department of Agriculture		<u>\$ 484,982</u>
U.S. Department of Commerce		
Passed Through Minnesota Department of Public Safety Applied Meteorological Research	11.468	\$ 89,315
Passed Through Southeastern Minnesota Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	<u>43,218</u>
Total U.S. Department of Commerce		<u>\$ 132,533</u>
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant/Entitlement Program	14.228	<u>\$ 119,385</u>
U.S. Department of Justice		
Direct		
Bulletproof Vest Partnership Program	16.607	\$ 8,957
Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program - ARRA	16.810	154,620
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grants	16.588	11,790
Edward Bryne Memorial Justice Assistance Grant Program	16.738	129,204
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories - ARRA	16.803	<u>151,676</u>
Total U.S. Department of Justice		<u>\$ 456,247</u>

**WINONA COUNTY
WINONA, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 127,671
Passed Through Minnesota Department of Public Safety Highway Safety Cluster		
State and Community Highway Safety	20.600	12,309
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	12,048
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>12,008</u>
Total U.S. Department of Transportation		<u>\$ 164,036</u>
U.S. Environmental Protection Agency		
Passed Through Southeast Minnesota Water Resource Board Nonpoint Source Implementation Grants	66.460	<u>\$ 44,760</u>
U.S. Department of Education		
Passed Through the Hiawatha Valley Education District Special Education - Grants for Infants and Families	84.181	<u>\$ 13,319</u>
U.S. Department of Health and Human Services		
Passed Through the National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	\$ 5,000
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	142,704
Immunization Grants	93.268	450
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	23,518
Temporary Assistance for Needy Families (TANF)	93.558	25,183
Center for Diseases and Prevention - ARRA	93.712	9,130
Maternal and Child Health Services Block Grant to the States	93.994	51,134

**WINONA COUNTY
WINONA, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	8,529
Temporary Assistance for Needy Families (TANF)	93.558	402,537
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	744,134
Child Support Enforcement - ARRA	93.563	55,024
Refugee and Entrant Assistance State-Administered Programs	93.566	375
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	31,976
Child Welfare Services - State Grants	93.645	3,462
Foster Care Title IV-E Cluster		
Foster Care Title IV-E - ARRA	93.658	477
Foster Care Title IV-E	93.658	107,857
Social Services Block Grant	93.667	266,563
Child Abuse and Neglect State Grants	93.669	2,465
Chafee Foster Care Independence Program	93.674	4,230
Children's Health Insurance Program	93.767	726
Medical Assistance Program	93.778	857,433
		<u>2,742,907</u>
Total U.S. Department of Health and Human Services		\$ 2,742,907
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 6,500
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	184,286
Emergency Management Performance Grants	97.042	30,689
Passed Through Southeastern Minnesota Regional Radio Board		
Interoperable Emergency Communications	97.055	3,316
Homeland Security Grant Program	97.067	77,066
Passed Through Southeastern Minnesota Region 1 Homeland Security and Emergency Management Board		
Homeland Security Grant Program	97.067	32,238
Passed Through City of Winona		
Homeland Security Grant Program	97.067	1,822
		<u>335,917</u>
Total U.S. Department of Homeland Security		\$ 335,917
Total Federal Awards		<u>\$ 4,494,086</u>

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**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Reporting Entity

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

2. Basis of Presentation

The accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual--when both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Winona County considers all revenues to be available if they are collected within 60 days of the current period. Expenditures are recorded when the liability is incurred.

The information in the schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,822,268
Deferred in 2009, recognized as revenue in 2010	
Applied Meteorological Research (CFDA #11.468)	(7,566)
Enforcing Underage Drinking Laws Program (CFDA #16.727)	(359)
State and Community Highway Safety (CFDA #20.600)	(7,695)
Foster Care Title IV-E (CFDA #93.658)	(1,602)
Medical Assistance (CFDA #93.778)	(6,305)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	(419,307)
Homeland Security Grant Program (CFDA #97.067)	(242)
Grants received more than 60 days after year-end, deferred in 2010	
Special Supplemental Nutrition Program for Women, Infants, and Children Grant (CFDA #10.557)	1
Child Support Enforcement (CFDA #93.563)	31,058
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.586)	4,983
Foster Care Title IV-E (CFDA #93.658)	6,008
Medical Assistance (CFDA #93.778)	22,644
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	50,200
	\$ 4,494,086
Expenditures per Schedule of Expenditures of Federal Awards	\$ 4,494,086

**WINONA COUNTY
WINONA, MINNESOTA**

4. Passed Through to Subrecipients

During 2010, Winona County did not pass any federal money to sub-recipients.

5. Pass-Through Grant Numbers

Pass-through grant numbers were not assigned by the pass-through agencies.

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.

**Other Information
Section**

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT E-1

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

	<u>Tax Year 2008</u>		<u>Tax Year 2009</u>		<u>Tax Year 2010</u>	
	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>
Tax Capacity						
Real property	\$ 38,712,201		\$ 39,935,972		\$ 41,682,706	
Personal property	505,811		512,392		510,200	
Tax increment financing	(261,781)		(233,362)		(180,756)	
Net Tax Capacity	<u>\$ 38,956,231</u>		<u>\$ 40,215,002</u>		<u>\$ 42,012,150</u>	
Tax Levied for County						
County Revenue	\$ 9,221,969	24.361	\$ 9,843,223	25.16	\$ 9,696,412	23.787
Road and Bridge	2,437,739	6.263	2,201,878	5.475	2,020,545	4.829
Human Services	3,454,052	8.874	3,905,210	9.711	4,034,195	9.64
Community Health	575,869	1.479	729,465	1.814	686,970	1.642
Chse Bond 2009	-	-	-	-	465,598	1.108
Chse Bond 2007	875,349	2.247	887,279	2.211	462,299	1.1
Building/Capital Improvement	455,422	1.17	261,814	0.651	462,850	1.106
Net Tax Levy	<u>\$ 17,020,400</u>	<u>44.394</u>	<u>\$ 17,828,869</u>	<u>45.022</u>	<u>\$ 17,828,869</u>	<u>43.212</u>
	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>
Taxable Valuations						
Light and power tax						
Transmission lines	\$ 33,108	\$ 1,692,900	\$ 31,774	\$ 1,626,200	\$ 31,288	\$ 1,601,900
Distribution lines	12,126	643,800	16,230	849,000	15,330	804,000
Total Taxable Valuations - Light and Power	<u>\$ 45,234</u>	<u>\$ 2,336,700</u>	<u>\$ 48,004</u>	<u>\$ 2,475,200</u>	<u>\$ 46,618</u>	<u>\$ 2,405,900</u>
Light and Power Tax Levy						
Transmission lines	\$ 44,980	\$ 4,254	\$ 4,470	\$ 29,010	\$ 4,147	\$ 27,965
Distribution lines	16,500	1,618	2,334	14,818	2,082	13,702
Total Light and Power Tax Levy	<u>\$ 61,480</u>	<u>\$ 5,872</u>	<u>\$ 6,804</u>	<u>\$ 43,828</u>	<u>\$ 6,229</u>	<u>\$ 41,667</u>
Percentage of Tax Collections for All Purposes	<u>98.65%</u>		<u>98.34%</u>		<u>98.39%</u>	

(Unaudited)

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**WINONA COUNTY
WINONA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Winona County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Winona County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Winona 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 That Could Have a Direct and Material Effect on Each Major Program and on 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 Winona County expresses an unqualified opinion.
- F. Findings relative to a major federal award program for Winona County were reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
 - Assistance to Rural Law Enforcement to Combat
Crime and Drug Competitive Grant Program - ARRA CFDA #16.810
 - Highway Planning and Construction CFDA #20.205
 - Temporary Assistance for Needy Families CFDA #93.558
 - Child Support Enforcement Cluster
 - Child Support Enforcement CFDA #93.563
 - Child Support Enforcement - ARRA CFDA #93.563
 - Medical Assistance Program CFDA #93.778

H. The threshold for distinguishing between Types A and B programs was \$300,000.

I. Winona County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

06-2 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis.

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

The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

We recommend that the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

Client's Response:

Winona County is implementing procedures to ensure that the financial statements are presented correctly. The procedures implemented are a monthly review and monitoring of daily receipts and expenses to ensure proper posting; a tracking feature for month-end reports; and the ability to print documentation to monitor the month-end reports are being reviewed. Winona County will continue to enhance the review and monitoring of the reports that are provided. The reclassifications and adjustments were reduced from the 2009 audit.

08-1 Departmental Internal Accounting Controls

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

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

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

Client's Response:

Winona County will monitor to ensure internal controls and policies and procedures are being followed. Winona County will explore reorganization, which will enhance the segregation of accounting duties and ensure internal accounting controls. Winona County has implemented a monthly review and monitoring of the daily receipts and expenses to ensure proper posting. Winona County has implemented a tracking feature for month-end reports and the ability to print documentation printed to monitor that month-end reports are being reviewed.

ITEM ARISING THIS YEAR

10-1 Supporting Documentation for Social Welfare Fund Disbursements

The County personnel did not provide supporting documentation for 9 of the 15 Social Welfare disbursements selected for review. The County employee writing and signing the checks is using a listing of payments made in June 2009 as support for the disbursements. This listing did not show approval or provide adequate supporting documentation for all the disbursements. Since there was no supporting documentation or approval for these 9 disbursements, we could not determine if the payments were properly authorized and for the appropriate client.

We recommend that management ensure adequate supporting documentation is obtained before making disbursements from the Social Welfare fund. In addition, we further recommend that the financial activities and cash balance of the Social Welfare Fund be integrated and accounted for as an agency fund within the County's centralized general ledger. This would ensure that the County's internal control policies and procedures for disbursements are being adhered to and further improve the segregation of duties for accounting for the Social Welfare Fund.

Client's Response:

Winona County has made arrangements for new representative payees for most clients. The County is the representative payees only for children in out-of-home placement. Winona County will require adequate supporting documentation be obtained before disbursements are made from the Social Welfare Fund.

PREVIOUSLY REPORTED ITEMS RESOLVED

New Vendors and Disbursement Internal Control (07-2)

New vendors can be added by the same employee who records the disbursements and prints the checks. In addition, Human Services Department warrants are returned to the employees who performed inputting of disbursements to stuff and mail the warrants. Also, disbursements are not being compared to original source documents by an employee independent of the input process.

Resolution

The finance director is reviewing a sample of new vendors quarterly. The treasury is reviewing all checks for addresses of employees and reviewing all payments prior to their being mailed.

Segregation of Duties in Treasury Function (07-3)

In the treasury function of the County Auditor/Treasurer's Office, the collection of funds, recording of receipts, preparation of the bank deposits, and taking the bank deposits to the bank can be performed by the same employee.

Resolution

The treasury function for collection of funds has been segregated. There are balancing and monitoring procedures done for the other areas.

Investment Oversight (09-1)

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

Resolution

Investments are now reviewed or approved by someone other than the County Auditor/Treasurer.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

10-2 American Recovery and Reinvestment Act (ARRA) - Assistance to Rural Law Enforcement to Combat Crime and Drug Competitive Grant Program (CFDA #16.810) Reporting

The County did not submit three of the four quarterly 2010 ARRA 1512 reports within ten days after the end of each calendar quarter. The March 31 quarterly report was submitted May 7, 2010; the June 30 quarterly report was submitted July 22, 2010; and the September 30 quarterly report was submitted October 13, 2010. The late submission of the reports was a result of County personnel who were preparing and submitting the report not being familiar with the reporting requirements of the grant. The U.S. Department of Justice grant agreement requires that the ARRA 1512 report be submitted no later than ten days after the end of each calendar quarter.

We recommend the County ensure that personnel responsible for preparing and submitting ARRA 1512 reports are familiar with the grant reporting requirements.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Karin Sonneman

Corrective Action Planned:

Personnel in the County Attorney's Office are responsible for preparing and submitting ARRA 1512 reports (the staff person primarily responsible for the preparation and submission of the reports as well as back-up personnel) and the County Attorney will arrange with the Winona County Finance Department to provide training. The said personnel and the County Attorney will participate in, training updates on U.S. Department of Justice grant agreement reporting requirements.

Anticipated Completion Date:

September 30, 2011

10-3 ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drug Competitive Grant Program (CFDA #16.810)

Our review of the ARRA Financial Status quarterly reports for the audit year 2010 showed that the reports do not reconcile to the general ledger account codes for this program. County personnel preparing the quarterly reports did not use the expenditures recorded in the general ledger as a basis for preparing the quarterly reports. In addition, we noted neither the cash basis or the accrual basis of accounting was consistently used in preparing the reports.

Quarterly reports prepared for the programs should be reconciled to the County's general ledger to ensure the accuracy and completeness of the federal reports. In addition, a consistent basis of accounting should be used in the preparation of the quarterly reports.

We recommend that the quarterly reports prepared for federal programs be reconciled to the County's general ledger and a consistent basis of accounting be used in preparation of these reports. In addition, we recommend that the necessary training be provided to County personnel who have the responsibility to prepare the quarterly reports to ensure report accuracy and completeness.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Karin Sonneman

Corrective Action Planned:

Personnel in the County Attorney's Office are responsible for preparing and submitting ARRA 1512 quarterly reports (the staff person primarily responsible for the preparation and submission of the reports as well as back-up personnel) and the County Attorney will arrange with the Winona County Finance Department to provide training. The said personnel and the County Attorney will participate in training updates on consistent accounting practices to use to reconcile the required quarterly reports for the U.S. Department of Justice grant agreement to the County's general ledger.

Anticipated Completion Date:

September 30, 2011

PREVIOUSLY REPORTED ITEM RESOLVED

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

The County was charging an hourly rate for costs based on a fee schedule instead of actual costs.

Resolution

The County is now charging to this grant based on actual costs.

IV. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Winona County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and 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 are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

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

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of County Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

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 the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
 - if yes, the fund may continue to be classified as a special revenue fund;
 - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at:

http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf.

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

Board of County Commissioners
Winona County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winona County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Winona 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 certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 06-2, 08-1, and 10-1, that we consider to be significant deficiencies 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 Winona County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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 Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Winona County did not have any.

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

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 19, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Winona County

Compliance

We have audited Winona County's compliance of with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Winona County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Winona County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as item 10-2.

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, 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 10-3. 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.

Winona 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

September 19, 2011

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR