

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**WINONA COUNTY**  
**WINONA, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2012**

## **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, 2012**



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

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**WINONA COUNTY  
WINONA, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Current Organization Chart		1
<b>Financial Section</b>		
Independent Auditor's Report		3
Management's Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position--Governmental Activities	4	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	24
Fiduciary Funds		
Statement of Fiduciary Net Position	7	25
Statement of Changes in Fiduciary Net Position	8	26
Notes to the Financial Statements		27
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedules		
General Fund	A-1	59
Road and Bridge Special Revenue Fund	A-2	62
Community Services Special Revenue Fund	A-3	63
EDA Loan Special Revenue Fund	A-4	64
Schedule of Funding Progress - Other Postemployment Benefits	A-5	65
Notes to the Required Supplementary Information		66

**WINONA COUNTY  
WINONA, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Financial Section (Continued)</b>		
Supplementary Information		
Major Fund		
Budgetary Comparison Schedule - Capital Projects Fund	B-1	67
Nonmajor Governmental Funds		68
Budgetary Comparison Schedule - Debt Service Fund	C-1	69
Fiduciary Funds		
Agency Funds		70
Combining Statement of Changes in Assets and Liabilities	D-1	71
Other Schedules		
Schedule of Intergovernmental Revenue	E-1	74
Schedule of Expenditures of Federal Awards	E-2	76
Notes to the Schedule of Expenditures of Federal Awards		79
<b>Other Information Section</b>		
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	F-1	81
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs		82
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing   Standards</i>		89
Report on Compliance for Each Major Federal Program and Report on Internal Controls Over Compliance		92



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**WINONA COUNTY  
WINONA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2012**

Office	Name	Term Expires
<b>Commissioners</b>		
First District	Jim Pomeroy	January 2015
Second District	Wayne Valentine	January 2015
Third District	Mena Kaehler	January 2013
Fourth District	Greg Olson	January 2013
Fifth District	Marcia Ward	January 2015
<b>Officers</b>		
<b>Elected</b>		
Attorney	Karin Sonneman	January 2015
Recorder	Robert Bambenek	January 2015
Sheriff	Dave Brand	January 2015
Auditor/Treasurer	Vacant	January 2015
<b>Appointed</b>		
Administrator	Duane Hebert	Indefinite
Interim Community Health Director	Merrily Hazelton	Interim
County Assessor	Steven Hacken	December 2016
Planning & Environmental Services Director	Jason Gilman	Indefinite
Building Superintendant	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2015
Interim Human Services Director	Beth Wilms	Interim
Information Technology Director	Mark Anderson	Indefinite
Assistant County Administrator/ Personnel Director	Maureen Holte	Indefinite
Veterans Service Officer	Steven Johnson	June 2014

**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

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Winona County

#### **Report on the Financial Statements**

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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winona County's basic financial statements. The supplementary and other information as 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 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. Such 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.

The other information section 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013, on our consideration of Winona County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winona County's internal control over financial reporting and compliance.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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. The 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 19, 2013

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

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**WINONA COUNTY  
WINONA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012  
(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, 2012. 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 2012, Winona County's assets exceeded liabilities by \$112.8 million (net position). Of that amount, \$4.5 million is restricted; \$27.5 million is unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$80.8 million is invested in capital assets.
- At the close of the current year, the ending fund balances for all governmental funds were \$31.9 million. This is a decrease of \$1.0 million from the previous year. Of the combined ending fund balances, \$10.5 million is unassigned fund balance available for spending by the County.
- At the end of the year, the General Fund's unassigned fund balance was \$10,528,932. The County is not able to assign for cash flow and compensated absences due to GASB 54. The County will pay for compensated absences and for cash flow from the unassigned cash balance.
- Total bonded debt decreased by \$961,785, or 12.1 percent, during the year. The decrease was due to reduction in principal.

**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 special revenue funds. Other supplementary information is included to enhance reader understanding of the County's 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 Position presents information on all County assets (what we own) and liabilities (what we owe). The difference between assets and liabilities is reported as net position. Over time, changes in net position may be an indication of an improving or deteriorating County financial position.

The Statement of Activities presents information on the change in net position 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. 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 position may be a useful indicator of a government's financial position over time. As of December 31, 2012, assets exceeded liabilities by \$112.8 million. The following table provides a summary of Winona County's governmental net position.

<b>Governmental Net Position</b>			
	<u>2012</u>	<u>2011</u>	<u>Percent Change (%)</u>
<b>Assets</b>			
Current and other assets	\$ 39,811,918	\$ 40,823,039	(2)
Capital assets	<u>87,759,961</u>	<u>80,384,295</u>	9
<b>Total Assets</b>	<b><u>\$ 127,571,879</u></b>	<b><u>\$ 121,207,334</u></b>	<b>5</b>
<b>Liabilities</b>			
Current and other liabilities	\$ 4,675,418	\$ 3,913,791	19
Long-term liabilities	<u>10,088,481</u>	<u>10,935,762</u>	(8)
<b>Total Liabilities</b>	<b><u>\$ 14,763,899</u></b>	<b><u>\$ 14,849,553</u></b>	<b>(1)</b>
<b>Net position</b>			
Invested in capital assets, net of related debt	\$ 80,818,442	\$ 71,882,304	12
Restricted	4,516,353	3,675,183	23
Unrestricted	<u>27,473,185</u>	<u>30,800,294</u>	(11)
<b>Total Net Position</b>	<b><u>\$ 112,807,980</u></b>	<b><u>\$ 106,357,781</u></b>	<b>6</b>

The largest portion of Winona County's net position, 71.6 percent, or \$80.8 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt. However, resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional \$4.5 million of the County's net position, or 4 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 \$27.5 million of net position, or 24.3 percent, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2012, Winona County had positive balances in all categories of net position.

Change in net position--In 2012, government-wide revenue exceeded expenses by \$6.5 million, thereby increasing net position. Net position changed as follows:

<b>Changes in Net Position</b>			
	<u>2012</u>	<u>2011</u>	<u>Percent Change (%)</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 4,602,864	\$ 4,633,958	(1)
Operating grants and contributions	18,798,169	18,435,246	2
Capital grants and contributions	-	295	(100)
General revenues			
Property taxes	16,918,908	16,249,482	4
Unrestricted grants	2,797,103	3,867,214	(28)
Investment income	187,298	243,790	(23)
Other	843,364	811,146	4
<b>Total Revenues</b>	<b>\$ 44,147,706</b>	<b>\$ 44,241,131</b>	<b>(1)</b>
<b>Expenses</b>			
General government	\$ 7,522,589	\$ 7,904,905	(5)
Public safety	7,327,643	7,203,251	2
Highways and streets	6,916,890	4,899,066	41
Sanitation	1,267,566	960,392	32
Human services	10,940,285	10,103,387	8
Health	2,462,898	3,095,977	(20)
Interest on long-term debt	235,391	256,309	(8)
Other	1,024,245	1,080,240	(5)
<b>Total Expenses</b>	<b>\$ 37,697,507</b>	<b>\$ 35,503,527</b>	<b>6</b>
<b>Increase in Net Position</b>	<b>\$ 6,450,199</b>	<b>\$ 8,737,604</b>	<b>(26)</b>
<b>Net Position - January 1</b>	<b>106,357,781</b>	<b>97,620,177</b>	<b>9</b>
<b>Net Position - December 31</b>	<b>\$ 112,807,980</b>	<b>\$ 106,357,781</b>	<b>6</b>

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 38 percent of the total revenue for the County.

- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$16.9 million are leveraged to provide \$37.7 million in services.

Governmental activities increased Winona County's net position by \$6.5 million, which is 14.6 percent of current year revenues, 17.1 percent of current expenses, or 6.0 percent of beginning net position. Following are the major components of this portion of the growth:

- property taxes increased 4.1 percent;
- expenses for general, health, interest on long-term debt, and other departments decreased from 2011 to 2012; and
- unrestricted grants decreased by 28.0 percent, and operating grants increased by 2.0 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, 2012, the combined ending fund balances of governmental funds were \$31.9 million. Approximately 87.0 percent, or \$27.7 million, of the combined ending fund balances consists of unassigned and assigned fund balances. Unassigned 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 nonspendable or restricted to indicate that it is not available for new spending because it is restricted or in nonspendable form for the following purposes:

- inventories,
- acquisition of assets,

- debt service,
- forfeited property,
- donations,
- loans receivable, and
- restricted for specific purposes.

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

- (1) The General Fund is the primary operating fund of the Winona County government. The General Fund's fund balance was \$13.8 million at the end of 2012. Of that amount, \$1.4 million is restricted for acquisition of assets, forfeited property, and donations. Nonspendable cash of \$55.0 thousand is for loans receivable. In addition, the Board of Commissioners has assigned \$1.8 million for recycling, capital improvements, employee wellness, and tobacco settlement. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unassigned fund balance is \$10,528,932, or 65.2 percent, of 2012 expenditures, while total fund balance is 85.6 percent of the same amount. The County is not able to assign fund balance for compensated absences and cash flow due to GASB 54. The unassigned amount in the past also included cash flow and compensated absences. Winona County will use the unassigned amount to cover compensated absences and cash flow. A listing of compensated absences can be obtained in Note 3.C. (Compensated Absences). The second purpose is to compare the unrestricted 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 unrestricted fund balance is sufficient to cover nine months of expenditures.

When compared to 2011, the ending fund balance of the General Fund increased \$1,106,736.

- (2) The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$1.5 million fund balance at the end of 2012 that represented a \$2.2 million, or 60 percent, decrease from 2011. The decrease was due to Capital Projects.
- (3) The Community Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services and health programs supported by federal, state, and local taxpayer dollars. The fund had a \$6.9 million fund balance at the end of 2012 that represented a \$0.2 million, or 3 percent, decrease from the 2011 fund balance.

- (4) 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 2012 was \$1,289,141.
- (5) The Capital Projects Fund exists to account for construction and capital purchases. The fund balance at the end of 2012 was \$7,244,621. The fund balance increased by \$242,329.

**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. Approval is done by resolution. The most significant budgeted fund is the General Fund.

For 2012, the Board of Commissioners adopted the following budget:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources</u>
Board-adopted	\$ 16,503,807	\$ 16,777,401	\$ 258,901

The adopted General Fund budget anticipated using \$14,693 of fund balance. The approved budget adjustments increased expenditures for the General Fund by \$59,832 during the year. General Fund actual revenues were \$594,817 above final budget, and actual expenditures were \$680,964 below budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Winona County’s investment in capital assets for its governmental activities as of December 31, 2012, was \$87.8 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

Additional information about capital assets can be found in Note 3.A.3.

	Capital Assets		Percent Change (%)
	2012	2011	
Capital assets not depreciated			
Land			
General	\$ 2,518,160	\$ 2,518,160	-
Highways	50,085	50,085	-
Highway right-of-way	3,387,104	3,263,933	4
Construction in progress	<u>19,929,603</u>	<u>14,090,317</u>	41
Total capital assets not depreciated	<u>\$ 25,884,952</u>	<u>\$ 19,922,495</u>	30
Capital assets depreciated			
Buildings	\$ 24,964,214	\$ 24,898,695	1
Improvements other than buildings	485,641	460,826	5
Machinery, furniture, and equipment	10,440,530	9,544,927	9
Infrastructure	<u>50,869,876</u>	<u>48,746,145</u>	4
Total capital assets depreciated	<u>\$ 86,760,261</u>	<u>\$ 83,650,593</u>	4
Less: accumulated depreciation for			
Buildings	\$ 3,428,772	\$ 3,165,262	8
Improvements other than buildings	205,587	190,011	8
Machinery, furniture, and equipment	5,793,148	5,292,969	9
Infrastructure	<u>15,457,745</u>	<u>14,540,551</u>	6
Total accumulated depreciation	<u>\$ 24,885,252</u>	<u>\$ 23,188,793</u>	7
Total capital assets depreciated, net	<u>\$ 61,875,009</u>	<u>\$ 60,461,800</u>	2
Governmental Activities Capital Assets, Net	<u>\$ 87,759,961</u>	<u>\$ 80,384,295</u>	9

### 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	
	2012	2011
Notes	\$ 55,425	\$ 62,210
General obligation bonds	<u>6,910,000</u>	<u>7,865,000</u>
Total	<u>\$ 6,965,425</u>	<u>\$ 7,927,210</u>

The outstanding debt listed above for Winona County decreased \$961,785 due to principal reduction for 2012 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 3 to the financial statements.

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

### Unemployment

The 12-month average for unemployment in 2012 for the U.S., Minnesota, and Winona County was 8.1 percent, 5.7 percent, and 5.0 percent, respectively. This compared to 2011 averages of 8.9 percent, 6.4 percent, and 6.0 percent.

### New Construction

New construction for all of Winona County was valued at \$18.9 million in 2012, which is payable in 2012. A decrease of 5.5 percent was experienced from the previous year.

### State Financial Position

The State forecast is better than it has been in previous years. There is an increase to County Program Aid for Counties. At the present time, counties do have levy limits. There have been no significant mandate reliefs for counties.

### 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 2013.

## **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 requests 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 POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012**

**Assets**

Cash and pooled investments	\$	31,876,682
Petty cash and change funds		2,870
Taxes receivable		
Current		264,036
Prior		183,222
Special assessments receivable		
Current		8,291
Prior		9,749
Accounts receivable - net		1,686,018
Accrued interest receivable		86,152
Loan receivable		1,698,109
Due from other governments		3,776,432
Inventories		220,357
Capital assets		
Non-depreciable		25,884,952
Depreciable - net of accumulated depreciation		61,875,009
<b>Total Assets</b>	<b>\$</b>	<b>127,571,879</b>

**Liabilities**

Accounts payable	\$	668,244
Salaries payable		365,290
Contracts payable		701,424
Due to other governments		371,201
Accrued interest payable		94,404
Unearned revenue		899,297
Advance from other governments		1,575,558
Long-term liabilities		
Due within one year		1,225,174
Due in more than one year		8,863,307
<b>Total Liabilities</b>	<b>\$</b>	<b>14,763,899</b>

**Net Position**

Net investment in capital assets	\$	80,818,442
Restricted for		
General government		764,933
Public safety		689,283
Highways and streets		576,218
Culture and recreation		14,642
Debt service		1,157,328
Economic development		1,289,141
Health		24,808
Unrestricted		27,473,185
<b>Total Net Position</b>	<b>\$</b>	<b>112,807,980</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>		<u>Operating Grants and Contributions</u>
<b>Primary government</b>				
<b>Governmental activities</b>				
General government	\$ 7,522,589	\$ 1,310,359	\$ 399,821	\$ (5,812,409)
Public safety	7,327,643	291,831	968,479	(6,067,333)
Highways and streets	6,916,890	12,910	9,823,140	2,919,160
Sanitation	1,267,566	944,599	20,794	(302,173)
Human services	10,940,285	812,757	6,309,138	(3,818,390)
Health	2,462,898	1,079,965	729,722	(653,211)
Culture and recreation	284,409	2,303	275	(281,831)
Conservation of natural resources	637,721	53,870	436,174	(147,677)
Economic development	102,115	94,270	110,626	102,781
Interest	235,391	-	-	(235,391)
<b>Total Governmental Activities</b>	<b><u>\$ 37,697,507</u></b>	<b><u>\$ 4,602,864</u></b>	<b><u>\$ 18,798,169</u></b>	<b><u>\$ (14,296,474)</u></b>
<b>General Revenues</b>				
Property taxes			\$ 16,918,908	
Mortgage registry and deed tax			31,904	
Taxes other			369	
Payments in lieu of tax			308,408	
Grants and contributions not restricted to specific programs			2,797,103	
Unrestricted investment earnings			187,298	
Miscellaneous			495,933	
Gain on sale of capital assets			6,750	
<b>Total general revenues</b>			<b><u>\$ 20,746,673</u></b>	
<b>Change in net position</b>			<b>\$ 6,450,199</b>	
<b>Net Position - Beginning</b>			<b><u>106,357,781</u></b>	
<b>Net Position - Ending</b>			<b><u>\$ 112,807,980</u></b>	

**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**WINONA COUNTY  
WINONA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Special Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 14,010,231	\$ 3,692,865
Petty cash and change funds	2,820	-
Taxes receivable		
Current	152,656	30,293
Prior	103,470	22,797
Special assessments		
Current	8,291	-
Prior	9,749	-
Accounts receivable	37,069	1,772
Accrued interest receivable	86,152	-
Loans receivable	55,425	-
Due from other funds	11,107	-
Due from other governments	304,195	1,568,191
Inventories	-	220,357
	<b>\$ 14,781,165</b>	<b>\$ 5,536,275</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 288,244	\$ 240,641
Salaries payable	205,736	38,622
Contracts payable	-	701,424
Due to other funds	-	-
Due to other governments	224,890	110,564
Deferred revenue - unavailable	226,751	1,383,327
Deferred revenue - unearned	-	-
Advance from other governments	-	1,575,558
	<b>\$ 945,621</b>	<b>\$ 4,050,136</b>

**EXHIBIT 3**

<b>Revenue Funds</b>					
<b>Community Services</b>	<b>EDA Loan</b>	<b>Capital Projects</b>	<b>Nonmajor Fund Debt Service</b>	<b>Total</b>	
\$ 6,174,084	\$ 545,754	\$ 6,304,071	\$ 1,149,677	\$ 31,876,682	
50	-	-	-	2,870	
50,218	-	12,027	18,842	264,036	
41,912	-	5,276	9,767	183,222	
-	-	-	-	8,291	
-	-	-	-	9,749	
1,647,177	-	-	-	1,686,018	
-	-	-	-	86,152	
-	1,642,684	-	-	1,698,109	
-	-	-	-	11,107	
921,113	-	982,933	-	3,776,432	
-	-	-	-	220,357	
<b>\$ 8,834,554</b>	<b>\$ 2,188,438</b>	<b>\$ 7,304,307</b>	<b>\$ 1,178,286</b>	<b>\$ 39,823,025</b>	
\$ 94,642	\$ -	\$ 44,717	\$ -	\$ 668,244	
120,932	-	-	-	365,290	
-	-	-	-	701,424	
11,107	-	-	-	11,107	
35,747	-	-	-	371,201	
1,684,639	-	14,969	20,958	3,330,644	
-	899,297	-	-	899,297	
-	-	-	-	1,575,558	
<b>\$ 1,947,067</b>	<b>\$ 899,297</b>	<b>\$ 59,686</b>	<b>\$ 20,958</b>	<b>\$ 7,922,765</b>	

**WINONA COUNTY  
WINONA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Special Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>(Continued)</b>		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 220,357
Loans receivable	55,425	-
Restricted for		
Debt service	-	-
Apple Blossom Drive	14,642	-
Well decontamination	24,808	-
Recorder's unallocated land-based	381,812	-
Recorder's equipment purchases	271,465	-
Enhanced 911	572,757	-
Sheriff's contingency	4,592	-
DARE	16,493	-
Sheriff's forfeited property	4,039	-
Attorney's forfeited property	55,899	-
Explorer post	332	-
Police dog donations	5,697	-
Permits to carry	85,705	-
Economic development	-	-
Assigned		
Future expenditures	1,126,677	-
Highways and streets	-	1,265,782
Capital improvements	-	-
Health and human services	-	-
Recycling	596,474	-
Employee wellness	18,296	-
Tobacco settlement	71,499	-
Unassigned	10,528,932	-
<b>Total Fund Balances</b>	<b>\$ 13,835,544</b>	<b>\$ 1,486,139</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,781,165</b>	<b>\$ 5,536,275</b>

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

<b>Revenue Funds</b>				
<u>Community Services</u>	<u>EDA Loan</u>	<u>Capital Projects</u>	<u>Nonmajor Fund Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 220,357
-	743,387	-	-	798,812
-	-	-	1,157,328	1,157,328
-	-	-	-	14,642
-	-	-	-	24,808
-	-	-	-	381,812
-	-	-	-	271,465
-	-	-	-	572,757
-	-	-	-	4,592
-	-	-	-	16,493
-	-	-	-	4,039
-	-	-	-	55,899
-	-	-	-	332
-	-	-	-	5,697
-	-	-	-	85,705
-	545,754	-	-	545,754
-	-	-	-	1,126,677
-	-	-	-	1,265,782
-	-	7,244,621	-	7,244,621
6,887,487	-	-	-	6,887,487
-	-	-	-	596,474
-	-	-	-	18,296
-	-	-	-	71,499
-	-	-	-	10,528,932
<b>\$ 6,887,487</b>	<b>\$ 1,289,141</b>	<b>\$ 7,244,621</b>	<b>\$ 1,157,328</b>	<b>\$ 31,900,260</b>
<b>\$ 8,834,554</b>	<b>\$ 2,188,438</b>	<b>\$ 7,304,307</b>	<b>\$ 1,178,286</b>	<b>\$ 39,823,025</b>

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2012**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>31,900,260</b>
Amounts reported for governmental activities in the statement of net position 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.		87,759,961
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,330,644
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (6,910,000)	
Notes payable	(55,425)	
Bond discount	4,910	
Bond premium	(36,430)	
Net pension obligation	(866,822)	
Accrued interest payable	(94,404)	
Compensated absences	(2,224,714)	(10,182,885)
	<hr/>	<hr/>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>112,807,980</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>General</b>	<b>Special Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 9,829,436	\$ 1,921,820
Special assessments	293,921	-
Licenses and permits	235,112	-
Intergovernmental	3,870,021	9,620,289
Charges for services	2,120,720	9,313
Fines and forfeits	24,446	-
Gifts and contributions	31,297	-
Investment earnings	187,559	-
Miscellaneous	532,689	96,252
	<b>\$ 17,125,201</b>	<b>\$ 11,647,674</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 6,867,920	\$ 186,338
Public safety	6,828,266	-
Highways and streets	-	13,654,736
Sanitation	1,262,121	-
Human services	-	-
Health	185,543	-
Culture and recreation	284,409	-
Conservation of natural resources	625,895	-
Economic development	102,115	-
<b>Debt service</b>		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
	<b>\$ 16,156,269</b>	<b>\$ 13,841,074</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 968,932</b>	<b>\$ (2,193,400)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 117,207	\$ -
Transfers out	-	(2,170)
Proceeds from sale of capital assets	20,597	-
	<b>\$ 137,804</b>	<b>\$ (2,170)</b>
<b>Change in Fund Balance</b>	<b>\$ 1,106,736</b>	<b>\$ (2,195,570)</b>
<b>Fund Balance - January 1</b>	<b>12,728,808</b>	<b>3,695,484</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(13,775)</b>
<b>Fund Balance - December 31</b>	<b>\$ 13,835,544</b>	<b>\$ 1,486,139</b>

**EXHIBIT 5**

<b>Revenue Funds</b>					
<b>Community Services</b>	<b>EDA Loan</b>	<b>Capital Projects</b>	<b>Nonmajor Fund Debt Service</b>	<b>Total</b>	
\$ 3,186,256	\$ -	\$ 762,191	\$ 1,197,569	\$ 16,897,272	
-	-	-	8,249	302,170	
28,600	-	-	-	263,712	
7,615,998	-	1,004,640	20,167	22,131,115	
1,753,304	-	-	-	3,883,337	
125	-	-	-	24,571	
-	-	-	-	31,297	
-	9,341	4,549	-	201,449	
406,389	29	17,142	-	1,052,501	
<b>\$ 12,990,672</b>	<b>\$ 9,370</b>	<b>\$ 1,788,522</b>	<b>\$ 1,225,985</b>	<b>\$ 44,787,424</b>	
\$ -	\$ -	\$ 261,975	\$ -	\$ 7,316,233	
-	-	820,058	-	7,648,324	
-	-	417,362	-	14,072,098	
-	-	-	-	1,262,121	
10,845,851	-	-	-	10,845,851	
2,275,161	-	-	-	2,460,704	
-	-	-	-	284,409	
-	-	-	-	625,895	
-	-	-	-	102,115	
-	-	-	961,785	961,785	
-	-	-	242,798	242,798	
-	-	-	2,981	2,981	
<b>\$ 13,121,012</b>	<b>\$ -</b>	<b>\$ 1,499,395</b>	<b>\$ 1,207,564</b>	<b>\$ 45,825,314</b>	
<b>\$ (130,340)</b>	<b>\$ 9,370</b>	<b>\$ 289,127</b>	<b>\$ 18,421</b>	<b>\$ (1,037,890)</b>	
\$ 46,798	\$ -	\$ -	\$ -	\$ 164,005	
(115,037)	-	(46,798)	-	(164,005)	
-	-	-	-	20,597	
<b>\$ (68,239)</b>	<b>\$ -</b>	<b>\$ (46,798)</b>	<b>\$ -</b>	<b>\$ 20,597</b>	
<b>\$ (198,579)</b>	<b>\$ 9,370</b>	<b>\$ 242,329</b>	<b>\$ 18,421</b>	<b>\$ (1,017,293)</b>	
<b>7,086,066</b>	<b>1,279,771</b>	<b>7,002,292</b>	<b>1,138,907</b>	<b>32,931,328</b>	
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,775)</b>	
<b>\$ 6,887,487</b>	<b>\$ 1,289,141</b>	<b>\$ 7,244,621</b>	<b>\$ 1,157,328</b>	<b>\$ 31,900,260</b>	

**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, 2012**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (1,017,293)**

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	\$ 3,330,644	
Deferred revenue - January 1	(4,083,193)	(752,549)

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	\$ 9,410,838	
Net book value of assets disposed of	(14,938)	
Current depreciation	(2,020,234)	7,375,666

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 position.

Principal repayments		
General obligation bonds	\$ 955,000	
Premiums (discounts)	6,304	
Note	6,785	968,089

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	\$ (69,413)	
Change in accrued interest payable	10,869	
Change in compensated absences	(51,395)	
Change in inventories	(13,775)	(123,714)

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 6,450,199**

**FIDUCIARY FUNDS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012**

	<b>HC Garvin Private-Purpose Trust</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ -	\$ 1,318,045
Investments	47,715	-
Accrued interest receivable	4	-
<b>Total Assets</b>	<b>\$ 47,719</b>	<b>\$ 1,318,045</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 4	\$ 517,466
Due to other governments	-	800,579
<b>Total Liabilities</b>	<b>\$ 4</b>	<b>\$ 1,318,045</b>
<b><u>Net Position</u></b>		
Net position, held in trust	<b>\$ 47,715</b>	

WINONA COUNTY  
WINONA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>HC Garvin Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Interest on investments	\$ 527
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<u>527</u>
<b>Change in net position</b>	<b>\$ -</b>
<b>Net Position - January 1</b>	<b><u>47,715</u></b>
<b>Net Position - December 31</b>	<b><u><u>\$ 47,715</u></u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
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**

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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.

Joint Ventures

The County participates in joint ventures described in Note 5.C. The County also participates in jointly-governed organizations and a related organization described in Note 5.D. and Note 5.E., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position 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 position, 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**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

Winona County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. 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 accounts for restricted revenues from the federal and state government, as well as property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Community Services Special Revenue Fund accounts for restricted revenue resources from the federal, state, and other oversight agencies, as well as property tax revenues used for economic assistance and community social services programs.

The EDA Loan Special Revenue Fund accounts for restricted revenue resources from federal agencies to provide assistance, in the form of loans, with flood-related expenditures after the 2007 flood.

The Capital Projects Fund accounts for financial resources for capital acquisition, construction, or improvement of capital facilities.

Additionally, the County reports the following fund types:

The Debt Service Fund accounts for all financial resources restricted for payment of principal, interest, and related costs of long-term bonded debt.

Private-purpose trust funds 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**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2012, 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 2012 were \$187,559.

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, investment in the pool is measured at the net asset value per share provided by the pool.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position 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 nonspendable fund balance 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**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position 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**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position 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 position. 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. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

8. Classification of Fund Balances (Continued)

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Administrator who has been delegated that authority by Board resolution.

Unassigned - unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

8. Classification of Fund Balances (Continued)

Minimum Fund Balance Policy

Winona County has adopted a Minimum Fund Balance Policy. Therefore, Winona County shall maintain a minimum fund balance for cash flow of not less than 50 percent, nor more than 75 percent of the following: the sum of the most recent budget year's property tax levy plus, the previous year's (or projected) County Program Aid plus, the previous year's (or projected) County Social Services Aid (CSSA), and other state aids received by Winona County from the State of Minnesota. In no case shall this amount be less than 40 percent of the most recent budget year's operating expenditures.

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. Stewardship, Compliance and Accountability

Excess of Expenditures Over Budget

The Community Services Special Revenue Fund expenditures of \$13,121,012 exceeded the final budget of \$12,648,763 by \$472,249 due to the EDMS system being more extensive than budgeted.

The Capital Projects Fund expenditures of \$1,499,395 exceeded the final budget of \$843,474 by \$655,921 due to expenditures relating to the government center building and the COB building were not budgeted.

The Debt Service Fund expenditures of \$1,207,564 exceeded the final budget of \$1,204,088 by \$3,476.

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. 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 position	
Governmental activities	
Cash and pooled investments	\$ 31,876,682
Petty cash and change funds	2,870
Statement of fiduciary net position	
Private-purpose trust	
Investments	47,715
Agency	<u>1,318,045</u>
Total Cash and Investments	<u>\$ 33,245,312</u>
Deposits	<u>\$ 10,615,121</u>
Petty cash and change funds	<u>2,870</u>
Investments	
U.S. Treasuries	\$ 500,035
Commercial paper	999,723
Negotiable securities	13,430,000
Mutual funds	<u>7,697,563</u>
Total investments	<u>\$ 22,627,321</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 33,245,312</u>

a. Deposits

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better 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, 2012, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County'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**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2012, 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	\$ 500,035	\$ -	\$ 500,035
Commercial paper	999,723	999,723	-
Negotiable certificates	<u>13,430,000</u>	<u>10,565,000</u>	<u>2,865,000</u>
Investments subject to interest rate risk	\$ 14,929,758	<u>\$ 11,564,723</u>	<u>\$ 3,365,035</u>
Investments not subject to interest rate risk	<u>7,697,563</u>		
Total Investments	<u>\$ 22,627,321</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, 2012, is as follows:

<u>Standard &amp; Poor's Rating</u>	<u>Fair Value</u>
AAA	\$ 500,035
A-1+/P-1	999,723
AAAm	7,258,885
Not rated	438,678
Not applicable	<u>13,430,000</u>
Total	<u>\$ 22,627,321</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy limits the dollar amount invested in securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name 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. There are no investments in a single issuer that have more than five percent concentration.

2. Receivables

Receivables as of December 31, 2012, for Winona County's governmental activities, including the applicable allowances for uncollectible (Community Services Special Revenue Fund) accounts, are as follows:

Accounts receivable	\$ 6,057,175
Less: allowance for uncollectible	<u>(4,371,157)</u>
Net Accounts Receivable	<u>\$ 1,686,018</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

The loans receivable of \$1,642,684 in the EDA Special Revenue Fund 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 \$631,812 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 and second payments of \$5,000 and \$10,000 have been received, and the remaining loan amount was received in 2012. Construction on the project began in 2010. The project has been commissioned and has been producing power at projected capacity factor. 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.

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2012, 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	3,263,933	123,171	-	3,387,104
Construction in progress				
Highway	14,090,317	7,985,018	2,145,732	19,929,603
Total capital assets not depreciated	\$ 19,922,495	\$ 8,108,189	\$ 2,145,732	\$ 25,884,952
Capital assets depreciated				
Buildings	\$ 24,898,695	\$ 78,809	\$ 13,290	\$ 24,964,214
Improvements other than buildings	460,826	24,815	-	485,641
Machinery, furniture, and equipment	9,544,927	1,221,026	325,423	10,440,530
Infrastructure	48,746,145	2,123,731	-	50,869,876
Total capital assets depreciated	\$ 83,650,593	\$ 3,448,381	\$ 338,713	\$ 86,760,261
Less: accumulated depreciation for				
Buildings	\$ 3,165,262	\$ 270,848	\$ 7,338	\$ 3,428,772
Improvements other than buildings	190,011	15,576	-	205,587
Machinery, furniture, and equipment	5,292,969	816,616	316,437	5,793,148
Infrastructure	14,540,551	917,194	-	15,457,745
Total accumulated depreciation	\$ 23,188,793	\$ 2,020,234	\$ 323,775	\$ 24,885,252
Total capital assets depreciated, net	\$ 60,461,800	\$ 1,428,147	\$ 14,938	\$ 61,875,009
Governmental Activities				
Capital Assets, Net	\$ 80,384,295	\$ 9,536,336	\$ 2,160,670	\$ 87,759,961

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	382,584
Public safety		321,322
Highways and streets, including depreciation of infrastructure assets		1,302,813
Human services		3,497
Health		3,372
Sanitation		1,137
Conservation of natural resources		5,509
Total Depreciation Expense - Governmental Activities	\$	2,020,234

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General	Community Services	\$ 11,107

These balances reflect the interfund goods and services provided and not paid at year-end but expected to be paid in the subsequent year.

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

<u>Fund From</u>	<u>Fund To</u>	<u>Amount</u>	
Community Services Fund	General Fund	\$ 115,037	Transfer retiree insurance
Road and Bridge Fund	General Fund	2,170	Transfer retiree insurance
Capital Improvement Fund	Community Services Fund	<u>46,798</u>	Transfer for equipment
Total Transfers		<u>\$ 164,005</u>	

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2012. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and bridges	\$ 15,498,222	\$ 1,196,976
800 mhz project	2,659,363	465,000

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 and 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 the compensated absences cash payout option for eligible employees at the end of 2012 is \$1,052,017.

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Bonded Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2012
General obligation bonds and notes					
2010 G.O. Capital Improvement Plan Bonds	2021	\$225,000 - \$265,000	2.00 - 4.00	\$ 2,400,000	\$ 2,175,000
2009A G.O. Capital Improvement Plan Bonds	2024	\$25,000 - \$445,000	2.00 - 4.00	3,735,000	2,650,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	\$350,000 - \$460,000	1.70 - 2.30	<u>3,435,000</u>	<u>2,085,000</u>
Total general obligation bonds				\$ 9,570,000	\$ 6,910,000
Note payable					
South Branch Whitewater River Watershed Bacteria Reduction Project Note Payable	2018		2.00	<u>69,472</u>	<u>55,425</u>
Total General Obligation Bonds and Notes				<u>\$ 9,639,472</u>	<u>\$ 6,965,425</u>

Debt payments for the above debt are being made from the Debt Service Fund.

Debt service requirements at December 31, 2012, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2013	\$ 980,000	\$ 213,938
2014	1,005,000	184,512
2015	1,055,000	152,212
2016	1,090,000	116,313
2017	1,135,000	78,162
2018 - 2022	1,575,000	111,469
2023 - 2024	<u>70,000</u>	<u>2,800</u>
Total	<u>\$ 6,910,000</u>	<u>\$ 859,406</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 7,865,000	\$ -	\$ 955,000	\$ 6,910,000	\$ 980,000
Premium on bonds	43,716	-	7,286	36,430	-
Discounts on bonds	(5,892)	-	(982)	(4,910)	-
Total bonds payable	\$ 7,902,824	\$ -	\$ 961,304	\$ 6,941,520	\$ 980,000
Note	62,210	-	6,785	55,425	6,921
Compensated absences	2,173,319	1,647,652	1,596,257	2,224,714	238,253
OPEB liability	797,409	383,906	314,493	866,822	-
Governmental Activities Long-Term Liabilities	\$ 10,935,762	\$ 2,031,558	\$ 2,878,839	\$ 10,088,481	\$ 1,225,174

4. 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).

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

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 average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

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 of average salary for each year of service.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2012:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Employees Retirement Fund	\$ 699,716	\$ 716,191	\$ 743,065
Public Employees Police and Fire Fund	123,663	120,525	120,124
Public Employees Correctional Fund	74,110	69,579	71,523

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

B. Defined Contribution Plan

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by Winona County during the year ended December 31, 2012, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,847	\$ 4,847
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

The County provides health insurance benefits for qualifying retired employees under a single-employer self-insured plan, financed and administered by Winona County and the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota, under contract with 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.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

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, 2012, 14 retirees were receiving health benefits from the County’s health plan. As of year-end, the County has 25 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 of unused sick leave equals one month’s paid-up insurance for employees only.

The County is offering a Phased Retirement Incentive Program (PRIP). The Winona County PRIP is designed to provide employees who wish to retire/resign an option to do so by offering some extra financial incentive. The program is intended to aid the County in responding, in part, to the current budget challenges by offering a phased retirement program contingent upon retirement/resignation with the intent of not filling either the vacated position or another position within the organization as well as recognizing other significant savings. The ultimate goal of the program is to reduce expenditures by working with employees to find system efficiencies within the organization and, therefore, reducing the local tax burden to the citizens.

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 2012.

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

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 2012, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$	397,498
Interest on net OPEB obligations		35,883
Adjustment to ARC		<u>(49,475)</u>
 Annual OPEB cost	 \$	 383,906
Contribution during the year		<u>(314,493)</u>
 Increase (Decrease) in net OPEB obligation	 \$	 69,413
Net OPEB - Beginning of Year		<u>797,409</u>
 Net OPEB - End of Year	 \$	 <u>866,822</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, 2012, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed (%)</u>	<u>Net OPEB Obligation</u>
December 31, 2010	\$ 343,999	\$ 194,043	56.40	\$ 685,429
December 31, 2011	386,319	274,339	71.01	797,409
December 31, 2012	383,906	314,493	81.91	866,822

**WINONA COUNTY  
WINONA, MINNESOTA**

4. 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
January 1, 2011	-	3,786,238	3,786,238	0.00	14,065,939	26.90

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, 2012, 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 8.0 percent initially, and reduced incrementally to an ultimate rate of 5.0 percent after 6 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**

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5. 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 \$460,000 per claim in 2012. 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**

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5. 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 2012. 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**

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5. 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. The Winona Area Public Schools became the fiscal agent for the Collaborative in 2011. The Collaborative had \$91,708 of expenditures in 2012.

D. Jointly-Governed Organizations

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

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to several counties. During the year, the County paid \$4,000 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, the County paid \$1,000 to the Southeast Minnesota Regional Radio Board.

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**

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5. 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 \$10,984 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 \$116,548 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 2012, the County settled with the Watershed for property taxes collected in the amount of \$3,868.

**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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 9,739,020	\$ 9,739,020	\$ 9,829,436	\$ 90,416
Special assessments	292,166	292,166	293,921	1,755
Licenses and permits	210,473	210,473	235,112	24,639
Intergovernmental	3,317,177	3,343,754	3,870,021	526,267
Charges for services	2,403,923	2,403,923	2,120,720	(283,203)
Fines and forfeits	15,070	15,070	24,446	9,376
Gifts and contributions	7,200	7,200	31,297	24,097
Investment earnings	241,300	241,300	187,559	(53,741)
Miscellaneous	277,478	277,478	532,689	255,211
<b>Total Revenues</b>	<b>\$ 16,503,807</b>	<b>\$ 16,530,384</b>	<b>\$ 17,125,201</b>	<b>\$ 594,817</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 204,949	\$ 204,949	\$ 191,717	\$ 13,232
Courts	104,000	104,000	147,636	(43,636)
Law library	38,500	38,500	34,539	3,961
County administration	517,553	517,553	481,751	35,802
County auditor/treasurer	269,333	269,333	265,461	3,872
License bureau	239,884	239,884	231,487	8,397
County assessor	503,960	503,960	515,340	(11,380)
Elections	58,450	58,450	50,973	7,477
Accounting and auditing	401,615	401,615	347,102	54,513
Data processing	785,961	785,961	627,900	158,061
Personnel	449,857	449,857	459,931	(10,074)
Attorney	1,254,553	1,389,130	1,232,554	156,576
Recorder	615,149	615,149	402,748	212,401
Planning and zoning	491,000	491,000	444,611	46,389
Maintenance	1,045,891	1,051,891	721,361	330,530
Veterans service officer	156,422	156,422	159,468	(3,046)
Other general government	690,566	690,566	553,341	137,225
<b>Total general government</b>	<b>\$ 7,827,643</b>	<b>\$ 7,968,220</b>	<b>\$ 6,867,920</b>	<b>\$ 1,100,300</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,144,377	\$ 2,130,823	\$ 2,270,678	\$ (139,855)
Boat and water safety	25,390	25,390	42,014	(16,624)
Emergency services	182,061	182,061	159,462	22,599
E-911 system	161,600	161,600	304,982	(143,382)
County jail	2,214,733	2,208,441	2,372,149	(163,708)
Law enforcement center	1,146,742	1,082,296	816,392	265,904
Probation and parole	788,208	788,208	859,959	(71,751)
DARE program	4,000	4,000	2,630	1,370
<b>Total public safety</b>	<b>\$ 6,667,111</b>	<b>\$ 6,582,819</b>	<b>\$ 6,828,266</b>	<b>\$ (245,447)</b>
<b>Sanitation</b>				
Recycling	\$ 1,106,317	\$ 1,109,864	\$ 1,262,121	\$ (152,257)
<b>Health</b>				
Environmental health	\$ 157,944	\$ 157,944	\$ 185,543	\$ (27,599)
<b>Culture and recreation</b>				
Historical society	\$ 49,950	\$ 49,950	\$ 49,950	\$ -
Parks	22,853	22,853	14,725	8,128
Regional library	219,684	219,684	219,734	(50)
<b>Total culture and recreation</b>	<b>\$ 292,487</b>	<b>\$ 292,487</b>	<b>\$ 284,409</b>	<b>\$ 8,078</b>
<b>Conservation of natural resources</b>				
County extension	\$ 144,129	\$ 144,129	\$ 145,188	\$ (1,059)
Soil and water conservation	62,625	62,625	62,625	-
Feedlot	116,342	116,342	128,590	(12,248)
Agricultural inspection	4,647	4,647	4,703	(56)
Wetland challenge	42,421	42,421	39,372	3,049
Other	224,312	224,312	206,867	17,445
Agricultural society/County fair	38,550	38,550	38,550	-
<b>Total conservation of natural resources</b>	<b>\$ 633,026</b>	<b>\$ 633,026</b>	<b>\$ 625,895</b>	<b>\$ 7,131</b>
<b>Economic development</b>				
Other	\$ 92,873	\$ 92,873	\$ 102,115	\$ (9,242)
<b>Total Expenditures</b>	<b>\$ 16,777,401</b>	<b>\$ 16,837,233</b>	<b>\$ 16,156,269</b>	<b>\$ 680,964</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (273,594)</b>	<b>\$ (306,849)</b>	<b>\$ 968,932</b>	<b>\$ 1,275,781</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 248,901	\$ 282,156	\$ 117,207	\$ (164,949)
Proceeds from sale of capital assets	10,000	10,000	20,597	10,597
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 258,901</b>	<b>\$ 292,156</b>	<b>\$ 137,804</b>	<b>\$ (154,352)</b>
<b>Change in Fund Balance</b>	<b>\$ (14,693)</b>	<b>\$ (14,693)</b>	<b>\$ 1,106,736</b>	<b>\$ 1,121,429</b>
<b>Fund Balance - January 1</b>	<b>12,728,808</b>	<b>12,728,808</b>	<b>12,728,808</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 12,714,115</b>	<b>\$ 12,714,115</b>	<b>\$ 13,835,544</b>	<b>\$ 1,121,429</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,949,866	\$ 1,949,866	\$ 1,921,820	\$ (28,046)
Intergovernmental	12,994,784	12,994,784	9,620,289	(3,374,495)
Charges for services	652,000	652,000	9,313	(642,687)
Miscellaneous	170,000	170,000	96,252	(73,748)
<b>Total Revenues</b>	<b><u>\$ 15,766,650</u></b>	<b><u>\$ 15,766,650</u></b>	<b><u>\$ 11,647,674</u></b>	<b><u>\$ (4,118,976)</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Surveyor	\$ 241,669	\$ 241,669	\$ 186,338	\$ 55,331
<b>Highways and streets</b>				
Administration	\$ 397,916	\$ 397,916	\$ 419,701	\$ (21,785)
Maintenance	1,999,658	1,999,658	1,762,126	237,532
Construction	12,169,942	12,169,942	10,690,660	1,479,282
Equipment maintenance and shop	513,825	513,825	448,375	65,450
Materials and services for resale	483,640	483,640	333,874	149,766
<b>Total highways and streets</b>	<b><u>\$ 15,564,981</u></b>	<b><u>\$ 15,564,981</u></b>	<b><u>\$ 13,654,736</u></b>	<b><u>\$ 1,910,245</u></b>
<b>Total Expenditures</b>	<b><u>\$ 15,806,650</u></b>	<b><u>\$ 15,806,650</u></b>	<b><u>\$ 13,841,074</u></b>	<b><u>\$ 1,965,576</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ (40,000)</u></b>	<b><u>\$ (40,000)</u></b>	<b><u>\$ (2,193,400)</u></b>	<b><u>\$ (2,153,400)</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (2,170)	\$ (2,170)
Proceeds from sale of capital assets	40,000	40,000	-	(40,000)
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ 40,000</u></b>	<b><u>\$ 40,000</u></b>	<b><u>\$ (2,170)</u></b>	<b><u>\$ (42,170)</u></b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,195,570)</b>	<b>\$ (2,195,570)</b>
<b>Fund Balance - January 1</b>	<b>3,695,484</b>	<b>3,695,484</b>	<b>3,695,484</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(13,775)</b>	<b>(13,775)</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 3,695,484</u></b>	<b><u>\$ 3,695,484</u></b>	<b><u>\$ 1,486,139</u></b>	<b><u>\$ (2,209,345)</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,232,119	\$ 3,232,119	\$ 3,186,256	\$ (45,863)
Licenses and permits	31,600	31,600	28,600	(3,000)
Intergovernmental	7,047,936	7,047,936	7,615,998	568,062
Charges for services	1,996,628	1,996,628	1,753,304	(243,324)
Fines and forfeits	300	300	125	(175)
Miscellaneous	340,180	340,180	406,389	66,209
<b>Total Revenues</b>	<b>\$ 12,648,763</b>	<b>\$ 12,648,763</b>	<b>\$ 12,990,672</b>	<b>\$ 341,909</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 3,087,145	\$ 3,087,145	\$ 3,729,137	\$ (641,992)
Social services	6,915,674	6,915,674	6,984,028	(68,354)
Care grant	-	-	132,686	(132,686)
<b>Total human services</b>	<b>\$ 10,002,819</b>	<b>\$ 10,002,819</b>	<b>\$ 10,845,851</b>	<b>\$ (843,032)</b>
<b>Health</b>				
Nurses services	\$ 453,336	\$ 448,486	\$ 312,964	\$ 135,522
Maternal child health	476,347	476,347	431,843	44,504
County health officer	342,764	345,164	313,015	32,149
Health center	1,373,497	1,375,947	1,217,339	158,608
<b>Total health</b>	<b>\$ 2,645,944</b>	<b>\$ 2,645,944</b>	<b>\$ 2,275,161</b>	<b>\$ 370,783</b>
<b>Total Expenditures</b>	<b>\$ 12,648,763</b>	<b>\$ 12,648,763</b>	<b>\$ 13,121,012</b>	<b>\$ (472,249)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (130,340)</b>	<b>\$ (130,340)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 46,798	\$ 46,798
Transfers out	-	-	(115,037)	(115,037)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (68,239)</b>	<b>\$ (68,239)</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (198,579)</b>	<b>\$ (198,579)</b>
<b>Fund Balance - January 1</b>	<b>7,086,066</b>	<b>7,086,066</b>	<b>7,086,066</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,086,066</b>	<b>\$ 7,086,066</b>	<b>\$ 6,887,487</b>	<b>\$ (198,579)</b>

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

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
EDA LOAN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 5,874	\$ 5,874	\$ 9,341	\$ 3,467
Miscellaneous	198,878	198,878	29	(198,849)
<b>Total Revenues</b>	<b>\$ 204,752</b>	<b>\$ 204,752</b>	<b>\$ 9,370</b>	<b>\$ (195,382)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Other economic development	204,752	204,752	-	204,752
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,370</b>	<b>\$ 9,370</b>
<b>Fund Balance - January 1</b>	<b>1,279,771</b>	<b>1,279,771</b>	<b>1,279,771</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,279,771</b>	<b>\$ 1,279,771</b>	<b>\$ 1,289,141</b>	<b>\$ 9,370</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

***EXHIBIT A-5***

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2012**

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
January 1, 2011	-	3,786,238	3,786,238	0.00	14,065,939	26.90

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**WINONA COUNTY  
WINONA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. 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 effect 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 assignments of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Budget

The Community Services Special Revenue Fund expenditures of \$13,121,012 exceeded the final budget of \$12,648,763 by \$472,249 due to the EDMS system being more expensive than budgeted.

3. Other Postemployment Benefits

The employer contributions of \$214,493 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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**MAJOR FUND**

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 763,245	\$ 763,245	\$ 762,191	\$ (1,054)
Intergovernmental	12,836	12,836	1,004,640	991,804
Charges for services	10,000	10,000	-	(10,000)
Investment earnings	-	-	4,549	4,549
Miscellaneous	-	-	17,142	17,142
<b>Total Revenues</b>	<b>\$ 786,081</b>	<b>\$ 786,081</b>	<b>\$ 1,788,522</b>	<b>\$ 1,002,441</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 192,681	\$ 218,914	\$ 261,975	\$ (43,061)
Public safety	164,000	195,160	820,058	(624,898)
Highways and streets	429,400	429,400	417,362	12,038
<b>Total Expenditures</b>	<b>\$ 786,081</b>	<b>\$ 843,474</b>	<b>\$ 1,499,395</b>	<b>\$ (655,921)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ (57,393)</b>	<b>\$ 289,127</b>	<b>\$ 346,520</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 57,393	\$ -	\$ (57,393)
Transfers out	-	-	(46,798)	(46,798)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 57,393</b>	<b>\$ (46,798)</b>	<b>\$ (104,191)</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 242,329</b>	<b>\$ 242,329</b>
<b>Fund Balance - January 1</b>	<b>7,002,292</b>	<b>7,002,292</b>	<b>7,002,292</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,002,292</b>	<b>\$ 7,002,292</b>	<b>\$ 7,244,621</b>	<b>\$ 242,329</b>

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**WINONA COUNTY  
WINONA, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

**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 C-1*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,198,986	\$ 1,198,986	\$ 1,197,569	\$ (1,417)
Special assessments	-	-	8,249	8,249
Intergovernmental	19,795	19,795	20,167	372
<b>Total Revenues</b>	<b>\$ 1,218,781</b>	<b>\$ 1,218,781</b>	<b>\$ 1,225,985</b>	<b>\$ 7,204</b>
<b>Expenditures</b>				
<b>Current</b>				
Principal	\$ 955,000	\$ 955,000	\$ 961,785	\$ (6,785)
Interest	241,588	241,588	242,798	(1,210)
Administrative (fiscal) charges	7,500	7,500	2,981	4,519
<b>Total Expenditures</b>	<b>\$ 1,204,088</b>	<b>\$ 1,204,088</b>	<b>\$ 1,207,564</b>	<b>\$ (3,476)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 14,693</b>	<b>\$ 14,693</b>	<b>\$ 18,421</b>	<b>\$ 3,728</b>
<b>Fund Balance - January 1</b>	<b>1,138,907</b>	<b>1,138,907</b>	<b>1,138,907</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,153,600</b>	<b>\$ 1,153,600</b>	<b>\$ 1,157,328</b>	<b>\$ 3,728</b>

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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 D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>EMPLOYEE BENEFIT PLANS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>169,331</u>	\$ <u>933,025</u>	\$ <u>957,336</u>	\$ <u>145,020</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ <u>169,331</u>	\$ <u>933,025</u>	\$ <u>957,336</u>	\$ <u>145,020</u>
 <b><u>EMPLOYEE BENEFIT PLANS - LIABILITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>760,396</u>	\$ <u>511,733</u>	\$ <u>899,683</u>	\$ <u>372,446</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ <u>760,396</u>	\$ <u>511,733</u>	\$ <u>899,683</u>	\$ <u>372,446</u>
 <b><u>SETTLEMENT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>621,078</u>	\$ <u>50,675,567</u>	\$ <u>50,814,151</u>	\$ <u>482,494</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>621,078</u>	\$ <u>50,675,567</u>	\$ <u>50,814,151</u>	\$ <u>482,494</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT D-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>109,819</u>	\$ <u>1,429,994</u>	\$ <u>1,385,146</u>	\$ <u>154,667</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>109,819</u>	\$ <u>1,429,994</u>	\$ <u>1,385,146</u>	\$ <u>154,667</u>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>21,541</u>	\$ <u>209,888</u>	\$ <u>68,011</u>	\$ <u>163,418</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>21,541</u>	\$ <u>209,888</u>	\$ <u>68,011</u>	\$ <u>163,418</u>
 <b><u>SHIP</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>580</u>	\$ <u>-</u>	\$ <u>580</u>	\$ <u>-</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>580</u>	\$ <u>-</u>	\$ <u>580</u>	\$ <u>-</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT D-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,682,745	\$ 53,760,207	\$ 54,124,907	\$ 1,318,045
<b><u>Liabilities</u></b>				
Accounts payable	\$ 929,727	\$ 1,444,758	\$ 1,857,019	\$ 517,466
Due to other governments	753,018	52,315,449	52,267,888	800,579
<b>Total Liabilities</b>	<b>\$ 1,682,745</b>	<b>\$ 53,760,207</b>	<b>\$ 54,124,907</b>	<b>\$ 1,318,045</b>

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## **OTHER SCHEDULES**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT E-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Shared Revenue**

**State**

Highway users tax	\$ 6,807,681
PERA rate reimbursement	54,309
Disparity reduction aid	41,818
Police aid	129,451
County program aid	2,483,289
Agricultural conservation credit	40,558
Market value credit	169,925
Enhanced 911	134,608
Performance aid credit	7,204

**Total shared revenue** **\$ 9,868,843**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	<b>\$ 1,029,867</b>
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**Payments**

**Local**

Local contributions	\$ 12,086
Payments in lieu of taxes	308,408

**Total payments** **\$ 320,494**

**Grants**

**State**

Minnesota Department/Board of	
Public Safety	\$ 1,021,010
Health	198,314
Natural Resources	137,729
Human Services	2,486,042
Corrections	121,744
Transportation	1,001,056
Water and Soil Resources	234,282
Peace Officer Standards and Training Board	6,642
Pollution Control Agency	149,522

**Total state** **\$ 5,356,341**

WINONA COUNTY  
WINONA, MINNESOTA

*EXHIBIT E-1*  
*(Continued)*

SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 459,241
Housing and Urban Development	110,626
Justice	462,162
Transportation	1,454,837
Health and Human Services	2,866,138
Homeland Security	126,113
Education	389
Environmental Protection Agency	76,064

**Total federal** \$ 5,555,570

**Total state and federal grants** \$ 10,911,911

**Total Intergovernmental Revenue** \$ 22,131,115

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT E-2**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>State Pass-Through Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	12-700-00102	10.557	\$ 168,100
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	NA	10.561	<u>277,747</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 445,847</u></b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	CDAP-09-0087-0-FY10	14.228	<b><u>\$ 110,626</u></b>
<b>U.S. Department of Justice</b>			
Direct			
Supervised Visitation, Safe Havens for Children	NA	16.527	\$ 2,100
Drug Court Discretionary Grant Program	NA	16.585	1,137
State Criminal Alien Assistance Program	NA	16.606	14,769
Bulletproof Vest Partnership Program		16.607	742
Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program - ARRA	NA	16.810	63,954
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grants	NA	16.588	69,239
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	NA	16.738	205,353
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories - ARRA	NA	16.803	<u>70,963</u>
<b>Total U.S. Department of Justice</b>			<b><u>\$ 428,257</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT E-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>State Pass-Through Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	NA	20.205	\$ 1,400,000
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	NA	20.600	22,777
Alcohol Impaired Driving Countermeasures Incentive Grants I	NA	20.601	5,910
Occupant Protection Incentive Grants	NA	20.602	7,000
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	NA	20.608	<u>11,868</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 1,447,555</u></b>
<b>U.S. Environmental Protection Agency</b>			
Passed Through Southeast Minnesota Water Resource Board Nonpoint Source Implementation Grants		66.460	<b><u>\$ 76,064</u></b>
<b>U.S. Department of Education</b>			
Passed Through the Zumbro Education District Special Education - Grants for Infants and Families	12-700-00102	84.181	<b><u>\$ 389</u></b>
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	12-700-00102	93.069	\$ 34,267
Immunization Cooperative Agreements	12-700-00102	93.268	1,350
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$457,372)	NA	93.558	37,182
Maternal and Child Health Services Block Grant to the States	12-700-00102	93.994	50,193
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	NA	93.556	15,974
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$457,372)	NA	93.558	420,190
Child Support Enforcement	NA	93.563	856,428
Refugee and Entrant Assistance - State Administered Programs		93.566	603
Child Care and Development Block Grant	NA	93.575	21,808
Stephanie Tubbs Jones Child Welfare Services Program	NA	93.645	8,660
Foster Care Title IV-E	NA	93.658	203,613
Social Services Block Grant	NA	93.667	265,814
Child Abuse and Neglect State Grants	NA	93.669	1,884
Chafee Foster Care Independence Program	NA	93.674	3,036
Children's Health Insurance Program	NA	93.767	93
Medical Assistance Program	NA	93.778	<u>1,048,464</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>\$ 2,969,559</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT E-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>State Pass-Through Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	NA	97.012	\$ 13,036
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		97.036	447,036
Emergency Management Performance Grants		97.042	27,364
Pre-Disaster Mitigation	NA	97.047	8,708
Homeland Security Grant Program	NA	97.067	897
(Total Homeland Security Grant Program 97.067 \$30,916)			
Passed Through Southeastern Minnesota Regional Radio Board			
Interoperable Emergency Communications	NA	97.055	485
Homeland Security Grant Program	NA	97.067	30,019
(Total Homeland Security Grant Program 97.067 \$30,916)			
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 527,545</b>
<b>Total Federal Awards</b>			<b>\$ 6,005,842</b>

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**WINONA COUNTY  
WINONA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Winona County under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Winona County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Winona County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,555,570
Deferred in 2011, recognized as revenue in 2012	
Assistance to Rural Law Enforcement to Combat Crime and Drug Program - ARRA (CFDA #16.810)	(37,142)
State and Community Highway Safety (CFDA #20.600)	(3,641)
Alcohol-Impaired Driving Counter measures Incentive Grant (CFDA #20.601)	(3,641)
Special Supplemental Nutrition Program for Women and Children Grant (CFDA #10.557)	(13,395)
Medical Assistance Program (CFDA #93.778)	(5,128)
Temporary Assistance for Needy Families (CFDA #93.558)	(11,928)

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Grants received more than 60 days after year-end, deferred in 2012	
Medical Assistance Program (CFDA #93.778)	81,747
Disaster Grants public assistance (president declared disasters CFDA #97.036)	401,183
Special Supplemental Nutrition Program for Women, Infants, and Children Grant (CFDA #10.557)	1
Foster Care Title IVE (CFDA #93.658)	17,460
Public Health Emergency Preparedness (CFDA #93.069)	10,747
Child Care and Development Block Grant (CFDA #93.575)	1,304
Temporary Assistance for Needy Families (CFDA #93.558)	9,219
Homeland Security Grant Program (CFDA #97.067)	249
Drug Court Discretionary Grant (CFDA #16.585)	1,137
Supervised Visitation Safe Haven For Children (CFDA #16.527)	2,100
Expenditures per Schedule of Expenditures of Federal Awards	\$ 6,005,842

5. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

JAG Program Cluster	\$ 276,316
Highway Safety Cluster	35,687

6. Passed Through to Subrecipients

During 2012, Winona County did not pass any federal money to subrecipients.

7. 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 F-1**

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS  
FOR CALENDAR YEARS 2010 THROUGH 2012**

	<u>TAX YEAR 2010</u>		<u>TAX YEAR 2011</u>		<u>TAX YEAR 2012</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>
<b>Tax Capacity</b>						
Real property	\$ 41,682,706		\$ 41,085,282		\$ 38,054,058	
Personal property	510,200		554,673		597,591	
Tax increment financing	(180,756)		(146,516)		(40,170)	
<b>Net Tax Capacity</b>	<b><u>\$ 42,012,150</u></b>		<b><u>\$ 41,493,439</u></b>		<b><u>\$ 38,611,479</u></b>	
<b>Tax Levied for County</b>						
County Revenue	\$ 9,696,412	23.787	\$ 10,486,155	25.926	\$ 9,799,929	26.051
Road and Bridge	2,020,545	4.829	2,065,778	4.997	1,949,866	5.068
Human Services	4,034,195	9.640	2,950,878	7.138	-	0.000
Community Health	686,970	1.642	219,467	0.531	-	0.000
Community Services	-	0.000	-	0.000	3,232,119	8.401
Chse Bond 2009	465,598	1.108	476,758	1.149	453,115	1.174
2010A Bond Debt	-	-	96,863	0.233	311,866	0.808
Chse Bond 2007	462,299	1.100	479,970	1.157	451,596	1.170
Building/Capital Improvement	462,850	1.106	904,000	2.187	774,183	2.012
<b>Net Tax Levy</b>	<b><u>\$ 17,828,869</u></b>	<b><u>43.212</u></b>	<b><u>\$ 17,679,869</u></b>	<b><u>43.318</u></b>	<b><u>\$ 16,972,674</u></b>	<b><u>44.684</u></b>
	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>
<b>Taxable Valuations</b>						
Light and power tax						
Transmission lines	\$ 31,288	\$ 1,601,900	\$ 33,432	\$ 1,709,100	\$ 34,044	\$ 1,739,700
Distribution lines	15,330	804,000	15,358	805,400	17,400	907,500
<b>Total Taxable Valuations - Light and Power</b>	<b><u>\$ 46,618</u></b>	<b><u>\$ 2,405,900</u></b>	<b><u>\$ 48,790</u></b>	<b><u>\$ 2,514,500</u></b>	<b><u>\$ 51,444</u></b>	<b><u>\$ 2,647,200</u></b>
<b>Light and Power Tax Levy</b>						
Transmission lines	\$ 27,965	\$ 4,147	\$ 30,452	\$ 4,354	\$ 32,326	\$ 4,530
Distribution lines	13,702	2,082	13,989	2,052	16,522	2,363
<b>Total Light and Power Tax Levy</b>	<b><u>\$ 41,667</u></b>	<b><u>\$ 6,229</u></b>	<b><u>\$ 44,441</u></b>	<b><u>\$ 6,406</u></b>	<b><u>\$ 48,848</u></b>	<b><u>\$ 6,893</u></b>
<b>Percentage of Tax Collections for All Purposes</b>	<b><u>98.34%</u></b>		<b><u>98.39%</u></b>		<b><u>98.66%</u></b>	

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**WINONA COUNTY  
WINONA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

**Financial Statements**

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Highway Planning and Construction	CFDA #20.205
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA #97.036

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

Winona County qualified as a low-risk auditee? **Yes**

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

##### 06-2 Audit Adjustments

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** During our audit, we identified material 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 County's internal control.

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

**Effect:** Audit adjustments were identified in the government-wide statements to reclassify \$6,941,513 posted to net investment in capital assets for debt associated with capital assets and also \$15,945,054 classified as restricted net position that were unrestricted.

**Cause:** Winona County staff missed the additional items found by auditors.

**Recommendation:** 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.

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 reclassification and audit adjustments were reduced from the 2011 audit.*

08-1 Segregation of Duties - County Departments

**Criteria:** A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

**Condition:** Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Context:** Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not 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 accounting point of view.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County does not have the economic resources needed to hire additional accounting staff in order to segregate duties in every department.

**Recommendation:** We recommend that the County's elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

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

12-1 Segregation of Duties/Vendor Setup

**Criteria:** A good system of internal control includes written procedures to monitor new vendors entered into the accounting system. Procedures should include someone independent of the disbursement process reviewing, verifying, and approving new vendors on a timely basis.

**Condition:** During our review of the disbursements process, we noted personnel processing disbursements also are adding and changing vendors. Procedures were established to have personnel independent of the disbursement process reviewing a listing of new or changes to vendors quarterly. Review of this process disclosed the first and second quarter reviews for 2012 were not completed until October.

**Context:** Segregation of duties between disbursements and vendor setup is limited due to the number of office personnel within the County.

**Effect:** The risk that errors or irregularities will not be detected in a timely manner increases when internal control procedures that have been established are not followed.

**Cause:** The person assigned the review of the vendor listing was unable to perform the review in a timely manner due to increased duties assigned.

**Recommendation:** We recommend the County re-evaluate the current procedures established for review of new or changes to vendors to determine if there should be any changes in the procedures currently performed. If current procedures are determined to be adequate, the procedures should be performed in a timely manner.

Client's Response:

*Winona County has implemented a vendor form when adding or making changes to vendors. The Finance Director will verify that the proper paperwork is on file. Winona County will explore reorganization which will enhance the segregation of accounting duties to ensure adequate internal controls.*

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

#### ITEM ARISING THIS YEAR

#### 12-2 Activities Allowed and Unallowed, Allowable Costs/Cost Principles

**Programs:** U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558), and Child Support Enforcement (CFDA No. 93.563)

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its programs. These controls should include an approval process by supervisors who have program oversight responsibility for payments to ensure the payments made related to activities allowed and unallowed and allowable costs/cost principles requirements are met.

**Condition:** From a total population of 68 transactions tested for the TANF program, 3 invoices did not contain proper approval for payment. From a total population of 40 transactions tested for the Child Support Program, 2 did not contain proper approval for payment. Proper supervisory approval is a basic internal control ensuring that all costs claimed for reimbursement are allowable.

**Questioned Costs:** None.

**Context:** County procedures require all invoices to be approved by the department head before submission to finance for payment.

**Effect:** Payment of unapproved claims is an indication of a failure in the internal control designed to prevent unauthorized or unallowable claims.

**Cause:** The Community Services Accounting Supervisor who was responsible for the approvals was transferred to the Finance Department in August 2012, and this position has, as of December 31, 2012, not been filled. All failures to obtain approval for expenditures happened after this transfer.

**Recommendation:** We recommend that all invoices submitted for federal reimbursement contain proper approvals. Federal grant program reimbursement claims should be based on approved invoices with supporting documentation of allowable expenditures incurred attached. Existing internal controls should be evaluated for effectiveness and written policies and procedures developed where necessary to ensure compliance with applicable federal requirements in accordance with OMB Circular-A-133.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Beth Wilms, Winona County Community Services Director*

Corrective Action Planned:

*Winona County will be putting into effect a procedure that all invoices that are submitted for payment have the proper signatures. The submitted invoices should have the appropriate document attached.*

Anticipated Completion Date:

*2013*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Medical Assistance Program (CFDA #93.778) Eligibility Testing (11-1)**

During our testing of the Medical Assistance Program in the previous audit, we found that: (1) four case files did not have a completed paper application, (2) income information was entered incorrectly into MAXIS for one individual, and (3) one case file did not have accurate asset information in the MAXIS system to match the application completed by the client.

**Resolution**

We found no instances of inaccurate, missing, or incomplete information during our current year audit of the Medical Assistance Program.

**Child Support Enforcement (CFDA #93.563) Special Tests and Provisions (11-2)**

The state maintains the computer system, PRISM, which is used by the County to support monitoring support obligations. During our testing, 1 out of 40 case files was not monitored nor was there documentation to determine that action was taken within the required time frame to enforce the obligation.

**Resolution**

The requirement is no longer required per OMB Compliance Supplement.

**Temporary Assistance for Needy Families (CFDA #93.558) Eligibility- Intake Function (11-3)**

During our testing of the Temporary Assistance for Needy Families Program in the previous audit, we found that (1) six case files did not have accurate income information in the MAXIS system to match the paper application completed by the client, and (2) one case file could not be located.

**Resolution**

We found no instances of inaccurate, missing, or incomplete information for eligibility during our current year audit of the Temporary Assistance for Needy Families Program.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

**Contractor's Performance and Payment Bond (11-4)**

The County could not provide documentation in the prior year that a payment or performance bond had been secured for a \$508,326 contract. The County did not open and tabulate the bids publicly.

**Resolution**

Documentation on payment and performance bonds was found on contracts sampled in the current year.

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REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Winona County

We have audited, 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, the 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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 19, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Winona County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 12-1 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Winona County's financial statements are free from 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**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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 audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Winona County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

## **Other Matters**

Winona County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 19, 2013

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REBECCA OTTO  
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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Board of County Commissioners  
Winona County

### **Report on Compliance for Each Major Federal Program**

We have audited Winona County's compliance 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 the County's major federal programs for the year ended December 31, 2012. 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.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Winona County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

***Opinion on Each Major Federal Program***

In our opinion, Winona County complied, in all material respects, with the types of compliance 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, 2012.

**Report on Internal Control Over Compliance**

Management of Winona County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. 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 the attention of those charged with governance.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 12-2, that we consider to be a significant deficiency.

Winona County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Winona County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 19, 2013

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR