

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WABASHA COUNTY
WABASHA, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Year Ended December 31, 2013



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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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**WABASHA COUNTY
WABASHA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2013

| | | | <u>Term Expires</u> |
|--------------------------|---------------------|------------|---------------------|
| Elected | | | |
| Commissioners | | | |
| Chair | Richard H. Hall | District 1 | January 2017 |
| Board Member | Debra Roschen | District 2 | January 2015 |
| Vice Chair | Donald Springer | District 3 | January 2017 |
| Board Member | Michael Wobbe | District 4 | January 2015 |
| Board Member | David Harms | District 5 | January 2015 |
| Attorney | James C. Nordstrom | | January 2015 |
| Auditor/Treasurer | Denise Anderson | | January 2015 |
| County Recorder | Jeffery Aitken | | January 2015 |
| County Sheriff | Rodney Bartsh | | January 2015 |
| Appointed | | | |
| Administrator | Vacant ¹ | | Indefinite |
| Assessor | Loren Benz | | December 2016 |
| County Engineer | Dietrich Flesch | | May 2015 |
| Coroner | Dr. Kent Jeffery | | December 2014 |
| | Dr. Thomas Peyla | | December 2014 |
| Finance Director | Deb Koenig | | Indefinite |
| Social Services Director | John Dahlstrom | | Indefinite |
| Public Health Director | Judy Barton | | Indefinite |
| Court Services Director | Traci Green | | Indefinite |
| Surveyor | David Johnson | | January 2017 |
| Veterans Service Officer | Nathan Pelz | | June 2014 |
| Zoning Administrator | Kevin Krause | | Indefinite |

¹Michael Plante has been appointed Interim County Administrator as of March 4, 2014.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wabasha County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County, Minnesota, as of and for the year ended December 31, 2013, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

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 GASB, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2014, on our consideration of Wabasha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wabasha 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

August 15, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(Unaudited)**

INTRODUCTION

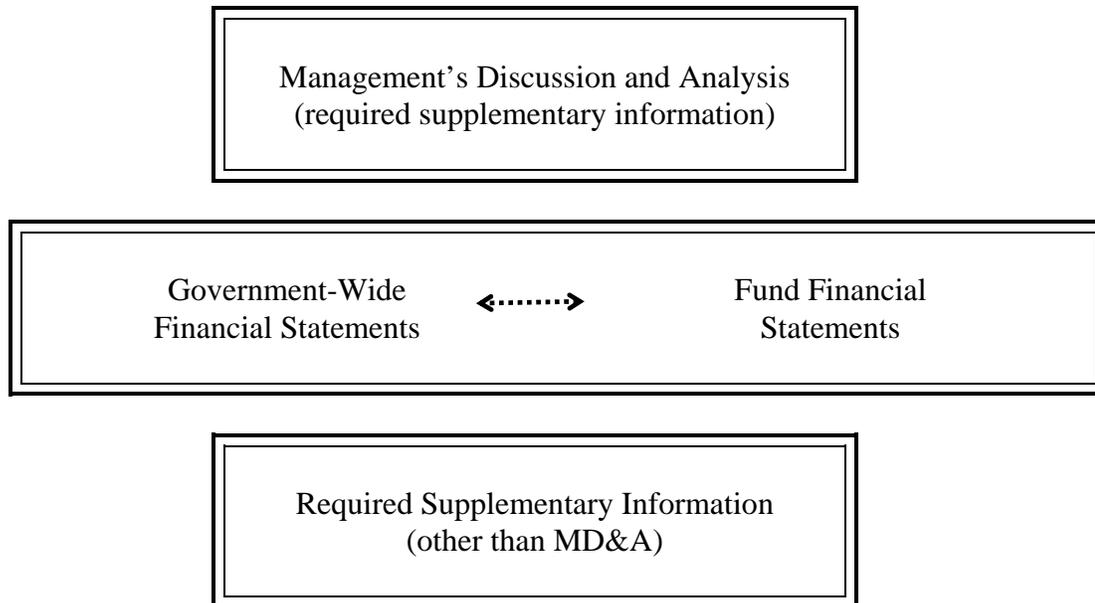
Wabasha County's Management's Discussion and Analysis (MD&A) provides the readers of Wabasha County's financial statements with a narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information in the financial statements, including the information in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- At the end of 2013, the assets of Wabasha County exceeded its liabilities by \$87,834,004. Of this amount, \$11,436,508 represents unrestricted net position that may be used to meet the County's ongoing obligation to citizens and creditors. The remaining \$76,397,496 is invested in capital assets or restricted to specific purposes.
- At the end of the fiscal year, Wabasha County's governmental funds reported a combined ending fund balance of \$14,450,121.
- Wabasha County's total long-term liabilities decreased by \$795,097 during the fiscal year. The key factor in this decrease is attributed to the annual principal payment on the bonds related to the construction of the Criminal Justice Center.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

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

In the Statement of Net Position and the Statement of Activities, we divide the County into two kinds of activities:

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

Fund Financial Statements

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

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

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

The County as a Whole

The County's combined net position increased from \$85,659,401 to \$87,834,004. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

Table 1
Net Position

| | Governmental Activities | |
|--------------------------------------|-------------------------|-----------------------|
| | 2013 | 2012 |
| Assets | | |
| Current and other assets | \$ 19,366,782 | \$ 21,417,180 |
| Capital assets | 91,424,737 | 87,655,150 |
| Total Assets | \$ 110,791,519 | \$ 109,072,330 |
| Liabilities | | |
| Long-term liabilities outstanding | \$ 19,687,645 | \$ 20,482,742 |
| Other liabilities | 1,872,128 | 1,940,187 |
| Total Liabilities | \$ 21,559,773 | \$ 22,422,929 |
| Deferred Inflows of Resources | | |
| Advance allotments | \$ 1,397,742 | \$ 990,000 |
| Net position | | |
| Net investment in capital assets | \$ 73,593,170 | \$ 68,933,140 |
| Restricted | 2,804,326 | 3,413,162 |
| Unrestricted | 11,436,508 | 13,313,099 |
| Total Net Position | \$ 87,834,004 | \$ 85,659,401 |

Net position of the County's governmental activities increased 2.5 percent (\$87,834,004 compared to \$85,659,401). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from \$13,313,099 at December 31, 2012, to \$11,436,508 at the end of 2013.

**Table 2
Changes in Net Position**

| | Governmental Activities | |
|-------------------------------------|-------------------------|----------------------|
| | 2013 | 2012 |
| Revenues | | |
| Program revenues | | |
| Fees, fines, charges, and other | \$ 1,884,211 | \$ 1,715,210 |
| Operating grants and contributions | 9,295,461 | 9,078,344 |
| Capital grants and contributions | 676,916 | 4,698,995 |
| General revenues | | |
| Property taxes | 11,433,074 | 11,541,734 |
| Other taxes | 170,954 | 63,216 |
| Grants and contributions | 914,384 | 1,044,658 |
| Other general revenues | 325,155 | 724,394 |
| Total Revenues | <u>\$ 24,700,155</u> | <u>\$ 28,866,551</u> |
| Program expenses | | |
| General government | \$ 3,698,636 | \$ 3,486,914 |
| Public safety | 5,901,774 | 5,736,440 |
| Highways and streets | 5,361,116 | 7,284,776 |
| Sanitation | 192,892 | 193,037 |
| Human services | 4,377,173 | 4,374,701 |
| Health | 1,177,046 | 1,305,135 |
| Culture and recreation | 259,855 | 270,563 |
| Conservation of natural resources | 299,725 | 365,108 |
| Economic development | 357,680 | 1,210,594 |
| Interest | 899,655 | 796,125 |
| Total Program Expenses | <u>\$ 22,525,552</u> | <u>\$ 25,023,393</u> |
| Increase (Decrease) in Net Position | \$ 2,174,603 | \$ 3,843,158 |
| Net Position - January 1 | <u>85,659,401</u> | <u>81,816,243</u> |
| Net Position - December 31 | <u>\$ 87,834,004</u> | <u>\$ 85,659,401</u> |

Governmental Activities

Revenues for the County's governmental activities were \$24,700,155, while expenses were \$22,525,552. This resulted in a \$2,174,603 increase in net position for the year ended December 31, 2013. Both program revenues and related expenses decreased in 2013; however, revenues exceeded expenses resulting in an increase to the County's net position.

The cost of all governmental activities in 2013 was \$22,525,552 compared to \$25,023,393 in 2012. However, as shown in the Statement of Activities, Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes and other general revenues was only \$10,668,964 because some of the cost was paid by those who directly benefited from the programs

(\$1,884,211) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9,972,377). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, decreased from \$15,492,549 in 2012 to \$11,856,588 in 2013, primarily caused by a decrease in grants and contributions. The County paid for the remaining “public benefit” portion of governmental activities with \$12,843,567 in general revenues, primarily taxes.

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

**Table 3
Governmental Activities**

| | Total Cost of Service | | Net Cost of Service | |
|----------------------|-----------------------|----------------------|----------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Public safety | \$ 5,901,774 | \$ 5,736,440 | \$ 4,985,477 | \$ 4,641,008 |
| Highways and streets | 5,361,116 | 7,284,776 | (884,118) | (2,049,447) |
| Human services | 4,377,173 | 4,374,701 | 1,541,001 | 1,887,577 |
| General government | 3,698,636 | 3,486,914 | 3,176,403 | 2,969,838 |
| Health | 1,177,046 | 1,305,135 | 286,214 | 431,615 |
| All others | 2,009,807 | 2,835,427 | 1,563,987 | 1,650,253 |
| Totals | \$ 22,525,552 | \$ 25,023,393 | \$ 10,668,964 | \$ 9,530,844 |

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Wabasha County, assets exceeded liabilities by \$87,834,004 at the end of 2013, an increase of \$2,174,603.

The County’s \$73,593,170 net investment in capital assets is 84 percent of total net position. Wabasha County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wabasha County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate liabilities.

Three percent of Wabasha County’s net position (\$2,804,326) is subject to restrictions on how it may be used. The remaining 13 percent (\$11,436,508) of unrestricted net position may be used to meet Wabasha County’s ongoing obligations to citizens and creditors.

Wabasha County’s total liabilities (\$22,957,515) are 21 percent of total assets and 119 percent of current assets.

Financial Analysis of the Government's Funds

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

As of the end of 2013, Wabasha County's governmental funds report combined fund balances of \$14,450,121. This is a decrease of \$2,113,768 from the prior year. Approximately 58 percent of this amount (\$8,424,170) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned for specific purposes.

The General Fund is the chief operating fund of Wabasha County. At the end of 2013, the unassigned fund balance was \$9,243,577, while the total fund balance was \$10,098,050. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 91 percent of total General Fund expenditures, while total fund balance represents approximately 100 percent of the same amount.

The Road and Bridge Special Revenue Fund ended the year with a negative fund balance of \$688,137. This was a decrease of \$517,488. There was a decrease in the Social Service Special Revenue Fund balance of \$852,103, with a total fund balance of \$2,208,061.

General Fund Budgetary Highlights

Wabasha County did not make revisions to the General Fund budget during 2013. The General Fund's actual revenues were \$109,823 above budget, and expenditures were below budget by \$500.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wabasha County's investment in capital assets as of December 31, 2013, amounts to \$91,424,737 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and software. (See Table 4.)

The net increase in Wabasha County's investment in capital assets for the current year was \$3,769,587. If you need more information on Wabasha County's capital assets, please see the notes to the financial statements.

Table 4
Capital Assets
(Net of Depreciation)

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2013 | 2012 |
| Land (not depreciated) | \$ 5,611,660 | \$ 5,488,420 |
| Construction in process (not depreciated) | 5,774,163 | 4,527,892 |
| Buildings and improvements | 19,319,351 | 19,778,872 |
| Machinery, vehicles, furniture, and equipment | 1,694,849 | 1,868,005 |
| Infrastructure | 58,936,839 | 55,848,586 |
| Software | 87,875 | 143,375 |
| Total | \$ 91,424,737 | \$ 87,655,150 |

Construction in process relates to an unfinished project by the County Highway Department.

Debt

At the end of 2013, the County had total debt outstanding in the amount of \$17,831,567 as shown in Table 5. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

Table 5
Outstanding Debt

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2013 | 2012 |
| General obligation jail bonds (net of unamortized discount) | \$ 11,636,283 | \$ 12,200,035 |
| Certificates of participation (net of unamortized discount) | 6,122,870 | 6,422,060 |
| Capital leases | 72,414 | 99,915 |
| Total | \$ 17,831,567 | \$ 18,722,010 |

The County's general obligation bond rating is "AA", a rating assigned by national rating agencies to the County's debt. Minn. Stat. § 475.53 limits the amount of general obligation debt a county can incur to no more than three percent of taxable market value without the approval of the majority of the voters of the county voting on the questions of issuing the obligation at an election. The County's outstanding net debt is significantly below the state-imposed limit of \$81,843,249 based on the 2012 taxable market value of \$2,728,108,300.

Other obligations include compensated absences and other postemployment benefits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged.

- The Wabasha County Board of Commissioners uses a conservative approach to budgeting. Expenditures are reduced where possible, and new revenue sources are explored. All capital expenditures are thoroughly reviewed initially by the budget committee and again by the Board of Commissioners.
- The unemployment rate in Wabasha County decreased from 4.7 percent at the end of 2012 to 4.0 percent at the end of 2013. At the end of 2013, the Minnesota rate was 4.6 percent, and the U.S. rate was 6.5 percent. Unemployment rates can have a direct bearing on what services are requested by County residents.
- The 2014 County budget was adopted on December 17, 2013. The budgeted expenditures increased by 7.6 percent (\$1,929,566) over the 2013 original budget. The increase is primarily attributed to costs associated with highway projects planned for 2014. The increase in costs is offset by additional state and federal funding for highway projects. The overall budgeted revenues show an increase of \$2,910,888 (11.95 percent) over the 2013 original budget. Nineteen percent of this increase (\$565,827) was attributed to a property tax levy increase.
- The property tax levy increased 5.0 percent (\$565,827) from 2013. The County tax rate decreased from 50.112 percent to 49.620 percent.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

| | Primary Government Governmental Activities | Reads Landing Water and Sanitary District Component Unit |
|---|---|---|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 16,348,594 | \$ 16,640 |
| Petty cash and change funds | 3,225 | - |
| Investment in joint venture | 1,162,017 | - |
| Taxes receivable | | |
| Prior | 261,530 | - |
| Special assessments receivable | - | 7,406 |
| Accounts receivable - net | 274,461 | 7,479 |
| Accrued interest receivable | 17,716 | - |
| Due from other governments | 1,167,969 | - |
| Inventories | 131,270 | - |
| Capital assets | | |
| Non-depreciable | 11,385,823 | - |
| Depreciable - net of accumulated depreciation | 80,038,914 | 982,515 |
| Total Assets | \$ 110,791,519 | \$ 1,014,040 |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 321,981 | \$ 176 |
| Salaries payable | 454,181 | - |
| Contracts payable | 615,298 | - |
| Due to other governments | 110,236 | 3,662 |
| Accrued interest payable | 301,766 | - |
| Unearned revenue | 68,666 | 12 |
| Long-term liabilities | | |
| Net OPEB obligation | 530,376 | - |
| Due within one year | 982,966 | 1,492 |
| Due in more than one year | 18,174,303 | 87,629 |
| Total Liabilities | \$ 21,559,773 | \$ 92,971 |
| <u>Deferred Inflows of Resources</u> | | |
| Advance allotments | \$ 1,397,742 | \$ - |

**WABASHA COUNTY
WABASHA, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2013**

| | Primary Government Governmental Activities | Reads Landing Water and Sanitary District Component Unit |
|----------------------------------|---|---|
| <u>Net Position</u> | | |
| Net investment in capital assets | \$ 73,593,170 | \$ 893,394 |
| Restricted for | | |
| General government | 360,155 | - |
| Public safety | 33,979 | - |
| Highways and streets | 84,945 | - |
| Human services | 54,498 | - |
| Health | 19,443 | - |
| Debt service | 2,251,306 | 14,467 |
| Equipment replacement | - | 2,173 |
| Unrestricted | 11,436,508 | 11,035 |
| Total Net Position | \$ 87,834,004 | \$ 921,069 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Fees, Charges, Fines, and Other</u> |
|---|-----------------------------|--|
| Primary government | | |
| Governmental activities | | |
| General government | \$ 3,698,636 | \$ 424,690 |
| Public safety | 5,901,774 | 455,605 |
| Highways and streets | 5,361,116 | 59,340 |
| Sanitation | 192,892 | 131,950 |
| Human services | 4,377,173 | 515,822 |
| Health | 1,177,046 | 294,758 |
| Culture and recreation | 259,855 | 1,932 |
| Conservation of natural resources | 299,725 | 114 |
| Economic development | 357,680 | - |
| Interest | 899,655 | - |
| Total Governmental Activities | <u>\$ 22,525,552</u> | <u>\$ 1,884,211</u> |
| | | |
| Component unit | | |
| Reads Landing Water and Sanitary District | <u>\$ 97,381</u> | <u>\$ 67,038</u> |

General Revenues

Property taxes
Mortgage registry and deed tax
Tax increment
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

| Program Revenues | | Net (Expense) Revenue and Changes in Net Position | |
|---|---|---|---|
| Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities | Reads Landing Water and Sanitary District Component Unit |
| \$ 97,543 | \$ - | \$ (3,176,403) | |
| 460,692 | - | (4,985,477) | |
| 5,508,978 | 676,916 | 884,118 | |
| 57,577 | - | (3,365) | |
| 2,320,350 | - | (1,541,001) | |
| 596,074 | - | (286,214) | |
| 78,061 | - | (179,862) | |
| 176,186 | - | (123,425) | |
| - | - | (357,680) | |
| - | - | (899,655) | |
| \$ 9,295,461 | \$ 676,916 | \$ (10,668,964) | |
| \$ - | \$ - | | \$ (30,343) |
| | | \$ 11,433,074 | \$ - |
| | | 16,278 | - |
| | | 154,676 | - |
| | | 248,919 | - |
| | | 914,384 | - |
| | | (166,813) | 14 |
| | | 227,557 | - |
| | | 15,492 | - |
| | | \$ 12,843,567 | \$ 14 |
| | | \$ 2,174,603 | \$ (30,329) |
| | | 85,659,401 | 951,398 |
| | | \$ 87,834,004 | \$ 921,069 |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WABASHA COUNTY
WABASHA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

| | General | Road and Bridge Special Revenue |
|---|----------------------|--|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 10,373,557 | \$ 1,116,739 |
| Petty cash and change funds | 3,225 | - |
| Taxes receivable | | |
| Prior | 152,097 | 33,490 |
| Accounts receivable - net | 7,610 | 2,292 |
| Accrued interest receivable | 16,291 | - |
| Due from other governments | 167,227 | 314,440 |
| Inventories | - | 131,270 |
| | - | 131,270 |
| Total Assets | \$ 10,720,007 | \$ 1,598,231 |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | |
| Liabilities | | |
| Accounts payable | \$ 105,723 | \$ 72,846 |
| Salaries payable | 268,546 | 60,600 |
| Contracts payable | 4,478 | 610,820 |
| Due to other governments | 30,081 | 11,381 |
| Unearned revenue | 51,466 | - |
| | 51,466 | - |
| Total Liabilities | \$ 460,294 | \$ 755,647 |
| Deferred Inflows of Resources | | |
| Unavailable revenue (Note 3.D.) | \$ 161,663 | \$ 132,979 |
| Advance allotments | - | 1,397,742 |
| | - | 1,397,742 |
| Total Deferred Inflows of Resources | \$ 161,663 | \$ 1,530,721 |

EXHIBIT 3

| <u>Social Service Special Revenue</u> | <u>Criminal Justice Center Debt Service</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|---|---|---------------------------|-----------------------------|
| \$ 2,087,531 | \$ 2,240,221 | \$ 530,546 | \$ 16,348,594 |
| - | - | - | 3,225 |
| 31,657 | 38,185 | 6,101 | 261,530 |
| 215,022 | - | 49,537 | 274,461 |
| - | 1,425 | - | 17,716 |
| 549,713 | - | 136,589 | 1,167,969 |
| - | - | - | 131,270 |
| <u>\$ 2,883,923</u> | <u>\$ 2,279,831</u> | <u>\$ 722,773</u> | <u>\$ 18,204,765</u> |
| | | | |
| \$ 141,848 | \$ - | \$ 1,564 | \$ 321,981 |
| 78,691 | - | 46,344 | 454,181 |
| - | - | - | 615,298 |
| 61,648 | - | 7,126 | 110,236 |
| - | - | 17,200 | 68,666 |
| <u>\$ 282,187</u> | <u>\$ -</u> | <u>\$ 72,234</u> | <u>\$ 1,570,362</u> |
| | | | |
| \$ 393,675 | \$ 28,525 | \$ 69,698 | \$ 786,540 |
| - | - | - | 1,397,742 |
| <u>\$ 393,675</u> | <u>\$ 28,525</u> | <u>\$ 69,698</u> | <u>\$ 2,184,282</u> |

**WABASHA COUNTY
WABASHA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

| | General | Road and Bridge Special Revenue |
|--|----------------------|--|
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | |
| (Continued) | | |
| Fund Balances | | |
| Nonspendable | | |
| Inventories | \$ - | \$ 131,270 |
| Restricted for | | |
| Law library | 44,200 | - |
| Recorder's unallocated fund | 186,043 | - |
| Recorder's technology fund | 72,913 | - |
| Veteran's programs | 8,934 | - |
| Sheriff's contingency | 1,919 | - |
| Sheriff's forfeited property | 3,809 | - |
| Attorney's forfeited property | 40,336 | - |
| Jail stone preservation | 200 | - |
| Sheriff's permit to carry | 28,251 | - |
| Health | - | - |
| Tobacco settlement | 7,529 | - |
| Human services/health care | - | - |
| Debt service | - | - |
| Assigned to | | |
| Human services | - | - |
| Public health | - | - |
| Regional Railroad Authority | - | - |
| Public safety | 160,265 | - |
| Highway shop | 225,000 | - |
| Building projects | 26,000 | - |
| Data processing projects | 49,074 | - |
| Electronic document management system | - | - |
| Unassigned | 9,243,577 | (819,407) |
| Total Fund Balances | \$ 10,098,050 | \$ (688,137) |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 10,720,007 | \$ 200,489 |

**EXHIBIT 3
(Continued)**

| <u>Social Service Special Revenue</u> | <u>Criminal Justice Center Debt Service</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|---|---|---------------------------|----------------------|
| \$ - | \$ - | \$ - | \$ 131,270 |
| - | - | - | 44,200 |
| - | - | - | 186,043 |
| - | - | - | 72,913 |
| - | - | - | 8,934 |
| - | - | - | 1,919 |
| - | - | - | 3,809 |
| - | - | - | 40,336 |
| - | - | - | 200 |
| - | - | - | 28,251 |
| - | - | 19,443 | 19,443 |
| - | - | - | 7,529 |
| 54,498 | - | - | 54,498 |
| - | 2,251,306 | - | 2,251,306 |
| 2,117,469 | - | - | 2,117,469 |
| - | - | 535,073 | 535,073 |
| - | - | 26,325 | 26,325 |
| - | - | - | 160,265 |
| - | - | - | 225,000 |
| - | - | - | 26,000 |
| - | - | - | 49,074 |
| 36,094 | - | - | 36,094 |
| - | - | - | 8,424,170 |
| \$ 2,208,061 | \$ 2,251,306 | \$ 580,841 | \$ 14,450,121 |
| \$ 2,883,923 | \$ 2,279,831 | \$ 722,773 | \$ 16,807,023 |

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

| | | |
|--|-----------------|------------------------------------|
| Fund balances - total governmental funds (Exhibit 3) | | \$ 14,450,121 |
| 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. | | 91,424,737 |
| Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds. | | 1,162,017 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. | | 786,540 |
| 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 | \$ (11,655,000) | |
| Certificates of participation | (6,210,000) | |
| Bond discount | 105,847 | |
| Capital leases | (72,414) | |
| Accrued interest payable | (301,766) | |
| Net OPEB obligation | (530,376) | |
| Compensated absences | (1,325,702) | (19,989,411) |
| | <hr/> | <hr/> |
| Net Position of Governmental Activities (Exhibit 1) | | <u><u>\$ 87,834,004</u></u> |

**WABASHA COUNTY
WABASHA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General | Road and Bridge Special Revenue |
|---|----------------------|--|
| Revenues | | |
| Taxes | \$ 6,791,995 | \$ 1,593,667 |
| Licenses and permits | 250,884 | - |
| Intergovernmental | 1,726,410 | 7,061,702 |
| Charges for services | 659,722 | 20,239 |
| Fines and forfeits | 4,060 | - |
| Gifts and contributions | 6,762 | - |
| Investment earnings | (172,122) | - |
| Miscellaneous | 324,544 | 48,980 |
| | \$ 9,592,255 | \$ 8,724,588 |
| Expenditures | | |
| Current | | |
| General government | \$ 3,707,643 | \$ - |
| Public safety | 5,313,939 | - |
| Highways and streets | - | 9,508,137 |
| Sanitation | 189,464 | - |
| Human services | - | - |
| Health | - | - |
| Culture and recreation | 229,520 | - |
| Conservation of natural resources | 299,652 | - |
| Economic development | 357,680 | - |
| Intergovernmental | | |
| Highways and streets | - | 181,552 |
| Debt service | | |
| Principal | 27,501 | - |
| Interest | 6,807 | - |
| Administrative (fiscal) charges | - | - |
| | \$ 10,132,206 | \$ 9,689,689 |
| Excess of Revenues Over (Under) Expenditures | \$ (539,951) | \$ (965,101) |
| Other Financing Sources (Uses) | | |
| Transfers in | \$ 200,000 | \$ 450,000 |
| Transfers out | (452,625) | - |
| Proceeds from sale of capital assets | 15,492 | - |
| | \$ (237,133) | \$ 450,000 |
| Change in Fund Balance | \$ (777,084) | \$ (515,101) |
| Fund Balance - January 1 | 10,875,134 | (170,649) |
| Increase (decrease) in inventories | - | (2,387) |
| Fund Balance - December 31 | \$ 10,098,050 | \$ (688,137) |

EXHIBIT 5

| Social Service Special Revenue | Criminal Justice Center Debt Service | Other Governmental Funds | Total |
|---|---|---|-----------------------|
| \$ 1,286,131 | \$ 1,680,338 | \$ 256,648 | \$ 11,608,779 |
| 9,300 | - | 100 | 260,284 |
| 2,254,100 | 23,956 | 587,936 | 11,654,104 |
| 225,570 | - | 281,810 | 1,187,341 |
| - | - | - | 4,060 |
| 3,281 | - | 1,000 | 11,043 |
| - | 5,309 | - | (166,813) |
| 236,349 | - | 1,932 | 611,805 |
| \$ 4,014,731 | \$ 1,709,603 | \$ 1,129,426 | \$ 25,170,603 |
| \$ - | \$ - | \$ - | \$ 3,707,643 |
| - | - | - | 5,313,939 |
| - | - | - | 9,508,137 |
| - | - | - | 189,464 |
| 4,666,834 | - | - | 4,666,834 |
| - | - | 1,173,659 | 1,173,659 |
| - | - | 4,077 | 233,597 |
| - | - | - | 299,652 |
| - | - | - | 357,680 |
| - | - | - | 181,552 |
| - | 870,000 | - | 897,501 |
| - | 747,111 | - | 753,918 |
| - | 13,900 | - | 13,900 |
| \$ 4,666,834 | \$ 1,631,011 | \$ 1,177,736 | \$ 27,297,476 |
| \$ (652,103) | \$ 78,592 | \$ (48,310) | \$ (2,126,873) |
| \$ - | \$ - | \$ 2,625 | \$ 652,625 |
| (200,000) | - | - | (652,625) |
| - | - | - | 15,492 |
| \$ (200,000) | \$ - | \$ 2,625 | \$ 15,492 |
| \$ (852,103) | \$ 78,592 | \$ (45,685) | \$ (2,111,381) |
| 3,060,164 | 2,172,714 | 626,526 | 16,563,889 |
| - | - | - | (2,387) |
| \$ 2,208,061 | \$ 2,251,306 | \$ 580,841 | \$ 14,450,121 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,111,381)

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 inflows of resources - December 31 | \$ 786,540 | |
| Deferred inflows of resources - January 1 | <u>(1,216,802)</u> | (430,262) |

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

| | | |
|--|--------------------|-----------|
| Expenditures for general capital assets and infrastructure | \$ 7,088,410 | |
| Net book value of assets sold | (32,412) | |
| Current year depreciation | <u>(3,286,411)</u> | 3,769,587 |

In the statement of net position, an asset is reported for the equity interest in joint ventures. The change in net position differs from the change in fund balance by the increases or decreases in the investment in joint venture. 278,728

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

| | | |
|-------------------------------|---------------|---------|
| Principal repayments | | |
| General obligation bonds | \$ 565,000 | |
| Certificates of participation | 305,000 | |
| Capital lease | <u>27,501</u> | 897,501 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

***EXHIBIT 6
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

| | | |
|--|-----------|----------------------------|
| Change in accrued interest payable | \$ 13,645 | |
| Amortization of discounts | (7,058) | |
| Deferred charges not previously expensed | (138,424) | |
| Change in compensated absences | (40,504) | |
| Change in net OPEB obligation | (54,842) | |
| Change in inventories | (2,387) | (229,570) |
| | | |
| Change in Net Position of Governmental Activities (Exhibit 2) | | <u>\$ 2,174,603</u> |

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FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013**

| <u>Assets</u> | |
|-----------------------------|--------------------------|
| Cash and pooled investments | <u>\$ 630,091</u> |
| <u>Liabilities</u> | |
| Accounts payable | \$ 19,288 |
| Due to other governments | <u>610,803</u> |
| Total Liabilities | <u>\$ 630,091</u> |

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**WABASHA COUNTY
WABASHA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2013. 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.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statement No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.8. in the notes to the financial statements for additional information regarding the County's deferred outflows/inflows of resources.

Restatement of December 31, 2012, net position or fund balance was not required as a result of adopting these changes in accounting principles.

A. Financial Reporting Entity

Wabasha County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Wabasha County (primary government) and its component units for which Wabasha County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. As of December 31, 2013, the County Auditor/Treasurer served as the clerk of the Board of Commissioners but had no vote.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

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

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

Discretely Presented Component Unit

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

| <u>Component Unit</u> | <u>Component Unit of Reporting Entity Because</u> | <u>Separate Financial Statements</u> |
|--|--|---|
| Reads Landing Water and Sanitary District formed under Minn. Stat. § 115.18-.37 (<i>See now</i> Minn. Stat., ch. 442A). | The Reads Landing Water and Sanitary District is a financial burden. | Separate financial statements are not prepared. |

Joint Ventures

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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 and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are supported by taxes and intergovernmental revenues.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net 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 and blended component unit. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 County not accounted for and reported in another fund.

The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state government as well as committed property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

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

The Criminal Justice Center Debt Service Fund is used to account for all financial resources restricted for payment of principal, interest, and related costs of long-term bonded debt for the Criminal Justice Center.

Additionally, Wabasha County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, 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 2013 were \$120,116.

2. Receivables and Payables

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

2. Receivables and Payables (Continued)

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 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

All inventories are valued at cost using the first in/first out method for highway supplies, except for fuel, which uses weighted average. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

4. Capital Assets

Capital assets which include property, plant, equipment, infrastructure assets (roads, bridges, and similar items) and intangible assets (computer software, easements, land use rights, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital 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. Capital asset improvement costs are capitalized if the cost exceeds the capitalization thresholds, and either extends the useful life, increases the capacity, or improves the efficiency of an asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives will not be capitalized.

Capital assets are defined by the County as having an estimated useful life in excess of three years with initial, individual costs as follows: all land is capitalized regardless of cost, land improvements greater than \$5,000, furniture and equipment greater than \$5,000, building and building improvements greater than \$20,000, and infrastructure and intangible assets greater than \$100,000.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

4. Capital Assets (Continued)

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

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Buildings and building improvements | 15 - 50 |
| Personal property | 3 - 12 |
| Infrastructure | 10 - 50 |
| Intangible assets | 5 - 20 |

5. Compensated Absences

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

6. Unearned Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet expended.

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 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. In the fund financial statements,

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

7. Long-Term Obligations (Continued)

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts becomes available. The County reports advance allotments for state aid received by the County not yet appropriated by the State of Minnesota. Advance allotments are reported in the governmental funds balance sheet and on the government-wide statement of net position.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

9. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

10. Classifications 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.

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Classifications of Fund Balances (Continued)

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.

Unassigned - the residual classification for the General Fund, it 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, committed, or assigned to those purposes.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or 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.

11. Minimum Fund Balance

Wabasha County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and special revenue funds which are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum unassigned fund balance in the General Fund and an unrestricted fund balance in the special revenue funds until the tax revenues are distributed.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

11. Minimum Fund Balance (Continued)

The County Board has determined this amount to be approximately 35 to 50 percent of fund operating revenues or no less than five months of operating expenses. This amount will provide adequate funds until the next property tax revenues are received. In the event the unassigned fund balance in the General Fund or the special revenue funds falls below these levels, the County Board is to develop a plan and time frame to replenish the fund balance to the recommended level.

12. Stabilization Arrangement

Wabasha County has determined that a stabilization arrangement is needed for sound financial management and fiscal accountability. Stabilization funds are to be set aside for the purpose of providing funds for a non-routine, urgent event that affects the safety of the employees or the general public. The recognition of the urgent event must be established by the County Board at its next meeting following the event. The minimum level has been established at five percent of the General Fund year-end fund balance, not to exceed \$500,000. In the event the balance drops below this level, the County Board is to develop a plan and a time frame to replenish the fund. As of December 31, 2013, the County has not committed any funds for a stabilization arrangement.

13. Use of Estimates

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Budget

The Road and Bridge Special Revenue Fund expenditures of \$9,689,689 exceeded the final budget of \$8,443,923 by \$1,245,766.

The Social Service Special Revenue Fund expenditures of \$4,666,834 exceeded the final budget of \$4,072,464 by \$594,370.

The Criminal Justice Debt Service Fund expenditures of \$1,631,011 exceeded the final budget of \$1,622,411 by \$8,600.

B. Deficit Fund Equity

The Road and Bridge Special Revenue Fund had a deficit fund balance of \$688,137 as of December 31, 2013. The deficit can be attributed to the overspending of regular construction funds and the County receiving an advance of \$1,397,742 on its 2014 regular construction allotment from the state.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

| | |
|--|----------------------|
| Governmental activities | |
| Cash and pooled investments | \$ 16,348,594 |
| Petty cash and change funds | 3,225 |
| Reads Landing Water and Sanitary District component unit | |
| Cash and pooled investments | 16,640 |
| Fiduciary funds | |
| Cash and pooled investments - agency funds | <u>630,091</u> |
| Total Cash and Investments | <u>\$ 16,998,550</u> |

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2013, the County's deposits were not exposed to custodial credit risk.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investment (Continued)

b. Investments

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy states the Chief Financial Officer or appointed person shall, after careful study of potential additional costs to the County, attempt to structure all investments and deposits so that the custodial risk is in accordance to GASB Statement 3 and only to the extent there is sufficient Security Investor Protection Corporation (SIPC) and excess SIPC coverage available. As of December 31, 2013, the County's investments were not exposed to custodial credit risk.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that portfolio maturities shall be staggered to avoid undue concentration of assets in a specific sector. The maturities selected shall provide for stability of income and reasonable liquidity.

The following table presents the County's deposits and investment balances at December 31, 2013, and information relating to potential investment risk.

| Investment Type | Credit Risk | | Concentration | Interest | Carrying (Fair) Value |
|---|------------------|------------------|---------------------------------|-------------------------------|-----------------------------|
| | Credit Rating | Rating Agency | Risk Over 5% of Portfolio | Rate Risk Maturity Date | |
| U.S. Government Agency Securities | | | | | |
| Federal National Mortgage Association | AA+ | S&P | 9.3% | 10/26/2021 | \$ 460,330 |
| Federal Home Loan Bank | AA+ | S&P | | 11/28/2022 | \$ 97,150 |
| Federal Home Loan Bank | AA+ | S&P | | 12/21/2022 | 1,215,625 |
| Federal Home Loan Bank | AA+ | S&P | | 12/28/2022 | 194,750 |
| Federal Home Loan Bank | AA+ | S&P | | 01/17/2023 | 531,317 |
| Federal Home Loan Bank | AA+ | S&P | | 03/13/2023 | 681,933 |
| Federal Home Loan Bank | AA+ | S&P | | 05/16/2023 | 241,750 |
| Federal Home Loan Bank | AA+ | S&P | | 12/24/2020 | 893,310 |
| Federal Home Loan Bank | AA+ | S&P | | 10/24/2022 | 454,190 |
| Total Federal Home Loan Bank | | | 86.6% | | \$ 4,310,025 |
| Total U.S. government agency securities | | | | | \$ 4,770,355 |
| Wells Fargo Advantage Government Money Market Fund | Aaa | Moody's | N/A | N/A | 204,642 |
| Total investments | | | | | \$ 4,974,997 |
| Deposits | | | | | 12,020,328 |
| Petty cash and change funds | | | | | 3,225 |
| Total Cash and Investments | | | | | \$ 16,998,550 |

<5% - Concentration is less than 5% of investments

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

| | |
|--|-------------------|
| Accounts receivable | \$ 887,896 |
| Less: allowance for uncollectible accounts | <u>(613,435)</u> |
| Net Accounts Receivable | <u>\$ 274,461</u> |

Net receivables for governmental activities are collectible within the year.

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--------------------------------------|-----------------------|---------------------|---------------------|-----------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 1,709,812 | \$ - | \$ - | \$ 1,709,812 |
| Land highway right-of-way | 3,778,608 | 148,620 | 25,380 | 3,901,848 |
| Construction in process | <u>4,527,892</u> | <u>5,774,163</u> | <u>4,527,892</u> | <u>5,774,163</u> |
| Total capital assets not depreciated | <u>\$ 10,016,312</u> | <u>\$ 5,922,783</u> | <u>\$ 4,553,272</u> | <u>\$ 11,385,823</u> |
| Capital assets depreciated | | | | |
| Buildings | \$ 20,781,481 | \$ - | \$ - | \$ 20,781,481 |
| Improvements other than buildings | 1,268,192 | - | - | 1,268,192 |
| Machinery, furniture, and equipment | 6,545,454 | 269,862 | 190,473 | 6,624,843 |
| Software | 277,500 | - | - | 277,500 |
| Infrastructure - trails | 525,178 | - | - | 525,178 |
| Infrastructure - highways | <u>107,106,442</u> | <u>5,423,657</u> | <u>623,728</u> | <u>111,906,371</u> |
| Total capital assets depreciated | <u>\$ 136,504,247</u> | <u>\$ 5,693,519</u> | <u>\$ 814,201</u> | <u>\$ 141,383,565</u> |

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|---------------------|---------------------|----------------------|
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 2,093,495 | \$ 421,012 | \$ - | \$ 2,514,507 |
| Improvements other than buildings | 177,306 | 38,509 | - | 215,815 |
| Machinery, furniture, and equipment | 4,677,449 | 435,986 | 183,441 | 4,929,994 |
| Software | 134,125 | 55,500 | - | 189,625 |
| Infrastructure - trails | 315,107 | 26,258 | - | 341,365 |
| Infrastructure - highways | 51,467,927 | 2,309,146 | 623,728 | 53,153,345 |
| Total accumulated depreciation | <u>\$ 58,865,409</u> | <u>\$ 3,286,411</u> | <u>\$ 807,169</u> | <u>\$ 61,344,651</u> |
| Total capital assets depreciated, net | <u>\$ 77,638,838</u> | <u>\$ 2,407,108</u> | <u>\$ 7,032</u> | <u>\$ 80,038,914</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 87,655,150</u> | <u>\$ 8,329,891</u> | <u>\$ 4,560,304</u> | <u>\$ 91,424,737</u> |

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

| | | |
|---|--|---------------------|
| Governmental activities | | |
| General government | | \$ 45,387 |
| Public safety | | 687,186 |
| Highways and streets, including depreciation of infrastructure assets | | 2,489,293 |
| Human services | | 38,287 |
| Culture and recreation | | 26,258 |
| Total Depreciation Expense - Governmental Activities | | <u>\$ 3,286,411</u> |

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

| | | |
|--|-------------------|---|
| Transfer to General Fund from Social Service Fund | \$ 200,000 | Budgeted interfund transfer |
| Transfer to Road and Bridge Fund from General Fund | 450,000 | Budgeted interfund transfer |
| Transfer to Regional Railroad Special Revenue Fund from General Fund | 2,625 | Minnesota High-Speed Rail Commission membership |
| Total Interfund Transfers | <u>\$ 652,625</u> | |

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2013.

| | <u>Maturity</u> | <u>Installment</u> | <u>Payment Amount</u> | <u>Original</u> | <u>Balance</u> |
|----------------------|-----------------|--------------------|---------------------------|-----------------|------------------|
| IBM AS-400 | 2014 | Monthly | \$ 409 | \$ 24,540 | \$ 2,041 |
| Kitchen equipment | 2016 | Monthly | 2,450 | 205,800 | <u>78,400</u> |
| Total Capital Leases | | | | | <u>\$ 80,441</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

| <u>Year Ending December 31</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2014 | \$ 31,441 |
| 2015 | 29,400 |
| 2016 | <u>19,600</u> |
| Total | \$ 80,441 |
| Less: amount representing interest | <u>(8,027)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 72,414</u> |

Both leases are paid from the General Fund.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Bonded Debt and Certificates of Participation

| Type of Indebtedness | Final Maturity | Principal Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2013 |
|-------------------------------------|-------------------|-------------------------------------|-------------------------|-----------------------------|--|
| General obligation bonds | | | | | |
| 2007A G.O. Jail Bonds | 2028 | \$200,000 - \$725,000 | 4.00 - 4.10 | \$ 10,000,000 | \$ 8,300,000 |
| Less: unamortized discount | | | | - | (1,280) |
| 2008A G.O. Jail Bonds | 2028 | \$80,000 - \$190,000 | 3.00 - 4.10 | 2,255,000 | 1,730,000 |
| Less: unamortized discount | | | | - | (15,633) |
| 2009A G.O. Jail Bonds | 2028 | \$60,000 - \$135,000 | 2.00 - 4.15 | 1,915,000 | 1,625,000 |
| Less: unamortized discount | | | | - | (1,804) |
| General Obligation Bonds, Net | | | | <u>\$ 14,170,000</u> | <u>\$ 11,636,283</u> |
| 2008B Certificates of Participation | 2028 | \$280,000 - \$545,000 | 4.00 - 4.75 | <u>\$ 7,745,000</u> | \$ 6,210,000 |
| Less: unamortized discount | | | | | (87,130) |
| Certificates of Participation, Net | | | | | <u>\$ 6,122,870</u> |

Debt service requirements at December 31, 2013, were as follows:

| Year Ending December 31 | General Obligation Jail Bonds | | Certificates of Participation | |
|----------------------------|-------------------------------|---------------------|-------------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2014 | \$ 585,000 | \$ 447,084 | \$ 305,000 | \$ 266,572 |
| 2015 | 605,000 | 424,867 | 325,000 | 253,973 |
| 2016 | 630,000 | 401,502 | 335,000 | 240,772 |
| 2017 | 655,000 | 377,020 | 350,000 | 227,073 |
| 2018 | 680,000 | 351,269 | 365,000 | 212,590 |
| 2019 - 2023 | 3,830,000 | 1,335,176 | 2,035,000 | 814,738 |
| 2024 - 2028 | 4,670,000 | 492,374 | 2,495,000 | 305,176 |
| Total | <u>\$ 11,655,000</u> | <u>\$ 3,829,292</u> | <u>\$ 6,210,000</u> | <u>\$ 2,320,894</u> |

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|------------|------------|-------------------|------------------------|
| Bonds payable | | | | | |
| General obligation jail bonds | \$ 12,220,000 | \$ - | \$ 565,000 | \$ 11,655,000 | \$ 585,000 |
| Certificates of participation | 6,515,000 | - | 305,000 | 6,210,000 | 305,000 |
| Less: deferred amounts for issuance discounts | (112,905) | - | (7,058) | (105,847) | - |
| Total bonds payable | \$ 18,622,095 | \$ - | \$ 862,942 | \$ 17,759,153 | \$ 890,000 |
| Capital leases | 99,915 | - | 27,501 | 72,414 | 26,681 |
| Compensated absences | 1,285,198 | 102,163 | 61,659 | 1,325,702 | 66,285 |
| Governmental Activities Long-Term Liabilities | \$ 20,007,208 | \$ 102,163 | \$ 952,102 | \$ 19,157,269 | \$ 982,966 |

D. Deferred Inflows/Outflows of Resources

There were no deferred outflows of resources for the year ended December 31, 2013. The County reports two types of deferred inflows.

As of December 31, 2013, there were various components of unavailable revenue as follows:

| | |
|---------------------------|-------------------|
| Taxes | \$ 195,857 |
| Intergovernmental | 464,988 |
| Charges for services | 65,102 |
| Miscellaneous | 58,249 |
| Other | 2,344 |
| Total Unavailable Revenue | <u>\$ 786,540</u> |

Advance allotments consist of state aid received by the County but not yet appropriated by the State of Minnesota. Total advance allotments at December 31, 2013, are \$1,397,742.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

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

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 any five successive years of allowable service, age, and years of credit at termination of service.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan (Continued)

Funding Policy

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

The County is required to contribute the following percentages of annual covered payroll in 2013:

| | |
|---------------------------------------|--------|
| 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, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

| | 2013 | 2012 | 2011 |
|---------------------------------------|------------|------------|------------|
| General Employees Retirement Fund | \$ 462,719 | \$ 454,791 | \$ 467,031 |
| Public Employees Police and Fire Fund | 144,495 | 141,939 | 151,140 |
| Public Employees Correctional Fund | 73,302 | 68,402 | 65,066 |

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2013, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount | \$ 8,499 | \$ 8,499 |
| Percentage of covered payroll | 5% | 5% |

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

The County provides health insurance benefits for certain retired employees under a single-employer self-insured health care plan, financed and administered by the Southeast Service Cooperative and Wabasha County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the Southeast Service Cooperative, is the

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy (Continued)

Claims Administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate subsidy. As of January 1, 2013, six retirees were receiving health benefits from the County's health plan. The postemployment benefit is funded on a pay-as-you go basis.

In 2012, the County offered an Early Retirement Incentive Program (ERIP) designed to provide employees who wished to retire/resign a one-time option to do so by offering an extra financial incentive. The voluntary program was intended to aid the County in reducing expenditures in order to respond in part to current budget challenges. As of January 1, 2013, there were two retirees covered by the ERIP. The two retirees received County-paid medical premiums in the amount of \$681.50 per month.

Wabasha County is currently paying the full single medical premium (\$681.50) of a police officer pursuant to Minn. Stat. § 299A.465, subd. 1d. During 2013, the State of Minnesota reimbursed the County 60 percent of this cost.

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, if paid on an ongoing basis, projected to cover normal costs each year and amortize any unfunded actuarial 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 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

| | | |
|---------------------------------|----|----------|
| ARC | \$ | 125,087 |
| Interest on net OPEB obligation | | 21,399 |
| Adjustment to ARC | | (29,531) |
| | | _____ |
| Annual OPEB cost | \$ | 116,955 |
| Contribution during the year | | (62,113) |
| | | _____ |
| Increase in net OPEB obligation | \$ | 54,842 |
| Net OPEB - Beginning of Year | | 475,534 |
| | | _____ |
| Net OPEB - End of Year | \$ | 530,376 |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2011, 2012, and 2013, 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, 2011 | \$ 128,793 | \$ 30,458 | 23.65% | \$ 382,865 |
| December 31, 2012 | 127,016 | 34,347 | 27.04 | 475,534 |
| December 31, 2013 | 116,955 | 62,113 | 53.10 | 530,376 |

Funded Status and Funding Progress

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

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|---------------------------------|--------------------------------------|--|--|---------------------------|----------------------------|--|
| January 1, 2007 | \$ - | \$ 749,441 | \$ 749,441 | 0.00% | \$ 6,372,223 | 11.76% |
| January 1, 2010 | - | 782,216 | 782,216 | 0.00 | 8,017,063 | 9.76 |
| January 1, 2013 | - | 841,865 | 841,865 | 0.00 | 7,794,722 | 10.80 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the January 1, 2013, actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 4.5 percent discount rate (net of investment expenses) and an annual medical trend rate of 7.5 percent in 2013, reduced incrementally to an ultimate rate of 5.0 percent over 5 years. The unfunded actuarial accrued liability is being amortized on a closed basis not to exceed 30 years.

D. MSRS Health Care Savings Plan

County employees participate in a Health Care Savings Plan (HCSP) administered by the Minnesota State Retirement System (MSRS). The plan is authorized under Minn. Stat. § 352.98 and through an Internal Revenue Service (IRS) private letter ruling establishing the HCSP as a tax-exempt benefit as of July 29, 2002. The plan is open to active public employees in Minnesota if they are covered under certain public service plans. Under the terms of the HCSP, employees are allowed to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. The IRS private letter ruling requires mandatory participation of all employees in each bargaining unit in order to gain tax-free benefits. Allowable amounts deposited into

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

D. MSRS Health Care Savings Plan (Continued)

individual accounts must be negotiated by each individual bargaining unit and the employer. The plan must be written into the collective bargaining agreement or a Memorandum of Understanding. For those employees not covered by a bargaining unit, amounts to be deposited into individual accounts must be agreed to by the employer and included in a written policy.

Under Wabasha County's plan, participating employees shall include all non-bargaining personnel eligible to receive severance pay. Upon termination, employees' severance payouts with a minimum value of a least \$500 will be paid into the Post Retirement Health Insurance Plan.

Wabasha County has negotiated with AFSCME Council 65 and Minnesota Teamsters Public and Law Enforcement Employees Union, Local 320 to allow employees covered by bargaining agreements to deposit severance payouts into a HCSP. Severance payouts for members of Minnesota Teamsters Public and Law Enforcement Union, Local 320 that have at least a minimum value of \$500 will be paid into a HCSP. Employees who are members of AFSCME Council 65, Local 3533 upon termination who have completed twenty-five (25) or more years of service that receive a severance payout in excess of \$500 in value will be deposited into a HCSP. Severance payouts for employees who are members of AFSCME Council 65, Local 3541 shall be deposited into a HCSP. Employees who are members of AFSCME Council 65, Local 3542 who have completed ten (10) or more years of service whose severance exceeds \$500 will be deposited into a HCSP.

5. Risk Management

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

5. Risk Management (Continued)

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 \$470,000 in 2013 and \$480,000 in 2014. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Construction Commitments

The County has active construction commitments as of December 31, 2013. The projects include the following:

| | <u>Spent -to-Date</u> | <u>Remaining Commitment</u> |
|------------------------------|-----------------------|---------------------------------|
| Parking lot repaving project | \$ 51,521 | \$ - |
| County road project | 934,127 | 747,878 |

The remaining commitment for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2013.

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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 Housing and Redevelopment Authority

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

Family Services Collaborative

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Family Services Collaborative (Continued)

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

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement in 1998 under Minn. Stat. § 471.59. Member counties are Brown, Dodge, Goodhue, Kanabec, Morrison, Sibley, Steele, Todd, Wabasha, Wadena, and Waseca. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating counties' health care functions, referred to as county-based purchasing.

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2013, was \$1,162,017. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as Human Services.

Complete financial statements for the SCHA may be obtained from Brian V. Hicks, Chief Financial Officer, at 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southeast Minnesota Regional Emergency Communications Board

The Southeast Minnesota Regional Emergency Communications Board (formerly known as Southeast Minnesota Regional Radio Board) was formed in 2008 under the authority of Minnesota Statutes §§ 471.59 and § 403.39. It is governed by an eleven-county and one-city membership. The Board consists of one County Commissioner from each member county and one City Council member from the member city. The Board was formulated to provide for the regional administration of enhancements to the Allied Radio Matrix Emergency Response (ARMER) system owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

The financial activities of the Board are accounted for by Olmsted County as the fiscal agent.

Southeast Minnesota Narcotics and Gang Task Force (SEMNGTF)

Wabasha County and other regional counties and cities have formed the Southeast Minnesota Narcotics and Gang Task Force under the authority of Minn. Stat. § 471.59 to work cooperatively in the enforcement of controlled substance laws and gang-related offenses. The task force is governed by a governing board made up of members known as “Directors.” The Chief Law Enforcement Officer from each member county and member city shall serve as a Director.

Olmsted County has been appointed as the fiscal agent for SEMNGTF.

D. Jointly-Governed Organizations

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

Minnesota Computer Cooperative

The Minnesota Computer Cooperative provides computer programming service to several counties. During 2013, the County paid \$184,652 for dues, membership, and services.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs to members. During 2013, the County paid \$150 for an annual membership fee to the Cooperative.

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to member counties. During 2013, Wabasha County made no payments to the Board.

Region One--Southeast Minnesota Homeland Security Emergency Management Organization

The Region One--Southeast Minnesota Homeland Security Emergency Management Organization (SERHSEM) was established to regionally coordinate efforts to better respond to emergencies and natural or other disasters within the SERHSEM region. During 2013, Wabasha County made no payments to the SERHSEM.

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. During 2013, Wabasha County paid \$141,500 to the Library.

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During 2013, Wabasha County paid \$4,995 to the Project.

Three Rivers Community Action

Three Rivers Community Action provides various programs to several counties. During 2013, Wabasha County paid \$22,642 to Three Rivers.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Workforce Development, Inc.

Minnesota Workforce Development, Inc., provides various job training services to several counties. During 2013, the County paid \$111,554 to this organization.

Olmsted-Wabasha Lake Zumbro Joint Powers Board

The Olmsted-Wabasha Lake Zumbro Joint Powers Board was established to develop, adopt, and enforce ordinances regulating the use and oversee funding for the restoration of Lake Zumbro. During 2013, Wabasha County made no payments to the Board.

Southeastern Minnesota Emergency Medical Services Joint Powers Board

Southeastern Minnesota Emergency Medical Services provides various health services to several counties. During 2013, the County made no payments to the Board.

Zumbro Watershed Partnership

The Zumbro Watershed Partnership was formed to promote the protection and improvement of the Zumbro River Watershed. During 2013, the County did not provide any funding to the partnership.

E. Related Organization

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2013, the County paid \$4,520 to the Bear Valley Watershed.

7. Subsequent Events

Wabasha County has been notified by the Board of Water and Soil Resources (BWSR) regarding alleged violations associated with the FY2011 Clean Water Fund Feedlot Water Quality Grant. The County is being asked to repay the grant funds and associated investigation and documenting costs incurred by the BWSR. Potential loss to the County is estimated to be about \$125,000.

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Subsequent Events (Continued)

There is a pending lawsuit against the County regarding the County's safe driving program. As of December 31, 2013, there has not been a court ruling on the matter, and no damages against Wabasha County have been asserted.

8. Reads Landing Water and Sanitary District - Component Unit

A. Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

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

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

Cash and Pooled Investments

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

8. Reads Landing Water and Sanitary District - Component Unit

A. Reporting Entity (Continued)

Receivables

Receivables are shown net of any allowance for uncollectibles.

Restricted Assets

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

Capital Assets

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

Unearned Revenue

Unearned revenue is made up of prepaid sewer usage fees.

**WABASHA COUNTY
WABASHA, MINNESOTA**

8. Reads Landing Water and Sanitary District - Component Unit (Continued)

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

Capital Assets

Component unit capital asset activity for the year ended December 31, 2013, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--------------------------------|----------------------|--------------------|-------------|-------------------|
| Infrastructure - sewer lines | \$ 1,366,978 | \$ - | \$ - | \$ 1,366,978 |
| Less: accumulated depreciation | (350,288) | (34,175) | - | (384,463) |
| Total Capital Assets, Net | <u>\$ 1,016,690</u> | <u>\$ (34,175)</u> | <u>\$ -</u> | <u>\$ 982,515</u> |

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

C. Liabilities

1. Long-Term Debt

Reads Landing Water and Sanitary District issued general obligation sewer revenue bonds in 2004.

| Type of Indebtedness | Final Maturity | Principal Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2013 |
|--------------------------|-------------------|-------------------------------------|-------------------------|-----------------------------|--|
| General obligation bonds | 2043 | \$972 - \$5,166 | 4.375 | \$ 101,000 | <u>\$ 89,121</u> |

**WABASHA COUNTY
WABASHA, MINNESOTA**

8. Reads Landing Water and Sanitary District - Component Unit

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

| <u>Year Ending December 31</u> | <u>General Obligation Bonds</u> | |
|------------------------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 1,492 | \$ 3,899 |
| 2015 | 1,557 | 3,834 |
| 2016 | 1,625 | 3,766 |
| 2017 | 1,697 | 3,694 |
| 2018 | 1,771 | 3,620 |
| 2019 - 2023 | 10,087 | 16,869 |
| 2024 - 2028 | 12,494 | 14,461 |
| 2029 - 2033 | 15,477 | 11,478 |
| 2034 - 2038 | 19,171 | 7,783 |
| 2039 - 2043 | 23,750 | 3,206 |
| Total | <u>\$ 89,121</u> | <u>\$ 72,610</u> |

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| General obligation bonds | <u>\$ 90,551</u> | <u>\$ -</u> | <u>\$ 1,430</u> | <u>\$ 89,121</u> | <u>\$ 1,492</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 6,661,731 | \$ 6,661,731 | \$ 6,791,995 | \$ 130,264 |
| Licenses and permits | 201,250 | 201,250 | 250,884 | 49,634 |
| Intergovernmental | 1,504,298 | 1,504,298 | 1,726,410 | 222,112 |
| Charges for services | 781,261 | 781,261 | 659,722 | (121,539) |
| Fines and forfeits | 7,474 | 7,474 | 4,060 | (3,414) |
| Gifts and contributions | 3,626 | 3,626 | 6,762 | 3,136 |
| Investment earnings | 125,000 | 125,000 | (172,122) | (297,122) |
| Miscellaneous | 197,792 | 197,792 | 324,544 | 126,752 |
| Total Revenues | \$ 9,482,432 | \$ 9,482,432 | \$ 9,592,255 | \$ 109,823 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 129,781 | \$ 129,781 | \$ 191,715 | \$ (61,934) |
| Courts | 56,250 | 56,250 | 53,193 | 3,057 |
| Other courts | 8,298 | 8,298 | 5,413 | 2,885 |
| County administrator | 431,417 | 431,417 | 305,853 | 125,564 |
| County auditor/treasurer | 262,938 | 262,938 | 248,107 | 14,831 |
| County assessor | 371,604 | 371,604 | 344,728 | 26,876 |
| Elections | 2,920 | 2,920 | 5,014 | (2,094) |
| Data processing | 360,363 | 360,363 | 311,378 | 48,985 |
| Attorney | 481,417 | 481,417 | 457,232 | 24,185 |
| Law library | 7,005 | 7,005 | 6,649 | 356 |
| Recorder | 424,581 | 424,581 | 442,630 | (18,049) |
| Surveyor | 30,000 | 30,000 | 30,000 | - |
| Planning and zoning | 310,964 | 310,964 | 270,927 | 40,037 |
| Geographic information systems (GIS) | 87,555 | 87,555 | 85,763 | 1,792 |
| Buildings and plant | 598,715 | 598,715 | 503,143 | 95,572 |
| Veterans service officer | 218,675 | 218,675 | 192,366 | 26,309 |
| Other general government | 282,145 | 282,145 | 253,532 | 28,613 |
| Total general government | \$ 4,064,628 | \$ 4,064,628 | \$ 3,707,643 | \$ 356,985 |
| Public safety | | | | |
| Sheriff | \$ 2,562,619 | \$ 2,562,619 | \$ 2,825,897 | \$ (263,278) |
| Boat and water safety | 21,253 | 21,253 | 16,208 | 5,045 |
| Emergency services | 65,777 | 65,777 | 126,334 | (60,557) |
| Coroner | 47,000 | 47,000 | 37,630 | 9,370 |
| E-911 system | 89,800 | 89,800 | 107,690 | (17,890) |
| County jail | 1,736,366 | 1,736,366 | 1,621,017 | 115,349 |
| Community corrections | 575,721 | 575,721 | 579,163 | (3,442) |
| Total public safety | \$ 5,098,536 | \$ 5,098,536 | \$ 5,313,939 | \$ (215,403) |

**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Highways and streets | | | | |
| Equipment maintenance and shops | \$ 50,000 | \$ 50,000 | \$ - | \$ 50,000 |
| Sanitation | | | | |
| Hazardous waste | \$ 14,500 | \$ 14,500 | \$ 12,095 | \$ 2,405 |
| SCORE | 62,390 | 62,390 | 63,058 | (668) |
| Environmental services | 130,909 | 130,909 | 114,311 | 16,598 |
| Total sanitation | \$ 207,799 | \$ 207,799 | \$ 189,464 | \$ 18,335 |
| Culture and recreation | | | | |
| Historical society | \$ 5,415 | \$ 5,415 | \$ 5,415 | \$ - |
| Snowmobile | 85,000 | 85,000 | 81,180 | 3,820 |
| Senior citizens | 1,425 | 1,425 | 1,425 | - |
| County/regional library | 141,500 | 141,500 | 141,500 | - |
| Total culture and recreation | \$ 233,340 | \$ 233,340 | \$ 229,520 | \$ 3,820 |
| Conservation of natural resources | | | | |
| County extension | \$ 121,036 | \$ 121,036 | \$ 120,815 | \$ 221 |
| Soil and water conservation | 133,000 | 133,000 | 133,242 | (242) |
| Agricultural inspections | 550 | 550 | 31 | 519 |
| Agricultural society/County fair | 18,176 | 18,176 | 18,170 | 6 |
| Water planning | 20,094 | 20,094 | - | 20,094 |
| Wetland challenge | 12,118 | 12,118 | - | 12,118 |
| Environmental services | - | - | - | - |
| Other | 27,441 | 27,441 | 27,394 | 47 |
| Total conservation of natural resources | \$ 332,415 | \$ 332,415 | \$ 299,652 | \$ 32,763 |
| Economic development | | | | |
| Housing development | \$ 109,494 | \$ 109,494 | \$ 355,494 | \$ (246,000) |
| Tourism | 2,186 | 2,186 | 2,186 | - |
| Total economic development | \$ 111,680 | \$ 111,680 | \$ 357,680 | \$ (246,000) |

**WABASHA COUNTY
WABASHA, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures (Continued) | | | | |
| Debt service | | | | |
| Principal | \$ 27,501 | \$ 27,501 | \$ 27,501 | \$ - |
| Interest | 6,807 | 6,807 | 6,807 | - |
| Total debt service | \$ 34,308 | \$ 34,308 | \$ 34,308 | \$ - |
| Total Expenditures | \$ 10,132,706 | \$ 10,132,706 | \$ 10,132,206 | \$ 500 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ (650,274) | \$ (650,274) | \$ (539,951) | \$ 110,323 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ - |
| Transfers out | (452,625) | (452,625) | (452,625) | - |
| Proceeds from sale of capital assets | 5,000 | 5,000 | 15,492 | 10,492 |
| Total Other Financing Sources (Uses) | \$ (247,625) | \$ (247,625) | \$ (237,133) | \$ 10,492 |
| Net Change in Fund Balance | \$ (897,899) | \$ (897,899) | \$ (777,084) | \$ 120,815 |
| Fund Balance - January 1 | 10,875,134 | 10,875,134 | 10,875,134 | - |
| Fund Balance - December 31 | \$ 9,977,235 | \$ 9,977,235 | \$ 10,098,050 | \$ 120,815 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,612,695 | \$ 1,612,695 | \$ 1,593,667 | \$ (19,028) |
| Intergovernmental | 6,347,328 | 6,347,328 | 7,061,702 | 714,374 |
| Charges for services | 13,900 | 13,900 | 20,239 | 6,339 |
| Miscellaneous | 20,000 | 20,000 | 48,980 | 28,980 |
| Total Revenues | \$ 7,993,923 | \$ 7,993,923 | \$ 8,724,588 | \$ 730,665 |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Administration | \$ 322,393 | \$ 322,393 | \$ 317,959 | \$ 4,434 |
| Engineering | 481,723 | 481,723 | 628,297 | (146,574) |
| Maintenance | 1,470,024 | 1,470,024 | 1,609,031 | (139,007) |
| Construction | 5,355,000 | 5,355,000 | 6,320,726 | (965,726) |
| Equipment maintenance and shop | 637,783 | 637,783 | 632,124 | 5,659 |
| Total highways and streets | \$ 8,266,923 | \$ 8,266,923 | \$ 9,508,137 | \$ (1,241,214) |
| Intergovernmental | | | | |
| Highways and streets | 177,000 | 177,000 | 181,552 | (4,552) |
| Total Expenditures | \$ 8,443,923 | \$ 8,443,923 | \$ 9,689,689 | \$ (1,245,766) |
| Excess of Revenues Over (Under) Expenditures | \$ (450,000) | \$ (450,000) | \$ (965,101) | \$ (515,101) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 450,000 | 450,000 | 450,000 | - |
| Net Change in Fund Balance | \$ - | \$ - | \$ (515,101) | \$ (515,101) |
| Fund Balance - January 1 | (170,649) | (170,649) | (170,649) | - |
| Increase (decrease) in inventories | - | - | (2,387) | (2,387) |
| Fund Balance - December 31 | \$ (170,649) | \$ (170,649) | \$ (688,137) | \$ (517,488) |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,302,208 | \$ 1,302,208 | \$ 1,286,131 | \$ (16,077) |
| Licenses and permits | 10,000 | 10,000 | 9,300 | (700) |
| Intergovernmental | 2,423,276 | 2,423,276 | 2,254,100 | (169,176) |
| Charges for services | 181,550 | 181,550 | 225,570 | 44,020 |
| Gifts and contributions | 3,000 | 3,000 | 3,281 | 281 |
| Miscellaneous | 152,430 | 152,430 | 236,349 | 83,919 |
| Total Revenues | \$ 4,072,464 | \$ 4,072,464 | \$ 4,014,731 | \$ (57,733) |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 1,203,018 | \$ 1,203,018 | \$ 1,427,683 | \$ (224,665) |
| Social services | 2,869,446 | 2,869,446 | 3,239,151 | (369,705) |
| Total Expenditures | \$ 4,072,464 | \$ 4,072,464 | \$ 4,666,834 | \$ (594,370) |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ - | \$ - | \$ (652,103) | \$ (652,103) |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (200,000) | (200,000) | (200,000) | - |
| Net Change in Fund Balance | \$ (200,000) | \$ (200,000) | \$ (852,103) | \$ (652,103) |
| Fund Balance - January 1 | 3,060,164 | 3,060,164 | 3,060,164 | - |
| Fund Balance - December 31 | \$ 2,860,164 | \$ 2,860,164 | \$ 2,208,061 | \$ (652,103) |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|--|
| January 1, 2007 | \$ - | \$ 749,441 | \$ 749,441 | 0% | \$ 6,372,223 | 11.76% |
| January 1, 2010 | - | 782,216 | 782,216 | 0 | 8,017,063 | 9.76 |
| January 1, 2013 | - | 841,865 | 841,865 | 0 | 7,794,722 | 10.80 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the County Finance Director so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board did not make supplemental budgetary appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders and contracts) outstanding at year-end are reported as restrictions 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 Road and Bridge Special Revenue Fund expenditures of \$9,689,689 exceeded the final budget of \$8,443,923 by \$1,245,766.

The Social Service Special Revenue Fund expenditures of \$4,666,834 exceeded the final budget of \$4,072,464 by \$594,370.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Other Postemployment Benefits Funded Status

Wabasha County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero.

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

SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

| | Special Revenue Funds | | Total (Exhibit 3) |
|---|------------------------------|--------------------------|------------------------------|
| | Regional Railroad | Public Health | |
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 26,325 | \$ 504,221 | \$ 530,546 |
| Taxes receivable | | | |
| Prior | - | 6,101 | 6,101 |
| Accounts receivable - net | - | 49,537 | 49,537 |
| Due from other governments | - | 136,589 | 136,589 |
| | \$ 26,325 | \$ 696,448 | \$ 722,773 |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | | |
| Liabilities | | | |
| Accounts payable | \$ - | \$ 1,564 | \$ 1,564 |
| Salaries payable | - | 46,344 | 46,344 |
| Due to other governments | - | 7,126 | 7,126 |
| Unearned revenue | - | 17,200 | 17,200 |
| | \$ - | \$ 72,234 | \$ 72,234 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue (Note 3.D.) | \$ - | \$ 69,698 | \$ 69,698 |
| Fund Balances | | | |
| Restricted for | | | |
| Health | \$ - | \$ 19,443 | \$ 19,443 |
| Assigned to | | | |
| Public health | - | 535,073 | 535,073 |
| Regional Railroad Authority | 26,325 | - | 26,325 |
| | \$ 26,325 | \$ 554,516 | \$ 580,841 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 26,325 | \$ 696,448 | \$ 722,773 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Special Revenue Funds</u> | | <u>Total (Exhibit 5)</u> |
|---|------------------------------|--------------------------|------------------------------|
| | <u>Regional Railroad</u> | <u>Public Health</u> | |
| Revenues | | | |
| Taxes | \$ - | \$ 256,648 | \$ 256,648 |
| Licenses and permits | - | 100 | 100 |
| Intergovernmental | - | 587,936 | 587,936 |
| Charges for services | - | 281,810 | 281,810 |
| Gifts and contributions | - | 1,000 | 1,000 |
| Miscellaneous | 1,932 | - | 1,932 |
| Total Revenues | \$ 1,932 | \$ 1,127,494 | \$ 1,129,426 |
| Expenditures | | | |
| Current | | | |
| Health | \$ - | \$ 1,173,659 | \$ 1,173,659 |
| Culture and recreation | 4,077 | - | 4,077 |
| Total Expenditures | \$ 4,077 | \$ 1,173,659 | \$ 1,177,736 |
| Excess of Revenues Over (Under) Expenditures | \$ (2,145) | \$ (46,165) | \$ (48,310) |
| Other Financing Sources (Uses) | | | |
| Transfers in | 2,625 | - | 2,625 |
| Net Change in Fund Balance | \$ 480 | \$ (46,165) | \$ (45,685) |
| Fund Balance - January 1 | 25,845 | 600,681 | 626,526 |
| Fund Balance - December 31 | \$ 26,325 | \$ 554,516 | \$ 580,841 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
REGIONAL RAILROAD SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Miscellaneous | \$ 3,587 | \$ 3,587 | \$ 1,932 | \$ (1,655) |
| Expenditures | | | | |
| Current | | | | |
| Culture and recreation | | | | |
| Trails | \$ 3,587 | \$ 3,587 | \$ 1,452 | \$ 2,135 |
| Minnesota High Speed Rail Commission | 2,625 | 2,625 | 2,625 | - |
| Total Expenditures | \$ 6,212 | \$ 6,212 | \$ 4,077 | \$ 2,135 |
| Excess of Revenues Over (Under) Expenditures | \$ (2,625) | \$ (2,625) | \$ (2,145) | \$ 480 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 2,625 | 2,625 | 2,625 | - |
| Net Change in Fund Balance | \$ - | \$ - | \$ 480 | \$ 480 |
| Fund Balance - January 1 | 25,845 | 25,845 | 25,845 | - |
| Fund Balance - December 31 | \$ 25,845 | \$ 25,845 | \$ 26,325 | \$ 480 |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 259,900 | \$ 259,900 | \$ 256,648 | \$ (3,252) |
| Licenses and permits | 180 | 180 | 100 | (80) |
| Intergovernmental | 550,702 | 550,702 | 587,936 | 37,234 |
| Charges for services | 344,392 | 344,392 | 281,810 | (62,582) |
| Gifts and contributions | 1,854 | 1,854 | 1,000 | (854) |
| Miscellaneous | 32,000 | 32,000 | - | (32,000) |
| Total Revenues | \$ 1,189,028 | \$ 1,189,028 | \$ 1,127,494 | \$ (61,534) |
| Expenditures | | | | |
| Current | | | | |
| Health | | | | |
| Nursing service | \$ 387,586 | \$ 387,586 | \$ 392,543 | \$ (4,957) |
| Family health | 236,540 | 236,540 | 235,264 | 1,276 |
| Disease prevention | 39,844 | 39,844 | 48,217 | (8,373) |
| Health education | 78,086 | 78,086 | 87,163 | (9,077) |
| Community health services | 446,972 | 446,972 | 410,472 | 36,500 |
| Total Expenditures | \$ 1,189,028 | \$ 1,189,028 | \$ 1,173,659 | \$ 15,369 |
| Net Change in Fund Balance | \$ - | \$ - | \$ (46,165) | \$ (46,165) |
| Fund Balance - January 1 | 600,681 | 600,681 | 600,681 | - |
| Fund Balance - December 31 | \$ 600,681 | \$ 600,681 | \$ 554,516 | \$ (46,165) |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
CRIMINAL JUSTICE CENTER DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,702,900 | \$ 1,702,900 | \$ 1,680,338 | \$ (22,562) |
| Intergovernmental | 24,012 | 24,012 | 23,956 | (56) |
| Investment earnings | - | - | 5,309 | 5,309 |
| Total Revenues | \$ 1,726,912 | \$ 1,726,912 | \$ 1,709,603 | \$ (17,309) |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | \$ 870,000 | \$ 870,000 | \$ 870,000 | \$ - |
| Interest | 747,111 | 747,111 | 747,111 | - |
| Administrative (fiscal) charges | 5,300 | 5,300 | 13,900 | (8,600) |
| Total Expenditures | \$ 1,622,411 | \$ 1,622,411 | \$ 1,631,011 | \$ (8,600) |
| Net Change in Fund Balance | \$ 104,501 | \$ 104,501 | \$ 78,592 | \$ (25,909) |
| Fund Balance - January 1 | 2,172,714 | 2,172,714 | 2,172,714 | - |
| Fund Balance - December 31 | \$ 2,277,215 | \$ 2,277,215 | \$ 2,251,306 | \$ (25,909) |

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FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|---------------------|---------------------|--------------------------------|
| <u>REVOLVING</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ <u>75,653</u> | \$ <u>681,326</u> | \$ <u>702,011</u> | \$ <u>54,968</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ <u>75,653</u> | \$ <u>681,326</u> | \$ <u>702,011</u> | \$ <u>54,968</u> |
| <u>FAMILY SERVICE COLLABORATIVE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ <u>208,857</u> | \$ <u>110,100</u> | \$ <u>152,304</u> | \$ <u>166,653</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ <u>208,857</u> | \$ <u>110,100</u> | \$ <u>152,304</u> | \$ <u>166,653</u> |
| <u>PRE-TAX</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ <u>172,870</u> | \$ <u>2,079,914</u> | \$ <u>2,072,212</u> | \$ <u>180,572</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ <u>172,870</u> | \$ <u>2,079,914</u> | \$ <u>2,072,212</u> | \$ <u>180,572</u> |

**WABASHA COUNTY
WABASHA, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|----------------------|----------------------|--------------------------------|
| <u>TAXES AND PENALTIES</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 232,097 | \$ 28,839,267 | \$ 28,843,466 | \$ 227,898 |
| | \$ 232,097 | \$ 28,839,267 | \$ 28,843,466 | \$ 227,898 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 22,893 | \$ 84,307 | \$ 87,912 | \$ 19,288 |
| Due to other funds | - | 11,836,056 | 11,836,056 | - |
| Due to other governments | 209,204 | 16,918,904 | 16,919,498 | 208,610 |
| | \$ 232,097 | \$ 28,839,267 | \$ 28,843,466 | \$ 227,898 |
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 689,477 | \$ 31,710,607 | \$ 31,769,993 | \$ 630,091 |
| | \$ 689,477 | \$ 31,710,607 | \$ 31,769,993 | \$ 630,091 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 22,893 | \$ 84,307 | \$ 87,912 | \$ 19,288 |
| Due to other funds | - | 11,836,056 | 11,836,056 | - |
| Due to other governments | 666,584 | 19,790,244 | 19,846,025 | 610,803 |
| | \$ 689,477 | \$ 31,710,607 | \$ 31,769,993 | \$ 630,091 |

COMPONENT UNIT

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT D-1

**STATEMENT OF NET POSITION
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
DECEMBER 31, 2013**

Assets

Current assets

| | | |
|--------------------------------|----|--------|
| Cash and pooled investments | \$ | 16,640 |
| Special assessments receivable | | |
| Current | | 7,406 |
| Accounts receivable - net | | 7,479 |

Total current assets **\$ 31,525**

Noncurrent assets

| | | |
|-------------------|--|---------|
| Capital assets | | |
| Depreciable - net | | 982,515 |

Total Assets **\$ 1,014,040**

Liabilities

Current liabilities

| | | |
|---------------------------------|----|-------|
| Accounts payable | \$ | 176 |
| Due to other governments | | 3,662 |
| Unearned revenue | | 12 |
| Revenue bonds payable - current | | 1,492 |

Total current liabilities **\$ 5,342**

Noncurrent liabilities

| | | |
|-----------------------------------|--|--------|
| Revenue bonds payable - long-term | | 87,629 |
|-----------------------------------|--|--------|

Total Liabilities **\$ 92,971**

Net Position

| | | |
|----------------------------------|----|---------|
| Net investment in capital assets | \$ | 893,394 |
| Restricted for | | |
| Equipment replacement | | 2,173 |
| Debt service | | 14,467 |
| Unrestricted | | 11,035 |

Total Net Position **\$ 921,069**

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT D-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | |
|--|--------------------|
| Operating Revenues | |
| Charges for services | \$ 59,764 |
| Special assessments | 7,274 |
| | <hr/> |
| Total Operating Revenues | \$ 67,038 |
| Operating Expenses | |
| Contracted services | \$ 51,780 |
| Machinery and equipment, repair, and maintenance | 3,649 |
| Other services and charges | 75 |
| Telephone | 460 |
| Utilities | 1,558 |
| Insurance | 1,722 |
| Depreciation | 34,175 |
| | <hr/> |
| Total Operating Expenses | \$ 93,419 |
| Operating Income (Loss) | \$ (26,381) |
| Nonoperating Revenues (Expenses) | |
| Interest income | \$ 14 |
| Interest expense | (3,962) |
| | <hr/> |
| Total Nonoperating Revenues (Expenses) | \$ (3,948) |
| Change in Net Position | \$ (30,329) |
| Net Position - January 1 | 951,398 |
| | <hr/> |
| Net Position - December 31 | \$ 921,069 |
| | <hr/> <hr/> |

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT D-3

**STATEMENT OF CASH FLOWS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2013
Increase (Decrease) in Cash and Cash Equivalents**

| | |
|--|--------------------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers and users | \$ 67,469 |
| Payments to suppliers | <u>(59,812)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 7,657</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Principal paid on long-term debt | \$ (1,430) |
| Interest paid on long-term debt | <u>(3,962)</u> |
| Net cash provided by (used in) capital and related financing activities | <u>\$ (5,392)</u> |
| Cash Flows from Investing Activities | |
| Investment earnings received | <u>\$ 14</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 2,279 |
| Cash and Cash Equivalents at January 1 | <u>14,361</u> |
| Cash and Cash Equivalents at December 31 | <u><u>\$ 16,640</u></u> |
| Cash and Cash Equivalents - Exhibit D-1 | |
| Cash and pooled investments | <u><u>\$ 16,640</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | |
| Operating income (loss) | <u>\$ (26,381)</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | |
| Depreciation expense | \$ 34,175 |
| (Increase) decrease in special assessments receivable | 296 |
| (Increase) decrease in accounts receivable | 186 |
| Increase (decrease) in accounts payable | 14 |
| Increase (decrease) in due to other governments | (582) |
| Increase (decrease) in unearned revenue | <u>(51)</u> |
| Total adjustments | <u>\$ 34,038</u> |
| Net Cash Provided by (Used in) Operating Activities | <u><u>\$ 7,657</u></u> |

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SCHEDULES

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

Shared Revenue

State

| | |
|-------------------------|--------------|
| Highway users tax | \$ 6,264,646 |
| PERA rate reimbursement | 22,637 |
| Disparity reduction aid | 13,709 |
| Police aid | 110,989 |
| County program aid | 717,499 |
| Market value credit | 160,539 |
| Enhanced 911 | 96,241 |

Total shared revenue **\$ 7,386,260**

Reimbursement for Services

Minnesota Department of Human Services **\$ 409,709**

Payments

Local

Payments in lieu of taxes **\$ 248,919**

Grants

State

| | |
|--|------------|
| Minnesota Department of Corrections | \$ 186,471 |
| Public Safety | 3,575 |
| Health | 88,419 |
| Natural Resources | 163,679 |
| Human Services | 1,102,085 |
| Veterans Services | 7,046 |
| Transportation | 563,572 |
| Water and Soil Resources Board | 78,061 |
| Pollution Control Agency | 59,659 |
| Peace Officer Standards and Training Board | 5,468 |

Total state **\$ 2,258,035**

Federal

| | |
|--------------------------------|------------|
| Department of Agriculture | \$ 222,917 |
| Justice | 1,558 |
| Transportation | 21,433 |
| Education | 1,000 |
| Health and Human Services | 993,001 |
| Social Security Administration | 16 |
| Homeland Security | 111,256 |

Total federal **\$ 1,351,181**

Total state and federal grants **\$ 3,609,216**

Total Intergovernmental Revenue **\$ 11,654,104**

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | State Pass-Through Grantor's Number | Expenditures |
|--|------------------------------------|--|--------------------------|
| U.S. Department of Agriculture | | | |
| Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 12-700-00099 | \$ 101,591 |
| Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | N/A | <u>121,326</u> |
| Total U.S. Department of Agriculture | | | <u>\$ 222,917</u> |
| U.S. Department of Justice | | | |
| Direct Bulletproof Vest Partnership Program | 16.607 | N/A | <u>\$ 1,558</u> |
| U.S. Department of Transportation | | | |
| Passed Through Minnesota Department of Public Safety Highway Safety Cluster | | | |
| State and Community Highway Safety | 20.600 | WABCTPH-00018 | \$ 13,913 |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | WABCTPH-00018 | <u>3,528</u> |
| Total U.S. Department of Transportation | | | <u>\$ 17,441</u> |
| U.S. Department of Education | | | |
| Passed Through Zumbro Education District Special Education - Grants for Infants and Families | 84.181 | 81110114221 | <u>\$ 1,000</u> |
| U.S. Department of Health and Human Services | | | |
| Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program | 93.008 | MRC 12 1538 | \$ 5,764 |
| Passed Through Minnesota Department of Health | | | |
| Public Health Emergency Preparedness | 93.069 | 65507 | 27,303 |
| Universal Newborn Hearing Screening | 93.251 | 20705 | 550 |
| Immunization Cooperative Agreements | 93.268 | 52925 | 900 |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | N/A | 225 |
| Temporary Assistance for Needy Families | 93.558 | 12-700-00099 | 28,318 |
| (Total Temporary Assistance for Needy Families 93.558 \$138,242) | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 12-700-00099 | 23,751 |

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT E-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | State Pass-Through Grantor's Number | Expenditures |
|--|------------------------------------|--|---------------------|
| U.S. Department of Health and Human Services (Continued) | | | |
| Passed Through Minnesota Department of Human Services | | | |
| Promoting Safe and Stable Families | 93.556 | N/A | 6,054 |
| Temporary Assistance for Needy Families | 93.558 | N/A | 109,924 |
| (Total Temporary Assistance for Needy Families 93.558 \$138,242) | | | |
| Child Support Enforcement | 93.563 | N/A | 239,260 |
| Refugee and Entrant Assistance - State-Administered Programs | 93.566 | N/A | 250 |
| Child Care and Development Block Grant | 93.575 | N/A | 5,926 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | N/A | 3,027 |
| Foster Care - Title IV-E | 93.658 | N/A | 60,978 |
| Social Services Block Grant | 93.667 | N/A | 120,139 |
| Chafee Foster Care Independence Program | 93.674 | N/A | 5,992 |
| Children's Health Insurance Program | 93.767 | N/A | 48 |
| Medical Assistance Program | 93.778 | N/A | 485,902 |
| Total U.S. Department of Health and Human Services | | | \$ 1,124,311 |
| U.S. Social Security Administration | | | |
| Passed Through Minnesota Department of Employment and Economic Development | | | |
| Social Security - Disability Insurance | 96.001 | N/A | \$ 16 |
| U.S. Department of Homeland Security | | | |
| Passed Through Minnesota Department of Natural Resources | | | |
| Boating Safety Financial Assistance | 97.012 | 43848 | \$ 7,287 |
| Passed Through Minnesota Department of Public Safety | | | |
| Hazard Mitigation Grant | 97.039 | 46206 | 26,390 |
| Emergency Management Performance Grants | 97.042 | WABASHACO-00084 | 20,832 |
| Passed Through Southeast Minnesota Regional Emergency Communications Board | | | |
| Interoperable Emergency Communications | 97.055 | 771 | 3,262 |
| Homeland Security Grant Program | 97.067 | 12438 | 395 |
| Total U.S. Department of Homeland Security | | | \$ 58,166 |
| Total Federal Awards | | | \$ 1,425,409 |

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wabasha County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wabasha County, it is not intended to and does not present the financial position, change in net assets, or cash flows of Wabasha County.

3. Summary of Significant Accounting Policies

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

4. Clusters

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

| | | |
|------------------------|----|--------|
| Highway Safety Cluster | \$ | 17,441 |
|------------------------|----|--------|

**WABASHA COUNTY
WABASHA, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

| | | |
|--|----|-----------|
| Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit E-1) | \$ | 1,351,181 |
| Deferred in 2012, recognized as revenue in 2013 | | |
| ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program | | (2,562) |
| Child Care and Development Block Grant | | (682) |
| Foster Care - Title IV-E | | (8,462) |
| Medical Assistance Program | | (1,935) |
| State and Community Highway Safety | | (3,384) |
| Emergency Management Performance Grants | | (19,349) |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | | (608) |
| Homeland Security Grant Program | | (734) |
| Deferred in 2010, determined to be uncollectible in 2012, recognized as income in 2013 | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | (53,839) |
| Grants received more than 60 days after year-end, deferred in 2013 | | |
| Temporary Assistance for Needy Families | | 11,648 |
| Child Care and Development Block Grant | | 209 |
| Medical Assistance Program | | 126,704 |
| Foster Care - Title IV-E | | 6,390 |
| Emergency Management Performance Grants | | 20,832 |
| | | 20,832 |
| Expenditures per Schedule of Expenditures of Federal Awards (Exhibit E-2) | \$ | 1,425,409 |

6. Subrecipients

During 2013, Wabasha County passed \$26,390 (CFDA #97.039) to Southeastern Minnesota Multi-County Housing and Redevelopment Authority, a subrecipient of Wabasha County.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- 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? **No**

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? **No**

The major program is:

Medical Assistance Program

CFDA #93.778

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

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

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

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

Finding 2013-001

Workstation Security

Criteria: Controls in place over operations should be designed to properly protect both data and programs from unauthorized access.

Condition: The County does not require employees to lock access to their workstations when unattended. Workstation security settings are not set to properly protect data and programs from unauthorized access.

Context: When a computer is left unattended while still logged on, someone may make changes to data or programs they may not be authorized to make. Such changes would appear to have been made by the person logged in. Several workstation settings could be changed to strengthen the security controls in place over operations.

Effect: The County's financial data and programs are vulnerable to unauthorized access.

Cause: The County indicated the workstation setting policies need to be updated. Workstation settings are being changed gradually to reduce the number of complaints from County personnel.

Recommendation: We recommend the County strengthen its controls over workstation settings to protect both data and programs from unauthorized access.

Client's Response:

Wabasha County recognizes that there is potential for unauthorized access to data or programs when computers are not locked when left unattended. The County computer policy will be amended to include a requirement that employees will be required to lock or log off computers when leaving them unattended to prevent unauthorized access. Currently, computers accessible to the public are set to automatically lock after being inactive for approximately fifteen minutes. The County will look at expanding this to include all computers in order to further strengthen controls.

Finding 2013-002

Segregation of Duties - County Departments

Criteria: Internal controls should be designed to provide for an adequate segregation of duties so that no one individual handles a transaction from inception to completion.

Condition: Several of the County's departments which 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 Wabasha County; however, the County's management should constantly be aware of this condition and realize 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 in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County indicated due to available resources, the County would not be able to hire additional qualified accounting staff to segregate duties in every department.

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

Client's Response:

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

PREVIOUSLY REPORTED ITEM RESOLVED

General Ledger System Security Controls (2012-001)

In our previous audit, during our review of general ledger security access, we noted individuals assigned to the County user maintenance function were also involved in the County general ledger accounting function.

Resolution

County personnel assigned to the user maintenance function were segregated from personnel assigned to the general ledger accounting function.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Safe Driving Class (2008-004)

As stated in Minn. Stat. § 169.022, in part, “. . . Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.”

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

in the state's General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the new statute.

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

Resolution

The County complied with Minn. Stat. ch. 169, including Minn. Stat. § 169.999, and discontinued offering a safety class in lieu of issuance or court filing of a state uniform traffic ticket in January 2014.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-010

Disaster Recovery Plan

Criteria: The County needs to provide for the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements. A disaster recovery plan should include, but not be limited to, the following:

- a list of key personnel, including the actual recovery team, who should be available during the recovery process;
- a description of the responsibilities of each member of the recovery team and of all other County employees;

- a plan as to how the County will continue operations until normal operations are re-established;
- a list of materials the County needs to continue operations and how they will be obtained;
- identification of the space to be used; and
- a schedule for developing and periodically reviewing and updating the plan.

Condition: While reviewing the Information Technology Department, we noted Wabasha County has a data processing disaster recovery agreement with Goodhue County but has no disaster recovery plan to ensure continued operation if a disaster or major computer breakdown were to occur.

Context: A disaster recovery plan would give greater assurance that the County is prepared for a disaster or major computer breakdown.

Effect: In the event of a disaster, the County could experience a delay in reporting of financial services to the public.

Cause: The County is aware of the issue but has not had time to address establishment of a plan.

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

Client's Response:

Management of Wabasha County understands and recognizes the need and importance in having a documented and tested disaster recovery plan. A committee was formed to accomplish this task and continues to meet to formulate the County's Continuity of Government Plan (aka Disaster Recovery Plan). It is anticipated to have the plan written and tested by the end of 2014.



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
Wabasha 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wabasha 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.

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. 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 the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wabasha 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 in connection with the audit of the County's financial statements: 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 Wabasha 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

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe the recommendation to be of benefit to the County, and it is reported for that purpose.

Wabasha County's Response to Findings

Wabasha County's responses to the internal control and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected 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

August 15, 2014

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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
Wabasha County

Report on Compliance for Each Major Federal Program

We have audited Wabasha 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 the County's major federal program for the year ended December 31, 2013. Wabasha County's major federal program is 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 Wabasha County's major federal program 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 Wabasha County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the 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, Wabasha County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Wabasha 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

August 15, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR