

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WABASHA COUNTY
WABASHA, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

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.

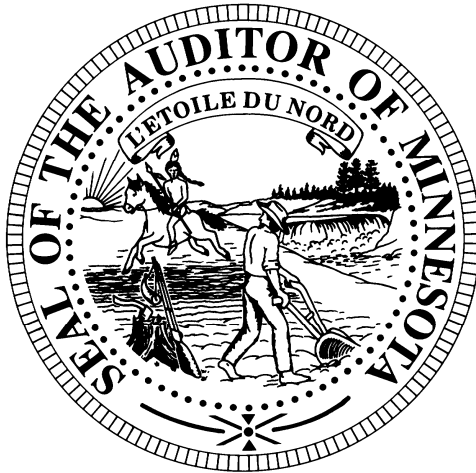
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Year Ended December 31, 2008



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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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WABASHA, MINNESOTA**

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2008**

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Richard H. Hall	District 1	January 2013
Chair	David Windhorst	District 2	January 2011
Board Member	Merl Norman	District 3	January 2013
Board Member	Peter Riester	District 4	January 2011
Vice Chair	Tom Dwelle	District 5	January 2011
Attorney	James C. Nordstrom		January 2011
Auditor/Treasurer	Jerry Leisen		January 2011
County Recorder	Jeffery Aitken		January 2011
County Sheriff	Rodney Bartsh		January 2011
Appointed			
Administrator	David Johnson		Indefinite
Assessor	Loren Benz		December 2012
County Engineer	Dietrich Flesch		May 2011
Coroner	Dr. Daniel Pesch		January 2009
	Dr. Thomas Peyla		January 2009
Financial Services Director	Deb Koenig		Indefinite
Social Services Director	Terry Smith		Indefinite
Solid Waste Officer	Tom Mosher		Indefinite
Surveyor	David Johnson		January 2009
Veterans Service Officer	Lisa Jaeger		April 2010

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wabasha County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Wabasha County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2009, on our consideration of Wabasha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 25, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(Unaudited)**

INTRODUCTION

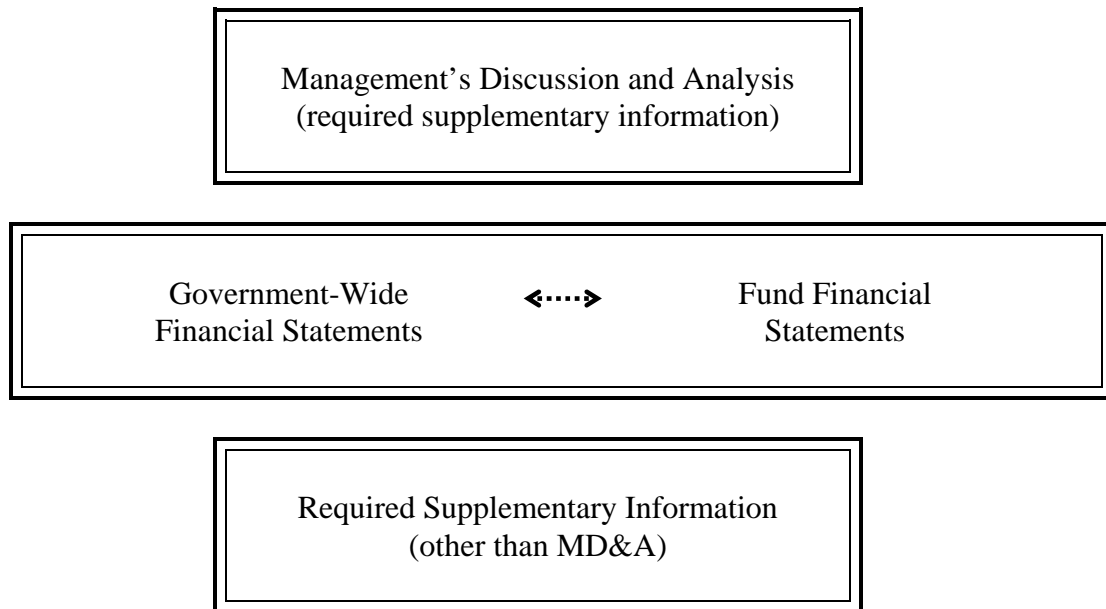
Wabasha County's Management's Discussion and Analysis (MD&A) provides the readers of Wabasha County's financial statements with a narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2008. We encourage readers to consider the information 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 2008, the assets of Wabasha County exceeded its liabilities by \$76,169,808. Of this amount, \$11,725,446 represents unrestricted net assets that may be used to meet the County's ongoing obligation to citizens and creditors. The remaining \$64,444,362 is invested in capital assets or restricted to specific purposes.
- At the end of the fiscal year, Wabasha County governmental funds reported a combined ending fund balance of \$19,423,295.
- Wabasha County's total long-term liabilities increased by \$9,958,051 during the fiscal year. The key factor in this increase was due to issuing Certificates of Participation and General Obligation Jail Bonds in the amounts of \$7,745,000 and \$2,255,000, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

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

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

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

Fund Financial Statements

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

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

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

The County as a Whole

The County's combined net assets increased from \$74,591,349 to \$76,169,808. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

Table 1
Net Assets

	Governmental Activities	
	2008	2007 (Restated)
Assets		
Current and other assets	\$ 23,126,115	\$ 22,420,575
Capital assets	77,127,403	66,451,717
Total Assets	<u>\$ 100,253,518</u>	<u>\$ 88,872,292</u>
Liabilities		
Long-term debt outstanding	\$ 21,043,879	\$ 11,085,828
Other liabilities	3,039,831	3,195,115
Total Liabilities	<u>\$ 24,083,710</u>	<u>\$ 14,280,943</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 61,548,320	\$ 62,922,469
Restricted	2,896,042	1,252,900
Unrestricted	11,725,446	10,415,980
Total Net Assets	<u><u>\$ 76,169,808</u></u>	<u><u>\$ 74,591,349</u></u>

Net assets of the County governmental activities increased by two percent (\$76,169,808 compared to \$74,591,349). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from \$10,415,980 at December 31, 2007, to \$11,725,446 at the end of 2008.

Table 2
Changes in Net Assets

	Governmental Activities	
	2008	2007 (Restated)
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 1,742,179	\$ 1,574,745
Operating grants and contributions	7,977,132	7,471,760
Capital grants and contributions	-	171,787
General revenues		
Property taxes	10,239,850	8,335,670
Other taxes	40,338	18,987
Grants and contributions	1,938,819	1,971,930
Other general revenues	1,021,841	981,882
Total Revenues	<u>\$ 22,960,159</u>	<u>\$ 20,526,761</u>
Program Expenses		
General government	\$ 3,373,805	\$ 3,316,799
Public safety	4,176,819	3,548,369
Highways and streets	5,988,824	6,132,373
Human services	4,369,368	4,215,026
Health	1,534,510	1,435,717
Sanitation	275,873	247,351
Culture and recreation	296,245	273,783
Conservation of natural resources	371,700	364,455
Economic development	352,818	227,001
Interest	641,738	103,378
Total Program Expenses	<u>\$ 21,381,700</u>	<u>\$ 19,864,252</u>
Increase (Decrease) in Net Assets	\$ 1,578,459	\$ 662,509
Net Assets - January 1, restated	<u>74,591,349</u>	<u>73,928,840</u>
Net Assets - December 31	<u><u>\$ 76,169,808</u></u>	<u><u>\$ 74,591,349</u></u>

Governmental Activities

Revenues for the County's governmental activities were \$22,960,159, while expenses were \$21,381,700. This resulted in a \$1,578,459 increase in net assets for the year ended December 31, 2008.

The cost of all governmental activities in 2008 was \$21,381,700, compared to \$19,864,252 in 2007. 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 \$11,662,389 because some of the cost was paid by those who directly benefited from the programs (\$1,742,179) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,977,132). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased from \$9,218,292 in 2007 to \$9,719,311 in 2008, primarily caused by an increase in grants and contributions. The County paid for the remaining "public benefit" portion of governmental activities with \$13,240,848 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	
	2008	2007	2008	2007 (Restated)
Highways and streets	\$ 5,988,824	\$ 6,132,373	\$ 1,955,125	\$ 2,301,395
Human services	4,369,368	4,215,026	1,768,962	1,737,541
Public safety	4,176,819	3,548,369	3,243,945	2,728,310
General government	3,373,805	3,316,799	2,821,552	2,708,874
Health	1,534,510	1,435,717	464,050	283,176
All others	1,938,374	1,215,968	1,408,755	886,664
Totals	<u>\$ 21,381,700</u>	<u>\$ 19,864,252</u>	<u>\$ 11,662,389</u>	<u>\$ 10,645,960</u>

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wabasha County, assets exceeded liabilities by \$76,169,808 at the end of 2008, an increase of \$1,578,459.

The County's \$61,548,320 investment in capital assets, net of related debt, is 81 percent of total net assets. Wabasha County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wabasha County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate liabilities.

Four percent of Wabasha County's net assets (\$2,896,042) are subject to restrictions on how they may be used. The remaining 15 percent (\$11,725,446 unrestricted net assets) may be used to meet Wabasha County's ongoing obligations to citizens and creditors.

Wabasha County's total liabilities (\$24,083,710) are 24 percent of total assets and 104 percent of current assets.

Financial Analysis of the Government's Funds

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

As of the end of 2008, Wabasha County's governmental funds report combined fund balances of \$19,423,295. This is an increase of \$822,939 from the prior year. Approximately 13 percent of this amount (\$2,459,950) constitutes unreserved, undesignated fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is reserved or designated for specific purposes.

The General Fund is the chief operating fund of Wabasha County. At the end of 2008, the unreserved, undesignated fund balance was \$932,395, while the total fund balance was \$8,267,392. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 10 percent of total General Fund expenditures, while total fund balance represents 93 percent of the same amount.

The Road and Bridge Special Revenue Fund ended the year with a fund balance of \$1,315,819. This was an increase of \$194,102. There is no unreserved, undesignated fund balance. The Social Service Special Revenue Fund balance decreased by \$1,354 to \$2,732,156, of which \$1,527,545 is unreserved, undesignated.

The Criminal Justice Center Capital Projects Fund had an ending fund balance of \$4,541,086, and the Criminal Justice Center Debt Service Fund had an ending fund balance of \$1,905,432.

General Fund Budgetary Highlights

Wabasha County did not make any revision to the General Fund budget during 2008. The General Fund actual revenues were \$335,405 above budget, and expenditures were below budget by \$243,711.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wabasha County's investment in capital assets as of December 31, 2008, amounts to \$77,127,403 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. (See Table 4.)

The net increase in Wabasha County's investment in capital assets for the current year was \$10,675,686. If you need more information on Wabasha County's capital assets, please see the notes to the financial statements.

Table 4
Capital Assets at December 31, 2008
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$ 4,639,629	\$ 4,553,015
Construction in process	13,996,432	2,563,744
Buildings and improvements	1,571,981	1,625,776
Machinery, vehicles, furniture, and equipment	1,373,795	1,453,076
Infrastructure	55,545,566	56,256,106
Total	<u>\$ 77,127,403</u>	<u>\$ 66,451,717</u>

The increase to construction in process primarily reflects the building costs attributed to the construction of the Criminal Justice Center.

Debt

At the end of 2008, the County had total debt outstanding in the amount of \$19,867,327, as shown in Table 5. In 2008, the County issued two bonds: General Obligation Jail Bonds for \$2,255,000 and Certificates of Participation for \$7,745,000. More detailed information about the County's long-term liabilities is presented in Note 2.C. to the financial statements.

Table 5
Outstanding Debt at December 31, 2008

	Governmental Activities	
	2008	2007
General Obligation Jail Bonds (net of unamortized discount)	\$ 12,232,448	\$ 9,998,293
Certificates of Participation (net of unamortized discount)	7,628,827	-
Capital leases	2,144	38,294
Promissory note	3,908	11,427
Total	<u>\$ 19,867,327</u>	<u>\$ 10,048,014</u>

(Unaudited)

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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 \$67,945,368.

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

ECONOMIC FACTORS

The Wabasha County elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged.

- In 2009, the County anticipates completion of construction of the Criminal Justice Center that began in 2007. The facility will measure approximately 87,000 square feet and includes an 82-bed jail, law enforcement center, courtrooms, court administration, county attorney, and probation department. The project is projected to cost around \$21,000,000 and is expected to be open in late 2009.
- The unemployment rate in Wabasha County increased from 4.7 percent at the end of 2007 to 5.9 percent at the end of 2008. The state's unemployment rate for the end of 2008 was 6.9 percent.
- Property tax levies have increased 10.69 percent for 2009.
- The State of Minnesota has indicated levy limitations will continue for 2010 and 2011. It is also anticipated that, due to the state budget deficit, there will be significant reductions in state aids to local governments.

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Reads Landing Water and Sanitary District Component Unit</u>
<u>Assets</u>		
Cash and pooled investments	\$ 20,975,621	\$ 7,020
Petty cash and change funds	3,250	-
Investment in joint venture	468,212	-
Taxes receivable		
Prior - net	222,127	-
Special assessments receivable	-	3,997
Accounts receivable - net	133,061	5,481
Accrued interest receivable	67,519	-
Due from other governments	996,541	-
Inventories	110,201	-
Restricted assets		
Cash and pooled investments	-	3,790
Deferred debt issuance costs	149,583	-
Capital assets		
Non-depreciable	18,636,061	-
Depreciable - net of accumulated depreciation	58,491,342	1,153,388
Total Assets	\$ 100,253,518	\$ 1,173,676
<u>Liabilities</u>		
Accounts payable	\$ 526,670	\$ 151
Salaries payable	258,165	-
Contracts payable	893,652	-
Retainage payable	556,596	-
Due to other governments	232,233	3,464
Accrued interest payable	406,358	-
Unearned revenue	166,157	30
Long-term liabilities		
Net OPEB obligation	91,372	-
Due within one year	821,163	1,204
Due in more than one year	20,131,344	94,490
Total Liabilities	\$ 24,083,710	\$ 99,339

**WABASHA COUNTY
WABASHA, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Reads Landing Water and Sanitary District Component Unit</u>
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 61,548,320	\$ 1,057,694
Restricted for		
General government	338,651	-
Public safety	246,254	-
Highways and streets	174,957	-
Human services	200,732	-
Health	28,878	-
Conservation of natural resources	1,138	-
Debt service	1,905,432	3,790
Equipment replacement	-	12,853
Unrestricted	<u>11,725,446</u>	<u>-</u>
Total Net Assets	<u>\$ 76,169,808</u>	<u>\$ 1,074,337</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Primary Government Governmental Activities	Reads Landing Water and Sanitary District Component Unit
	Expenses				
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 3,373,805	\$ 425,000	\$ 127,253	\$ (2,821,552)	
Public safety	4,176,819	380,313	552,561	(3,243,945)	
Highways and streets	5,988,824	60,209	3,973,490	(1,955,125)	
Sanitation	275,873	115,146	58,142	(102,585)	
Human services	4,369,368	344,835	2,255,571	(1,768,962)	
Health	1,534,510	413,313	657,147	(464,050)	
Culture and recreation	296,245	1,352	121,203	(173,690)	
Conservation of natural resources	371,700	2,011	155,439	(214,250)	
Economic development	352,818	-	76,326	(276,492)	
Interest	641,738	-	-	(641,738)	
Total Governmental Activities	\$ 21,381,700	\$ 1,742,179	\$ 7,977,132	\$ (11,662,389)	
Component unit					
Reads Landing Water and Sanitary District	\$ 89,013	\$ 51,883	\$ -		\$ (37,130)
General Revenues					
Property taxes				\$ 10,239,850	\$ -
Mortgage registry and deed tax				16,953	-
Tax increment				23,385	-
Payments in lieu of tax				190,784	-
Grants and contributions not restricted to specific programs				1,938,819	-
Unrestricted investment earnings				663,180	70
Miscellaneous				158,635	-
Gain on sale of capital assets				9,242	-
Total general revenues				\$ 13,240,848	\$ 70
Change in net assets				\$ 1,578,459	\$ (37,060)
Net Assets - Beginning, restated (Note 1.E.)				74,591,349	1,111,397
Net Assets - Ending				\$ 76,169,808	\$ 1,074,337

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

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WABASHA COUNTY
WABASHA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>
<u>Assets</u>		
Cash and pooled investments	\$ 8,750,585	\$ 1,232,853
Petty cash and change funds	3,250	-
Taxes receivable		
Prior	129,470	27,935
Accounts receivable	5,635	-
Accrued interest receivable	22,651	-
Due from other governments	207,493	319,153
Inventories	-	110,201
	<hr/>	<hr/>
Total Assets	<u><u>\$ 9,119,084</u></u>	<u><u>\$ 1,690,142</u></u>

EXHIBIT 3

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service</u>	<u>Criminal Justice Center Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,724,899	\$ 1,898,953	\$ 5,781,064	\$ 587,267	\$ 20,975,621
-	-	-	-	3,250
35,476	22,531	-	6,715	222,127
75,187	-	-	52,239	133,061
-	250	44,618	-	67,519
294,764	-	88,780	86,351	996,541
-	-	-	-	110,201
<u>\$ 3,130,326</u>	<u>\$ 1,921,734</u>	<u>\$ 5,914,462</u>	<u>\$ 732,572</u>	<u>\$ 22,508,320</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 341,222	\$ 45,490
Salaries payable	145,001	36,344
Contracts payable	-	90,027
Retainage payable	-	-
Due to other governments	93,839	5,020
Deferred revenue - unavailable	105,473	197,442
Deferred revenue - unearned	166,157	-
	<hr/>	<hr/>
Total Liabilities	\$ 851,692	\$ 374,323
	<hr/>	<hr/>
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 110,201
Law library	1,131	-
Future projects	-	-
Recorder's unallocated fund	200,596	-
Recorder's technology fund	93,659	-
E-911	236,049	-
Extension publications	1,138	-
Sheriff's contingency	2,597	-
Sheriff's forfeited property	6,706	-
Attorney's forfeited property	30,141	-
Sheriff's permit to carry	902	-
Health	-	-
Tobacco settlement	7,529	-
Voting equipment/operating expenses	5,595	-
Human services/health care	-	-
Debt service	-	-
Unreserved		
Designated for future expenditures	2,601,180	384,533
Designated for cash flows	3,577,000	610,000
Designated for compensated absences	570,774	211,085
Undesignated	932,395	-
Unreserved, reported in nonmajor		
Special revenue funds	-	-
	<hr/>	<hr/>
Total Fund Balances	\$ 8,267,392	\$ 1,315,819
	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 9,119,084	\$ 1,690,142
	<hr/>	<hr/>

EXHIBIT 3
(Continued)

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service</u>	<u>Criminal Justice Center Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 119,137	\$ -	\$ 13,155	\$ 7,666	\$ 526,670
42,046	-	-	34,774	258,165
-	-	803,625	-	893,652
-	-	556,596	-	556,596
132,482	-	-	892	232,233
104,505	16,302	-	27,830	451,552
-	-	-	-	166,157
<u>\$ 398,170</u>	<u>\$ 16,302</u>	<u>\$ 1,373,376</u>	<u>\$ 71,162</u>	<u>\$ 3,085,025</u>
\$ -	\$ -	\$ -	\$ -	\$ 110,201
-	-	-	-	1,131
-	-	4,541,086	-	4,541,086
-	-	-	-	200,596
-	-	-	-	93,659
-	-	-	-	236,049
-	-	-	-	1,138
-	-	-	-	2,597
-	-	-	-	6,706
-	-	-	-	30,141
-	-	-	-	902
-	-	-	28,878	28,878
-	-	-	-	7,529
-	-	-	-	5,595
200,732	-	-	-	200,732
-	1,905,432	-	-	1,905,432
-	-	-	-	2,985,713
820,000	-	-	-	5,007,000
183,879	-	-	-	965,738
1,527,545	-	-	-	2,459,940
-	-	-	632,532	632,532
<u>\$ 2,732,156</u>	<u>\$ 1,905,432</u>	<u>\$ 4,541,086</u>	<u>\$ 661,410</u>	<u>\$ 19,423,295</u>
<u>\$ 3,130,326</u>	<u>\$ 1,921,734</u>	<u>\$ 5,914,462</u>	<u>\$ 732,572</u>	<u>\$ 22,508,320</u>

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balances - total governmental funds (Exhibit 3)	\$	19,423,295
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		77,127,403
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Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		468,212
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		451,552
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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	\$ (12,255,000)	
Certificates of participation	(7,745,000)	
Bond discount	138,725	
Deferred debt issuance charges	149,583	
Capital leases	(2,144)	
Promissory note	(3,908)	
Accrued interest payable	(406,358)	
Net OPEB obligation	(91,372)	
Compensated absences	(1,085,180)	
	<u>(21,300,654)</u>	<u>(21,300,654)</u>

Net Assets of Governmental Activities (Exhibit 1)	\$	<u>76,169,808</u>
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**WABASHA COUNTY
WABASHA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>
Revenues		
Taxes	\$ 5,877,109	\$ 1,184,158
Licenses and permits	201,659	-
Intergovernmental	2,350,220	4,155,978
Charges for services	594,454	26,232
Fines and forfeits	31,986	-
Gifts and contributions	14,701	-
Investment earnings	429,075	-
Miscellaneous	217,866	33,994
Total Revenues	<u>\$ 9,717,070</u>	<u>\$ 5,400,362</u>
Expenditures		
Current		
General government	\$ 3,382,582	\$ -
Public safety	4,193,431	-
Highways and streets	32,022	5,170,559
Sanitation	265,757	-
Human services	-	-
Health	1,915	-
Culture and recreation	268,264	-
Conservation of natural resources	378,916	-
Economic development	352,818	-
Capital outlay	-	-
Debt service		
Principal	12,510	23,640
Interest	426	1,300
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
Total Expenditures	<u>\$ 8,888,641</u>	<u>\$ 5,195,499</u>
Excess of Revenues Over (Under)		
Expenditures	<u>\$ 828,429</u>	<u>\$ 204,863</u>
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	-	-
Bonds and notes issued	-	-
Discount on bonds/notes issued	-	-
Proceeds from sale of capital assets	7,268	5,704
Total Other Financing Sources (Uses)	<u>\$ 7,268</u>	<u>\$ 5,704</u>

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

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EXHIBIT 5

Social Service Special Revenue	Criminal Justice Center Debt Service	Criminal Justice Center Capital Projects	Other Governmental Funds	Total
\$ 1,552,735	\$ 1,322,832	\$ -	\$ 287,504	\$ 10,224,338
13,450	-	-	270	215,379
2,605,014	133,660	113,803	714,444	10,073,119
26,812	-	6,160	399,117	1,052,775
-	-	-	-	31,986
-	-	-	10,382	25,083
-	4,232	229,873	-	663,180
257,197	29,000	-	6,262	544,319
\$ 4,455,208	\$ 1,489,724	\$ 349,836	\$ 1,417,979	\$ 22,830,179
\$ -	\$ -	\$ -	\$ -	\$ 3,382,582
-	-	-	-	4,193,431
-	-	-	-	5,202,581
-	-	-	-	265,757
4,453,325	-	-	-	4,453,325
-	-	-	1,507,528	1,509,443
-	-	-	1,722	269,986
-	-	-	-	378,916
-	-	-	-	352,818
-	-	11,380,401	-	11,380,401
-	-	-	7,519	43,669
-	331,479	-	479	333,684
-	-	99,336	-	99,336
-	800	-	-	800
\$ 4,453,325	\$ 332,279	\$ 11,479,737	\$ 1,517,248	\$ 31,866,729
\$ 1,883	\$ 1,157,445	\$ (11,129,901)	\$ (99,269)	\$ (9,036,550)
\$ -	\$ 607,015	\$ -	\$ 3,237	\$ 610,252
(3,237)	-	(607,015)	-	(610,252)
-	-	10,000,000	-	10,000,000
-	-	(137,018)	-	(137,018)
-	-	-	-	12,972
\$ (3,237)	\$ 607,015	\$ 9,255,967	\$ 3,237	\$ 9,875,954

**WABASHA COUNTY
WABASHA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>
Change in Fund Balance	\$ 835,697	\$ 210,567
Fund Balance - January 1	7,431,695	1,121,717
Increase (decrease) in reserved for inventories	<u>-</u>	<u>(16,465)</u>
Fund Balance - December 31	<u><u>\$ 8,267,392</u></u>	<u><u>\$ 1,315,819</u></u>

EXHIBIT 5
(Continued)

Social Service Special Revenue	Criminal Justice Center Debt Service	Criminal Justice Center Capital Projects	Other Governmental Funds	Total
\$ (1,354)	\$ 1,764,460	\$ (1,873,934)	\$ (96,032)	\$ 839,404
2,733,510	140,972	6,415,020	757,442	18,600,356
-	-	-	-	(16,465)
<u>\$ 2,732,156</u>	<u>\$ 1,905,432</u>	<u>\$ 4,541,086</u>	<u>\$ 661,410</u>	<u>\$ 19,423,295</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 839,404

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

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

Deferred revenue - December 31	\$ 451,552	
Deferred revenue - January 1	(1,306,967)	
Prior period adjustment - see Note 1.E.	976,153	120,738

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

Expenditures for general capital assets and infrastructure	\$ 12,978,599	
Net book value of assets sold	(7,370)	
Current year depreciation	(2,295,543)	10,675,686

In the statement of net assets, an asset is reported for the equity interest in joint ventures. The change in net assets differs from the change in fund balance by the increases or decreases in the investment in joint venture. 125,065

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net assets.

Proceeds of new debt		
General obligation bonds issued	\$ (2,255,000)	
Certificates of participation issued	(7,745,000)	
Discount on bonds issued	137,018	
Bond issuance costs	99,336	(9,763,646)
Principal repayments		
Capital lease	\$ 36,150	
Promissory note	7,519	43,669

**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, 2008**

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	\$ (307,254)	
Change in compensated absences	(47,366)	
Change in Net OPEB obligation	(91,372)	
Change in inventories	<u>(16,465)</u>	<u>(462,457)</u>
Change in Net Assets of Governmental Activities (Exhibit 2)		<u><u>\$ 1,578,459</u></u>

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FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2008**

Assets

Cash and pooled investments	\$ 963,022
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Liabilities

Accounts payable	\$ 11,935
Due to other governments	<u>951,087</u>

Total Liabilities	\$ 963,022
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**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

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, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

Additionally, Wabasha County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, 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 2008 were \$429,075.

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.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

E. Prior Period Adjustment

In 2007, the Minnesota Department of Transportation allotted \$973,153 in state park dollars to Wabasha County. The County did not receive any of these funds until 2009. In the 2007 financial statements, the County treated the allotment as a receivable, which was deferred revenue in the Road and Bridge Special Revenue Fund and grant revenue in the government-wide financial statements.

In 2008, it was determined that the County would spend only \$576,137 of these funds and the remainder will remain to the County's credit at the state in the County state park account. These funds should be accounted for on the expenditure-reimbursement basis, rather than as revenue when allotted.

Net assets in the January 1, 2008, government-wide financial statements were restated to eliminate the revenue reported in error in 2007. This restatement affects the Road and Bridge Special Revenue Fund by reducing amounts due from other governments offset by deferred revenue.

Net Assets - January 1, as previously reported	\$ 75,567,502
Adjustment for allocation of state park funds	<u>(976,153)</u>
Net Assets - January 1, as restated	<u>\$ 74,591,349</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. 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	\$ 20,975,621
Petty cash and change funds	3,250
Reads Landing component unit	
Cash and pooled investments	7,020
Restricted cash and pooled investments	3,790
Fiduciary funds	
Cash - agency funds	<u>963,022</u>
 Total Cash	 <u>\$ 21,952,703</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires all County deposits be protected by 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, 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2008, the County's deposits were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (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;

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County policy states the Chief Financial Officer or appointed person shall, after careful study of potential additional costs to the County, attempt to structure all investments and deposits so that the custodial risk is in category #1 according to GASB Statement 3.

Concentration of Credit Risk

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

The following table presents the County's deposits and investment balances at December 31, 2008, and information relating to potential investment risk.

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Rate Risk Maturity Date	
Wells Fargo Advantage Government Money Market Fund	AAA	S&P Moody	10%	NA	\$ 630,658
Bayern LB General Obligation Jail Bond Series 2008A Jail Construction Fund			5%		333,760
Bayern LB Certificate of Participation Series 2008B Jail Construction Fund			85%		5,294,000
Deposits					15,691,035
Petty cash and change funds					3,250
Total Cash and Investments					<u>\$ 21,952,703</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 583,402
Less: allowance for uncollectible accounts	<u>(450,341)</u>
Net Accounts Receivable	<u>\$ 133,061</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 937,353	\$ 2,000	\$ -	\$ 939,353
Land highway right-of-way	3,615,662	88,254	3,640	3,700,276
Construction in process	<u>2,563,744</u>	<u>11,432,688</u>	<u>-</u>	<u>13,996,432</u>
Total capital assets not depreciated	<u>\$ 7,116,759</u>	<u>\$ 11,522,942</u>	<u>\$ 3,640</u>	<u>\$ 18,636,061</u>
Capital assets depreciated				
Buildings	\$ 2,322,650	\$ -	\$ -	\$ 2,322,650
Improvements other than buildings	97,503	-	-	97,503
Machinery, furniture, and equipment	4,771,844	291,351	102,179	4,961,016
Infrastructure - trails	525,178	-	-	525,178
Infrastructure - highways	<u>99,080,422</u>	<u>1,164,306</u>	<u>110,500</u>	<u>100,134,228</u>
Total capital assets depreciated	<u>\$ 106,797,597</u>	<u>\$ 1,455,657</u>	<u>\$ 212,679</u>	<u>\$ 108,040,575</u>
Less: accumulated depreciation for				
Buildings	\$ 730,052	\$ 52,682	\$ -	\$ 782,734
Improvements other than buildings	64,325	1,113	-	65,438
Machinery, furniture, and equipment	3,318,768	366,902	98,449	3,587,221
Infrastructure - trails	183,812	26,259	-	210,071
Infrastructure - highways	<u>43,165,682</u>	<u>1,848,587</u>	<u>110,500</u>	<u>44,903,769</u>
Total accumulated depreciation	<u>\$ 47,462,639</u>	<u>\$ 2,295,543</u>	<u>\$ 208,949</u>	<u>\$ 49,549,233</u>
Total capital assets depreciated - net	<u>\$ 59,334,958</u>	<u>\$ (839,886)</u>	<u>\$ 3,730</u>	<u>\$ 58,491,342</u>
Governmental Activities Capital Assets - Net	<u>\$ 66,451,717</u>	<u>\$ 10,683,056</u>	<u>\$ 7,370</u>	<u>\$ 77,127,403</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 52,653
Public safety	100,645
Highways and streets, including depreciation of infrastructure assets	2,076,657
Human services	32,910
Health	6,419
Culture and recreation	<u>26,259</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 2,295,543</u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer to Public Health Fund from Social Service Special Revenue Fund	\$ 3,237	Transfer of SCHA funds
Transfer to Criminal Justice Center Debt Service Fund from Criminal Justice Center Capital Projects Fund	599,673	For debt service reserve
Transfer to Criminal Justice Center Debt Service Fund from Criminal Justice Center Capital Projects Fund	<u>7,342</u>	Unused discount
 Total Interfund Transfers	 <u>\$ 610,252</u>	

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. 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, 2008.

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
IBM AS-400	2009	Monthly	\$ 1,078	\$ 57,390	<u>\$ 2,157</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2009	\$ 2,157
Less: amount representing interest	<u>(13)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,144</u>

The IBM lease is paid from the General Fund.

2. Bonded Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Principal Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2008</u>
General Obligation Bonds					
2007A G.O. Jail Bonds	2028	\$200,000 - \$725,000	4.00 - 4.10	\$ 10,000,000	\$ 10,000,000
Less: unamortized discount				-	(1,707)
2008A G.O. Jail Bonds	2028	\$80,000 - \$190,000	3.00 - 4.10	2,255,000	2,255,000
Less: unamortized discount				-	(20,845)
General Obligation Bonds, Net				<u>\$ 12,255,000</u>	<u>\$ 12,232,448</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

2. Bonded Debt (Continued)

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
2008B Certificates of Participation	2028	\$280,000 - \$545,000	4.00 - 4.75	<u>\$ 7,745,000</u>	\$ 7,745,000
Less: unamortized discount					<u>(116,173)</u>
Certificates of Participation, Net					<u>\$ 7,628,827</u>

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Jail Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2009	\$ 390,000	\$ 488,368	\$ 360,000	\$ 382,551
2010	430,000	459,358	280,000	314,072
2011	460,000	442,300	290,000	302,673
2012	460,000	424,665	300,000	290,872
2013	485,000	406,530	305,000	278,773
2014 - 2018	2,665,000	1,733,074	1,680,000	1,200,980
2019 - 2023	3,290,000	1,158,601	2,035,000	814,738
2024 - 2028	<u>4,075,000</u>	<u>427,856</u>	<u>2,495,000</u>	<u>305,176</u>
Total	<u>\$ 12,255,000</u>	<u>\$ 5,540,752</u>	<u>\$ 7,745,000</u>	<u>\$ 3,889,835</u>

3. Long-Term Debt

The Regional Railroad (blended component unit) Special Revenue Fund has entered into a note payable with a local bank to finance cash flows.

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
Promissory note	2009	\$3,117 - \$7,519	5.00	\$ 35,000	<u>\$ 3,908</u>

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	Promissory Note	
	Principal	Interest
2009	<u>\$ 3,908</u>	<u>\$ 97</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General Obligation Jail Bonds	\$ 10,000,000	\$ 2,255,000	\$ -	\$ 12,255,000	\$ 390,000
Certificates of Participation	-	7,745,000	-	7,745,000	360,000
Less: deferred amounts for issuance discounts	(1,707)	(137,018)	-	(138,725)	-
Total bonds payable	\$ 9,998,293	\$ 9,862,982	\$ -	\$ 19,861,275	\$ 750,000
Capital leases	38,294	-	36,150	2,144	2,144
Promissory note	11,427	-	7,519	3,908	3,908
Net OPEB obligation	-	91,372	-	91,372	-
Compensated absences	1,037,814	111,767	64,401	1,085,180	65,111
Governmental Activities Long-Term Liabilities	<u>\$ 11,085,828</u>	<u>\$ 10,066,121</u>	<u>\$ 108,070</u>	<u>\$ 21,043,879</u>	<u>\$ 821,163</u>

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 379,619	\$ 336,832	\$ 306,694
Public Employees Police and Fire Fund	113,475	104,366	84,655
Public Employees Correctional Fund	47,799	45,799	43,097

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

B. Defined Contribution Plan

Three elected employees, one appointed employee, and three Board members of Wabasha County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. 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. Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 14,293	\$ 14,293
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

The County provides health insurance benefits for certain retired employees under a single-employer self-insured healthcare plan, financed and administered by the Southeast Service Cooperative and Wabasha County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the Southeast Service Cooperative, is the Claims Administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 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, 2008, three retirees were receiving health benefits from the County's health plan.

Annual OPEB Cost and Net OPEB Obligations

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, if paid on an ongoing basis, projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2008, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$ 109,669
Interest on net OPEB obligations	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost	\$ 109,669
Contribution during the year	(18,297)
	<hr/>
Increase in net OPEB obligation	\$ 91,372
Net OPEB, Beginning of Year	-
	<hr/>
Net OPEB, End of Year	<u>\$ 91,372</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2008, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 109,669	\$ 18,297	16.68%	\$ 91,372

Funding Status

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%

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the January 1, 2007, actuarial valuation, the Projected Unit Credit Actuarial Method was used. The actuarial assumptions included a 4.5 percent discount rate (net of expenses), including an inflation assumption of 2.5 percent and an annual healthcare cost rate of 9.0 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after ten years. The initial unfunded actuarial liability is being amortized as a level dollar amount over an open 30-year period beginning in 2008.

4. 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 Insurance 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. Effective January 1, 2008, the County discontinued the self-insured dental plan for employee dental coverage and now provides a defined benefit dental plan. 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**

4. 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 \$410,000 in 2008 and \$430,000 in 2009. 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.

5. Subsequent Events

In February 2009, the County issued General Obligation Jail Bonds, Series 2009A, of \$1,915,000 to be used for the jail construction project.

6. Summary of Significant Contingencies and Other Items

A. Construction Commitments

The government has active construction projects as of December 31, 2008. The projects include the following (amounts in thousands):

	<u>Total Contract</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Funding</u>
Governmental Activities				
Jail construction - Phase 1	\$ 579	\$ 539	\$ 40	Bonds repaid with tax levy
Jail construction - Phase 2	3,657	3,649	8	Bonds repaid with tax levy
Jail construction - Phase 3	13,085	7,206	5,879	Bonds repaid with tax levy

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

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 which 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.

Control of the Collaborative is vested in a Board of Directors. Wabasha County Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2008, Wabasha County did not provide any funding. 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.

Currently, the Collaborative does not prepare complete financial statements. Financial information can be obtained by contacting Sarah Farkas, Coordinator, Wabasha County Family Services Collaborative.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

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

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2008, was \$468,212. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Human Services.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

D. Jointly-Governed Organizations

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

Southeastern Minnesota Multi-County Housing Redevelopment Authority

The Southeastern Minnesota Multi-County Housing Redevelopment Authority (HRA) provides housing and redevelopment services for several counties. During 2008, Wabasha County paid \$271,370 to the HRA.

Minnesota Computer Cooperative

The Minnesota Computer Cooperative provides computer programming service to several counties. During 2008, the County paid \$81,916 for dues, membership, and services.

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs to members. During 2008, the County paid \$978 to the Cooperative.

Southeast Minnesota Water Quality Board

The Southeast Minnesota Water Quality Board provides regional water quality services to member counties. During 2008, Wabasha County made no payments to the Board.

Southeast Minnesota Emergency Management Services

The Southeast Minnesota Emergency Management Services (EMS) provides various health services to member counties. During 2008, Wabasha County made no payments to the EMS.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeast Minnesota Regional Radio Board

The Southeast Minnesota Regional Radio Board provides for the regional administration of enhancements to the Statewide Public Safety Radio and Communications System (ARMER). During 2008, Wabasha County paid \$500 to the Board.

Southeast Minnesota Narcotics and Gang Task Force

The Southeast Minnesota Narcotics and Gang Task Force provides specialized law enforcement services to several counties. During 2008, Wabasha County paid \$6,000 to the Task Force.

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. During 2008, Wabasha County paid \$140,000 to the Library.

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During 2008, Wabasha County paid \$3,903 to the Project.

Three Rivers Community Action

The Three Rivers Community Action provides various programs to several counties. During 2008, Wabasha County made no payments to Three Rivers.

Workforce Development, Inc.

Workforce Development, Inc., provides various job training services to several counties. During 2008, the County paid \$118,340 to this organization.

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

E. Related Organization

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2008, the County paid \$3,955 to the Bear Valley Watershed.

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Cash and Pooled Investments

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

Receivables

No allowance has been made for uncollectible accounts.

Restricted Assets

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

Capital Assets

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

Deferred Revenue

Deferred revenue is made up of prepaid sewer usage fees.

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

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

Capital Assets

Component unit capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	(179,416)	(34,174)	-	(213,590)
Total Capital Assets, Net	<u>\$ 1,187,562</u>	<u>\$ (34,174)</u>	<u>\$ -</u>	<u>\$ 1,153,388</u>

Depreciation expense of \$34,174 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, 2008
General obligation bonds	2043	\$972 - \$5,166	4.375	\$ 101,000	<u>\$ 95,694</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2009	\$ 1,204	\$ 4,187
2010	1,257	4,134
2011	1,312	4,079
2012	1,370	4,021
2013	1,430	3,962
2014 - 2018	8,142	18,813
2019 - 2023	10,087	16,870
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>\$ 95,694</u>	<u>\$ 92,994</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	<u>\$ 96,848</u>	<u>\$ -</u>	<u>\$ 1,154</u>	<u>\$ 95,694</u>	<u>\$ 1,204</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,788,484	\$ 5,788,484	\$ 5,877,109	\$ 88,625
Licenses and permits	197,540	197,540	201,659	4,119
Intergovernmental	2,196,011	2,196,011	2,350,220	154,209
Charges for services	619,805	619,805	594,454	(25,351)
Fines and forfeits	7,500	7,500	31,986	24,486
Gifts and contributions	7,000	7,000	14,701	7,701
Investment earnings	400,000	400,000	429,075	29,075
Miscellaneous	165,325	165,325	217,866	52,541
Total Revenues	\$ 9,381,665	\$ 9,381,665	\$ 9,717,070	\$ 335,405
Expenditures				
Current				
General government				
Commissioners	\$ 213,322	\$ 213,322	\$ 174,540	\$ 38,782
Courts	29,500	29,500	37,742	(8,242)
Other courts	100,000	100,000	72,285	27,715
County administrator	378,232	378,232	347,162	31,070
County auditor/treasurer	268,416	268,416	258,520	9,896
County assessor	363,230	363,230	372,199	(8,969)
Elections	52,363	52,363	50,409	1,954
Data processing	253,451	253,451	244,405	9,046
Attorney	429,865	429,865	406,042	23,823
Law library	34,100	34,100	21,523	12,577
Recorder	319,488	319,488	371,163	(51,675)
Surveyor	30,000	30,000	30,000	-
Planning and zoning	277,040	277,040	269,422	7,618
Geographic information systems (GIS)	69,161	69,161	69,818	(657)
Buildings and plant	268,890	268,890	228,937	39,953
Veterans service officer	126,270	126,270	171,898	(45,628)
Other general government	373,693	373,693	256,517	117,176
Total general government	\$ 3,587,021	\$ 3,587,021	\$ 3,382,582	\$ 204,439
Public safety				
Sheriff	\$ 1,950,180	\$ 1,950,180	\$ 1,898,104	\$ 52,076
Boat and water safety	43,807	43,807	41,360	2,447
Emergency services	58,154	58,154	122,847	(64,693)
Coroner	22,295	22,295	38,813	(16,518)
E-911 system	435,750	435,750	259,728	176,022
County jail	1,469,507	1,469,507	1,280,922	188,585
Community corrections	576,223	576,223	551,657	24,566
Total public safety	\$ 4,555,916	\$ 4,555,916	\$ 4,193,431	\$ 362,485

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Highways and streets				
Equipment maintenance and shops	\$ -	\$ -	\$ 32,022	\$ (32,022)
Sanitation				
Hazardous waste	\$ 34,448	\$ 34,448	\$ 31,931	\$ 2,517
SCORE	100,711	100,711	115,258	(14,547)
Environmental services	120,260	120,260	118,568	1,692
Total sanitation	\$ 255,419	\$ 255,419	\$ 265,757	\$ (10,338)
Health				
Health Center	\$ -	\$ -	\$ 1,915	\$ (1,915)
Culture and recreation				
Historical society	\$ 5,811	\$ 5,811	\$ 5,800	\$ 11
Snowmobile	85,600	85,600	121,264	(35,664)
Senior citizens	1,200	1,200	1,200	-
County/regional library	134,000	134,000	140,000	(6,000)
Total culture and recreation	\$ 226,611	\$ 226,611	\$ 268,264	\$ (41,653)
Conservation of natural resources				
County extension	\$ 118,201	\$ 118,201	\$ 127,618	\$ (9,417)
Soil and water conservation	134,331	134,331	139,523	(5,192)
Agricultural inspections	1,100	1,100	75	1,025
Agricultural society/County fair	23,512	23,512	23,661	(149)
Predator control	8,000	8,000	5,193	2,807
Water planning	24,023	24,023	24,058	(35)
Wetland challenge	13,806	13,806	13,806	-
Environmental services	12,171	12,171	27,165	(14,994)
Other	17,936	17,936	17,817	119
Total conservation of natural resources	\$ 353,080	\$ 353,080	\$ 378,916	\$ (25,836)
Economic development				
Housing development	\$ 138,461	\$ 138,461	\$ 349,910	\$ (211,449)
Tourism	2,908	2,908	2,908	-
Total economic development	\$ 141,369	\$ 141,369	\$ 352,818	\$ (211,449)

**WABASHA COUNTY
WABASHA, MINNESOTA**

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	\$ 12,509	\$ 12,509	\$ 12,510	\$ (1)
Interest	427	427	426	1
Total debt service	\$ 12,936	\$ 12,936	\$ 12,936	\$ -
Total Expenditures	\$ 9,132,352	\$ 9,132,352	\$ 8,888,641	\$ 243,711
Excess of Revenues Over (Under)				
Expenditures	\$ 249,313	\$ 249,313	\$ 828,429	\$ 579,116
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	7,268	7,268
Net Change in Fund Balance	\$ 249,313	\$ 249,313	\$ 835,697	\$ 586,384
Fund Balance - January 1	7,431,695	7,431,695	7,431,695	-
Fund Balance - December 31	\$ 7,681,008	\$ 7,681,008	\$ 8,267,392	\$ 586,384

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,203,928	\$ 1,203,928	\$ 1,184,158	\$ (19,770)
Intergovernmental	4,000,109	4,000,109	4,155,978	155,869
Charges for services	42,150	42,150	26,232	(15,918)
Miscellaneous	12,250	12,250	33,994	21,744
Total Revenues	\$ 5,258,437	\$ 5,258,437	\$ 5,400,362	\$ 141,925
Expenditures				
Current				
Highways and streets				
Administration	\$ 359,395	\$ 359,395	\$ 342,932	\$ 16,463
Engineering	436,259	436,259	581,373	(145,114)
Maintenance	1,529,817	1,529,817	1,551,435	(21,618)
Construction	2,337,400	2,337,400	2,151,832	185,568
Equipment maintenance and shop	529,605	529,605	542,987	(13,382)
Total highways and streets	\$ 5,192,476	\$ 5,192,476	\$ 5,170,559	\$ 21,917
Debt service				
Principal	\$ 23,640	\$ 23,640	\$ 23,640	\$ -
Interest	1,321	1,321	1,300	21
Total debt service	\$ 24,961	\$ 24,961	\$ 24,940	\$ 21
Total Expenditures	\$ 5,217,437	\$ 5,217,437	\$ 5,195,499	\$ 21,938
Excess of Revenues Over (Under)				
Expenditures	\$ 41,000	\$ 41,000	\$ 204,863	\$ 163,863
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	5,704	5,704
Net Change in Fund Balance	\$ 41,000	\$ 41,000	\$ 210,567	\$ 169,567
Fund Balance - January 1	1,121,717	1,121,717	1,121,717	-
Increase (decrease) in reserved for inventories	-	-	(16,465)	(16,465)
Fund Balance - December 31	\$ 1,162,717	\$ 1,162,717	\$ 1,315,819	\$ 153,102

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,577,214	\$ 1,577,214	\$ 1,552,735	\$ (24,479)
Licenses and permits	11,000	11,000	13,450	2,450
Intergovernmental	2,421,803	2,421,803	2,605,014	183,211
Charges for services	27,750	27,750	26,812	(938)
Miscellaneous	189,250	189,250	257,197	67,947
Total Revenues	\$ 4,227,017	\$ 4,227,017	\$ 4,455,208	\$ 228,191
Expenditures				
Current				
Human services				
Income maintenance	\$ 938,429	\$ 938,429	\$ 1,016,446	\$ (78,017)
Social services	3,247,588	3,247,588	3,436,879	(189,291)
Total Expenditures	\$ 4,186,017	\$ 4,186,017	\$ 4,453,325	\$ (267,308)
Excess of Revenues Over (Under)				
Expenditures	\$ 41,000	\$ 41,000	\$ 1,883	\$ (39,117)
Other Financing Sources (Uses)				
Transfers out	-	-	(3,237)	(3,237)
Net Change in Fund Balance	\$ 41,000	\$ 41,000	\$ (1,354)	\$ (42,354)
Fund Balance - January 1	2,733,510	2,733,510	2,733,510	-
Fund Balance - December 31	\$ 2,774,510	\$ 2,774,510	\$ 2,732,156	\$ (42,354)

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 4

**SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2008**

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%

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the capital projects fund and the debt service fund, which are not budgeted. All annual appropriations lapse at fiscal year-end.

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

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

The Social Service Special Revenue Fund expenditures of \$4,453,325 exceeded the final budget of \$4,186,017 by \$267,308.

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

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SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	Special Revenue Funds		
	Regional Railroad	Public Health	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 51,050	\$ 536,217	\$ 587,267
Taxes receivable			
Prior	-	6,715	6,715
Accounts receivable	-	52,239	52,239
Due from other governments	-	86,351	86,351
Total Assets	\$ 51,050	\$ 681,522	\$ 732,572
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ -	\$ 7,666	\$ 7,666
Salaries payable	-	34,774	34,774
Due to other governments	-	892	892
Deferred revenue - unavailable	-	27,830	27,830
Total Liabilities	\$ -	\$ 71,162	\$ 71,162
Fund Balances			
Reserved for health	\$ -	\$ 28,878	\$ 28,878
Unreserved			
Designated for cash flows	-	174,000	174,000
Designated for compensated absences	-	119,442	119,442
Undesignated	51,050	288,040	339,090
Total Fund Balances	\$ 51,050	\$ 610,360	\$ 661,410
Total Liabilities and Fund Balances	\$ 51,050	\$ 681,522	\$ 732,572

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Special Revenue Funds		
	Regional Railroad	Public Health	Total (Exhibit 5)
Revenues			
Taxes	\$ -	\$ 287,504	\$ 287,504
Licenses and permits	-	270	270
Intergovernmental	-	714,444	714,444
Charges for services	-	399,117	399,117
Gifts and contributions	7,720	2,662	10,382
Miscellaneous	1,352	4,910	6,262
Total Revenues	\$ 9,072	\$ 1,408,907	\$ 1,417,979
Expenditures			
Current			
Health	\$ -	\$ 1,507,528	\$ 1,507,528
Culture and recreation	1,722	-	1,722
Debt service			
Principal	7,519	-	7,519
Interest	479	-	479
Total Expenditures	\$ 9,720	\$ 1,507,528	\$ 1,517,248
Excess of Revenues Over (Under) Expenditures	\$ (648)	\$ (98,621)	\$ (99,269)
Other Financing Sources (Uses)			
Transfers in	-	3,237	3,237
Net Change in Fund Balance	\$ (648)	\$ (95,384)	\$ (96,032)
Fund Balance - January 1	51,698	705,744	757,442
Fund Balance - December 31	\$ 51,050	\$ 610,360	\$ 661,410

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
REGIONAL RAILROAD SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Gifts and contributions	\$ 7,956	\$ 7,956	\$ 7,720	\$ (236)
Miscellaneous	1,400	1,400	1,352	(48)
Total Revenues	\$ 9,356	\$ 9,356	\$ 9,072	\$ (284)
Expenditures				
Current				
Culture and recreation				
Trails	\$ 1,358	\$ 1,358	\$ 1,722	\$ (364)
Debt service				
Principal	7,519	7,519	7,519	-
Interest	479	479	479	-
Total Expenditures	\$ 9,356	\$ 9,356	\$ 9,720	\$ (364)
Net Change in Fund Balance	\$ -	\$ -	\$ (648)	\$ (648)
Fund Balance - January 1	51,698	51,698	51,698	-
Fund Balance - December 31	\$ 51,698	\$ 51,698	\$ 51,050	\$ (648)

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 292,279	\$ 292,279	\$ 287,504	\$ (4,775)
Licenses and permits	300	300	270	(30)
Intergovernmental	309,236	309,236	714,444	405,208
Charges for services	842,564	842,564	399,117	(443,447)
Gifts and contributions	-	-	2,662	2,662
Miscellaneous	85,100	85,100	4,910	(80,190)
Total Revenues	\$ 1,529,479	\$ 1,529,479	\$ 1,408,907	\$ (120,572)
Expenditures				
Current health				
Nursing service	\$ 829,171	\$ 829,171	\$ 792,108	\$ 37,063
Family health	163,350	163,350	184,361	(21,011)
Disease prevention	46,738	46,738	53,786	(7,048)
Health education	46,320	46,320	47,169	(849)
Community health services	409,900	409,900	430,104	(20,204)
Total Expenditures	\$ 1,495,479	\$ 1,495,479	\$ 1,507,528	\$ (12,049)
Excess of Revenues Over (Under) Expenditures	\$ 34,000	\$ 34,000	\$ (98,621)	\$ (132,621)
Other Financing Sources (Uses)				
Transfers in	-	-	3,237	3,237
Net Change in Fund Balance	\$ 34,000	\$ 34,000	\$ (95,384)	\$ (129,384)
Fund Balance - January 1	705,744	705,744	705,744	-
Fund Balance - December 31	\$ 739,744	\$ 739,744	\$ 610,360	\$ (129,384)

FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>REVOLVING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 50,260	\$ 691,886	\$ 689,687	\$ 52,459
<u>Liabilities</u>				
Due to other governments	\$ 50,260	\$ 691,886	\$ 689,687	\$ 52,459
 <u>FAMILY SERVICE COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 607,940	\$ 131,886	\$ 275,936	\$ 463,890
<u>Liabilities</u>				
Due to other governments	\$ 607,940	\$ 131,886	\$ 275,936	\$ 463,890
 <u>PRE-TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 129,990	\$ 1,630,791	\$ 1,610,760	\$ 150,021
<u>Liabilities</u>				
Due to other governments	\$ 129,990	\$ 1,630,791	\$ 1,610,760	\$ 150,021

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 246,468	\$ 23,413,925	\$ 23,363,741	\$ 296,652
<u>Liabilities</u>				
Accounts payable	\$ 25,738	\$ 63,750	\$ 77,553	\$ 11,935
Due to other funds	-	10,390,916	10,390,916	-
Due to other governments	220,730	12,959,259	12,895,272	284,717
Total Liabilities	\$ 246,468	\$ 23,413,925	\$ 23,363,741	\$ 296,652
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,034,658	\$ 25,868,488	\$ 25,940,124	\$ 963,022
<u>Liabilities</u>				
Accounts payable	\$ 25,738	\$ 63,750	\$ 77,553	\$ 11,935
Due to other funds	-	10,390,916	10,390,916	-
Due to other governments	1,008,920	15,413,822	15,471,655	951,087
Total Liabilities	\$ 1,034,658	\$ 25,868,488	\$ 25,940,124	\$ 963,022

COMPONENT UNIT

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 7

**STATEMENT OF NET ASSETS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
DECEMBER 31, 2008**

Assets

Current assets

Cash and pooled investments	\$ 7,020
Special assessments receivable	
Current	3,997
Accounts receivable	<u>5,481</u>

Total current assets	\$ 16,498
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Restricted assets

Cash and pooled investments	3,790
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Noncurrent assets

Capital assets	
Depreciable - net	<u>1,153,388</u>

Total Assets	\$ 1,173,676
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Liabilities

Current liabilities

Accounts payable	\$ 151
Due to other governments	3,464
Deferred revenue - unearned	30
Revenue bonds payable - current	<u>1,204</u>

Total current liabilities	\$ 4,849
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Noncurrent liabilities

Revenue bonds payable - long-term	<u>94,490</u>
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Total Liabilities	\$ 99,339
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Net Assets

Invested in capital assets - net of related debt	\$ 1,057,694
Restricted for	
Equipment replacement	12,853
Debt service	<u>3,790</u>
Total Net Assets	\$ 1,074,337

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2008**

Operating Revenues	
Charges for services	\$ 49,142
Special assessments	2,741
	<hr/>
Total Operating Revenues	\$ 51,883
	<hr/>
Operating Expenses	
Professional services	\$ 268
Contracted services	44,898
Machinery and equipment, repair, and maintenance	1,875
Other services and charges	60
Telephone	525
Utilities	1,282
Insurance	1,694
Depreciation	34,174
	<hr/>
Total Expenditures	\$ 84,776
	<hr/>
Operating Income (Loss)	\$ (32,893)
	<hr/>
Nonoperating Revenues (Expenses)	
Interest income	\$ 70
Interest expense	(4,237)
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Total Nonoperating Revenues (Expenses)	\$ (4,167)
	<hr/>
Change in Net Assets	\$ (37,060)
	<hr/>
Net Assets - January 1	1,111,397
	<hr/>
Net Assets - December 31	\$ 1,074,337
	<hr/> <hr/>

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 9

**STATEMENT OF CASH FLOWS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 52,823
Payments to suppliers	<u>(50,582)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,241</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (1,154)
Interest paid on long-term debt	<u>(4,237)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (5,391)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 70</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (3,080)
Cash and Cash Equivalents at January 1	<u>13,890</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 10,810</u></u>
Cash and Cash Equivalents - Schedule 6	
Cash and pooled investments	\$ 7,020
Restricted cash and pooled investments	<u>3,790</u>
Total Cash and Cash Equivalents	<u><u>\$ 10,810</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (32,893)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 34,174
(Increase) decrease in special assessments receivable	1,111
Increase (decrease) in accounts receivable	23
(Increase) decrease in accounts payable	3
(Increase) decrease in unearned revenue	<u>(177)</u>
Total adjustments	<u>\$ 35,134</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 2,241</u></u>

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OTHER SCHEDULE

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 10

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Highway users tax	\$ 3,768,983
PERA rate reimbursement	22,637
Disparity reduction aid	20,031
Police aid	104,366
County program aid	792,385
Market value credit	987,995
Enhanced 911	98,331
Sales tax rebate	113,803
Disaster credit	1,968
	<hr/>

Total Shared Revenue	\$ 5,910,499
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Reimbursement for Services

Minnesota Department of Human Services	\$ 344,214
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Payments in Lieu of Taxes	\$ 190,784
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Grants

State

Minnesota Department of	
Corrections	\$ 199,057
Public Safety	77,848
Health	85,816
Natural Resources	127,419
Human Services	1,397,547
Veterans Services	2,946
Water and Soil Resources Board	105,049
Pollution Control Agency	55,142
Peace Officer Standards and Training Board	8,011
	<hr/>

Total State	\$ 2,058,835
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Federal

Department of	
Agriculture	\$ 151,780
Housing and Urban Development	76,326
Justice	76,049
Transportation	139,278
Health and Human Services	1,007,519
Homeland Security	74,885
Environmental Protection Agency	42,950
	<hr/>

Total Federal	\$ 1,568,787
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Total State and Federal Grants	\$ 3,627,622
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Total Intergovernmental Revenue	\$ 10,073,119
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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 11

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Wabasha County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Wabasha County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Wabasha County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Wabasha County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Child Support and Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wabasha County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

08-1 Prior Period Adjustment

A control deficiency 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 misstatements in the financial statements on a timely basis. One indication of a control deficiency that typically is considered significant is restatement of previously issued financial statements to reflect the correction of a misstatement. The January 1, 2008, net assets of Wabasha County were restated to properly account for state park funds.

We recommend Wabasha County review its procedures for preparing financial statements to ensure an accurate presentation.

Client's Response:

The County will continue to review and implement procedures to avoid future audit adjustments and ensure accurate presentation of financial information.

08-2 Audit Adjustment

A control deficiency 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 misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a material misstatement in the financial statements not initially identified by the County's internal controls. During our audit, we proposed the following adjustment that resulted in significant changes to Wabasha County's financial statements:

- a reclassification of \$1,905,432 of net assets invested in capital assets, net of related debt, to restricted net assets.

The inability to detect a material misstatement in the financial statements increases the likelihood that the financial statements would not be fairly presented.

We recommend that the County modify internal controls over financial reporting to detect misstatements in the financial statements.

Client's Response:

The County will review controls and make necessary changes in order to detect and prevent misstatements in the financial statements.

08-3 Departmental Internal Accounting Controls

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

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

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

Client's Response:

Segregation of duties within a department will be done whenever possible. When this is not feasible the department head is responsible for reviewing all financial transactions to ensure internal control over these types of transactions.

PREVIOUSLY REPORTED ITEMS RESOLVED

Private Data (06-2)

Wabasha County was using a disk to communicate private payroll information from the Paymate Payroll System to First State Bank of Wabasha. The disk was brought to First State Bank of Wabasha without first encrypting the data.

Resolution

The County is now sending payroll information to the bank via secure email.

Adding New Vendors to the Integrated Financial System (07-1)

The employee who performs disbursement procedures had the ability to enter new vendors into the Integrated Financial System. This employee enters disbursements, prints warrants, and mails warrants. New vendors added to the Integrated Financial System were not reviewed by an individual independent from the disbursement process.

Resolution

New vendors are now being reviewed by the Finance Director who is independent from the disbursement process.

Disbursement Internal Control (07-2)

While reviewing internal controls over the disbursement system, we noted control deficiencies relating to timeliness of payments, invoices not containing authorized signer's approval, and voided warrants not indicating the reason for voiding.

Resolution

Review of disbursement controls noted no deficiencies related to authorized signer's approval or voided warrants not indicating the reason for voiding.

Payroll Segregation of Duties (07-3)

The Payroll Clerk, Finance Director, Finance Assistant, and two Auditor/Treasurer employees had access to make changes, such as adding new employees and changing pay rates, on the ACS Paymate System. Changes made to the ACS Paymate System were not reviewed by an individual independent of the payroll process.

Resolution

Access to the payroll system is now limited and all changes are being monitored and documented.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

08-4 Safe Driving Class

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

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

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

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

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

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

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

We recommend the County comply with Minn. Stat. ch. 169, including Minn. Stat. § 169.999 (2009) or any subsequent legislation by not offering a safety class in lieu of issuance or court filing of a state uniform traffic ticket.

Client's Response:

The Wabasha County Sheriff disagrees with the official analysis of the auditor. The sheriff has been operating the class on the basis of being a prosecution diversion program. When this issue arose several years ago, we were told that if we had support for this program with our District Judge Terrance Walters, we would be in good standing with the auditor. We supplied a letter of support from our judge for the program to the auditor at that time, Richard Urbain. We thought the issue was resolved. We are not in violation of 169.022, as we have not created any local ordinance as many jurisdictions have done. We are simply giving the offender a chance to learn from his mistake by taking our class. We feel that we are going above and beyond what an offender would get by just paying their ticket in court. With the state cuts in the court system with personnel, we also felt that we were eliminating some of the courts workload. There are currently 20 other counties involved in this same type of program.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-10 Disaster Recovery Plan

While reviewing the Data Processing Department, we noted Wabasha County has a data processing disaster recovery agreement with Goodhue County but has no disaster recovery plan to ensure continued operation if a disaster or major computer breakdown were to occur. A disaster recovery plan would give greater assurance that the County is prepared for a disaster or major computer breakdown. The County needs to provide for the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements.

A disaster recovery plan should include, but not be limited to, the following:

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

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

Client's Response:

Management of Wabasha County recognizes the need for a disaster recovery plan and will work on developing a plan to have in place in the near future.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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

Board of County Commissioners
Wabasha County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of and for the year ended December 31, 2008, and have issued our report thereon dated August 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 through 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Wabasha County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

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

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe these recommendations and information to be of benefit to Wabasha County, and they are reported for that purpose.

Wabasha County's written responses to the significant deficiencies, legal compliance finding, and management practices comment identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 25, 2009

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners
Wabasha County

Compliance

We have audited the compliance of Wabasha County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Wabasha County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Wabasha County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Wabasha County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Wabasha County's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, 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, 2008, and have issued our report thereon dated August 25, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Wabasha County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of

additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 25, 2009

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 73,457
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	78,323
Total U.S. Department of Agriculture		\$ 151,780
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program	14.228	\$ 76,326
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 1,050
Passed Through Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	74,999
Total U.S. Department of Justice		\$ 76,049
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation State and Community Highway Safety	20.600	\$ 135,778
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	3,500
Total U.S. Department of Transportation		\$ 139,278
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Health State Indoor Radon Grants	66.032	\$ 3,000
Passed Through Hiawatha Valley Resource Conservation and Development Area Nonpoint Source Implementation Grants	66.460	23,130
Passed Through Southeastern Minnesota Water Resources Board Nonpoint Source Implementation Grants	66.460	16,820
Total U.S. Environmental Protection Agency		\$ 42,950

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**

**Schedule 12
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	\$ 1,000
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	31,255
Temporary Assistance for Needy Families	93.558	23,223
Maternal and Child Health Services Block Grant	93.994	24,365
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	1,844
Temporary Assistance for Needy Families	93.558	111,258
Child Support Enforcement	93.563	258,347
Refugee and Entrant Assistance - State Administered Program	93.566	217
Child Care and Development Cluster		
Child Care and Development Block Grant	93.575	84,569
Child Care Mandatory and Matching Funds of the Childcare and Development Fund	93.596	31,187
Child Welfare Services - State Grants	93.645	8,716
Foster Care - Title IV-E	93.658	68,674
Social Services Block Grant	93.667	124,995
Chafee Foster Care Independence Program	93.674	14,069
Medical Assistance Program	93.778	237,387
State Children's Insurance Program	93.767	241
Block Grants for Community Mental Health Services	93.958	5,942
Total U.S. Department of Health and Human Services		\$ 1,027,289
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 8,434
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	47,011
Emergency Management Performance Grant	97.042	19,440
Total U.S. Department of Homeland Security		\$ 74,885
Total Federal Awards		\$ 1,588,557

**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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 accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

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

3. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,568,787
Medical Assistance Program grant received more than 60 days after year-end	<u>19,770</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,588,557</u>

4. Pass-Through Grant Numbers

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