

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

**WABASHA COUNTY**  
**WABASHA, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2011**

## **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.

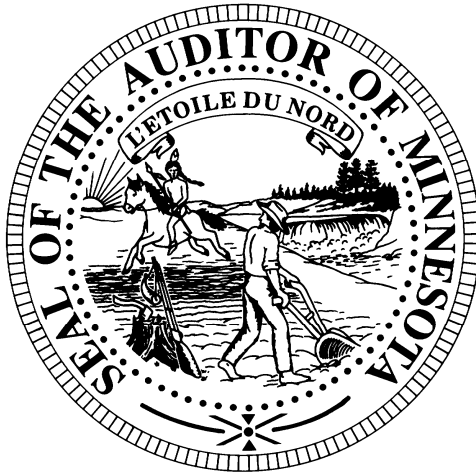
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Year Ended December 31, 2011**



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

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	1	13
Statement of Activities	2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	4	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	24
Fiduciary Funds		
Statement of Fiduciary Net Assets - Agency Funds	7	25
Notes to the Financial Statements		26
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	61
Road and Bridge Special Revenue Fund	A-2	64
Social Service Special Revenue Fund	A-3	65
Schedule of Funding Progress - Other Postemployment Benefits	A-4	66
Notes to the Required Supplementary Information		67

**WABASHA COUNTY  
WABASHA, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Financial Section (Continued)</b>		
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet	B-1	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	70
Budgetary Comparison Schedules		
Regional Railroad Special Revenue Fund	B-3	71
Public Health Special Revenue Fund	B-4	72
Criminal Justice Center Debt Service Fund	B-5	73
Fiduciary Funds		
Agency Funds		
Combining Statement of Changes in Assets and Liabilities	C-1	75
Component Unit		
Reads Landing Water and Sanitary District		
Statement of Net Assets	D-1	77
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	78
Statement of Cash Flows	D-3	79
Schedules		
Schedule of Intergovernmental Revenue	E-1	80
Schedule of Expenditures of Federal Awards	E-2	82
Notes to the Schedule of Expenditures of Federal Awards		85
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs		87
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>		
		98
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		
		101



This page was left blank intentionally.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2011

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Board Member	Richard H. Hall	District 1	January 2013
Board Member	Debra Roschen	District 2	January 2015
Board Member	Merl Norman	District 3	January 2013
Vice Chair	Michael Wobbe	District 4	January 2015
Chair	Dave Harms	District 5	January 2015
Attorney	James C. Nordstrom		January 2015
Auditor/Treasurer	Denise Anderson		January 2015
County Recorder	Jeffery Aitken		January 2015
County Sheriff	Rodney Bartsh		January 2015
<b>Appointed</b>			
Administrator	David Johnson		Indefinite <sup>1</sup>
Assessor	Loren Benz		December 2012
County Engineer	Dietrich Flesch		May 2015
Coroner	Dr. Daniel Pesch		January 2012
	Dr. Thomas Peyla		January 2012
Finance Director	Deb Koenig		Indefinite
Social Services Director	Terry Smith		Indefinite
Public Health Director	Judy Barton		Indefinite
Court Services Director	Traci Green		Indefinite
Surveyor	David Johnson		January 2013
Veterans Service Officer	Lisa Jaeger		March 2014
Planning and Zoning Officer	Floyd Riester		Indefinite

<sup>1</sup>The position of County Administrator has been eliminated as of December 31, 2011.

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### 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 as of and for the year ended December 31, 2011, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of December 31, 2011, 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.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Page 2

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2012, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 24, 2012

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

This page was left blank intentionally.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011  
(Unaudited)**

**INTRODUCTION**

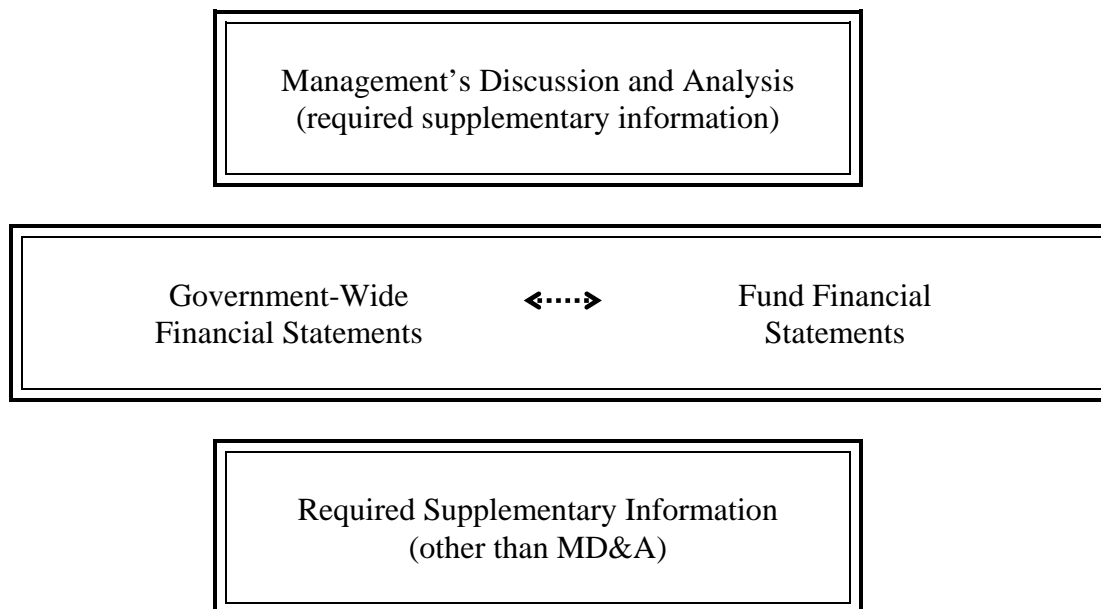
Wabasha County's Management's Discussion and Analysis (MD&A) provides the readers of Wabasha County's financial statements with a narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2011. We encourage readers to consider the information 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 2011, the assets of Wabasha County exceeded its liabilities by \$81,816,243. Of this amount, \$13,131,281 represents unrestricted net assets that may be used to meet the County's ongoing obligation to citizens and creditors. The remaining \$68,684,962 is invested in capital assets or restricted to specific purposes.
- At the end of the fiscal year, Wabasha County's governmental funds reported a combined ending fund balance of \$16,160,539.
- Wabasha County's total long-term liabilities decreased by \$736,054 during the fiscal year. The key factor in this decrease is attributed to the annual principal payment on the bonds related to the construction of the Criminal Justice Center.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

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

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

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

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

### **Fund Financial Statements**

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

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

- Governmental funds--Most of the County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net 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 decreased from \$82,295,792 to \$81,816,243. 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	
	2011	2010
Assets		
Current and other assets	\$ 21,405,623	\$ 20,387,515
Capital assets	84,228,014	85,315,355
Total Assets	<u>\$ 105,633,637</u>	<u>\$ 105,702,870</u>
Liabilities		
Long-term liabilities outstanding	\$ 21,234,950	\$ 21,971,004
Other liabilities	2,582,444	1,436,074
Total Liabilities	<u>\$ 23,817,394</u>	<u>\$ 23,407,078</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 64,642,482	\$ 64,898,083
Restricted	4,042,480	3,554,786
Unrestricted	13,131,281	13,842,923
Total Net Assets	<u>\$ 81,816,243</u>	<u>\$ 82,295,792</u>

Net assets of the County's governmental activities decreased by less than one percent (\$81,816,243 compared to \$82,295,792). 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 \$13,842,923 at December 31, 2010, to \$13,131,281 at the end of 2011.

**Table 2  
Changes in Net Assets**

	Governmental Activities	
	2011	2010
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 1,870,515	\$ 1,714,418
Operating grants and contributions	10,248,972	10,081,030
Capital grants and contributions	993,153	693,287
General revenues		
Property taxes	11,674,895	11,426,411
Other taxes	14,643	66,793
Grants and contributions	1,621,368	1,620,645
Other general revenues	767,420	647,001
Total Revenues	<u>\$ 27,190,966</u>	<u>\$ 26,249,585</u>
Program Expenses		
General government	\$ 3,941,059	\$ 3,875,570
Public safety	5,945,130	6,063,580
Highways and streets	9,808,386	6,101,994
Human services	3,852,349	4,018,147
Health	1,517,528	1,510,193
Sanitation	212,667	230,130
Culture and recreation	286,216	281,788
Conservation of natural resources	377,237	414,290
Economic development	900,367	444,586
Interest	829,576	861,768
Total Program Expenses	<u>\$ 27,670,515</u>	<u>\$ 23,802,046</u>
Increase (Decrease) in Net Assets	\$ (479,549)	\$ 2,447,539
Net Assets - January 1	<u>82,295,792</u>	<u>79,848,253</u>
Net Assets - December 31	<u>\$ 81,816,243</u>	<u>\$ 82,295,792</u>

**Governmental Activities**

Revenues for the County's governmental activities were \$27,190,966, while expenses were \$27,670,515. This resulted in a \$479,549 decrease in net assets for the year ended December 31, 2011.

The cost of all governmental activities in 2011 was \$27,670,515 compared to \$23,802,046 in 2010. 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 \$14,557,875, because some of the cost was paid by those who directly benefited from the

programs (\$1,870,515) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11,242,125). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, increased from \$12,488,735 in 2010 to \$13,112,640 in 2011, primarily caused by an increase in grants and contributions. The County paid for the remaining “public benefit” portion of governmental activities with \$14,078,326 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	
	2011	2010	2011	2010
Highways and streets	\$ 9,808,386	\$ 6,101,994	\$ 3,587,397	\$ 267,783
Public safety	5,945,130	6,063,580	4,136,538	4,388,916
General government	3,941,059	3,875,570	3,397,043	3,379,931
Human services	3,852,349	4,018,147	1,057,178	1,374,491
Health	1,517,528	1,510,193	332,432	317,504
All others	2,606,063	2,232,562	2,047,287	1,584,686
<b>Totals</b>	<b>\$ 27,670,515</b>	<b>\$ 23,802,046</b>	<b>\$ 14,557,875</b>	<b>\$ 11,313,311</b>

**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 \$81,816,243 at the end of 2011, a decrease of \$479,549.

The County’s \$64,642,482 investment in capital assets, net of related debt, is 79 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.

Five percent of Wabasha County’s net assets (\$4,042,480) are subject to restrictions on how they may be used. The remaining 16 percent (\$13,131,281) of unrestricted net assets may be used to meet Wabasha County’s ongoing obligations to citizens and creditors.

Wabasha County’s total liabilities (\$23,817,394) are 22 percent of total assets and 111 percent of current assets.

## **Financial Analysis of the Government's Funds**

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

As of the end of 2011, Wabasha County's governmental funds report combined fund balances of \$16,160,539. This is an increase of \$961,098 from the prior year. Approximately 52 percent of this amount (\$8,422,530) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned for specific purposes.

The General Fund is the chief operating fund of Wabasha County. At the end of 2011, the unassigned fund balance was \$8,965,620, while the total fund balance was \$9,575,455. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 82 percent of total General Fund expenditures, while total fund balance represents 87 percent of the same amount.

The Road and Bridge Special Revenue Fund ended the year with a negative fund balance of \$274,562. This was a decrease of \$755,340. There was an increase in the Social Service Special Revenue Fund balance of \$224,502, with a total fund balance of \$4,015,988.

### **General Fund Budgetary Highlights**

Wabasha County did not make revisions to the General Fund budget during 2011. The General Fund's actual revenues were \$1,823,294 above budget. Total expenditures exceeded the budget by \$489,388. The majority of this was caused by 2010 flood recovery activities.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Wabasha County's investment in capital assets as of December 31, 2011, amounts to \$84,228,014 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and software. (See Table 4.)

The net decrease in Wabasha County's investment in capital assets for the current year was \$1,087,341. If you need more information on Wabasha County's capital assets, please see the notes to the financial statements.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land (not depreciated)	\$ 5,247,031	\$ 5,269,031
Construction in process (not depreciated)	830,479	-
Buildings and improvements	20,241,707	20,720,655
Machinery, vehicles, furniture, and equipment	2,070,603	2,317,325
Infrastructure	55,639,319	56,753,969
Software	198,875	254,375
<b>Total</b>	<b>\$ 84,228,014</b>	<b>\$ 85,315,355</b>

Construction in process relates to an unfinished project by the County Highway Department. Decreases in buildings and land were caused by the sale of the Public Health Building and demolition of the old Jail building that was replaced by the Criminal Justice Center. Decreases in other areas are mainly attributed to depreciation.

**Debt**

At the end of 2011, the County had total debt outstanding in the amount of \$19,585,532, as shown in Table 5. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

**Table 5**  
**Outstanding Debt**

	Governmental Activities	
	2011	2010
General obligation jail bonds (net of unamortized discount)	\$ 12,743,787	\$ 13,267,539
Certificates of participation (net of unamortized discount)	6,716,252	7,000,444
Capital leases	125,493	149,289
<b>Total</b>	<b>\$ 19,585,532</b>	<b>\$ 20,417,272</b>

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 \$76,184,343 based on the 2010 taxable market value of \$2,539,478,100.

Other obligations include compensated absences and other postemployment benefits.



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

The County's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged.

- The Wabasha County Board of Commissioners uses a conservative approach to budgeting. Expenditures are reduced where possible, and new revenue sources are explored. All capital expenditures are thoroughly reviewed initially by the budget committee and again by the Board of Commissioners.
- The unemployment rate in Wabasha County decreased from 6.2 percent at the end of 2010 to 5.2 percent at the end of 2011. At the end of 2011, the Minnesota rate was 5.8 percent, and the U.S. rate was 8.3 percent.
- The 2012 County budget was adopted on December 20, 2011. The property tax levy included in the budget decreased by 7.73 percent. The budgeted expenditures increased by 5.13 percent mainly due to an increase in highway projects costs that are being offset by an increase in corresponding state aid and federal grant funding.
- Standard & Poor's Rating Services upgraded the County's general obligation bond rating to 'AA' in April 2012. This reflects their assessment of the County's continued very strong financial performance along with other economic factors that include employment opportunities, income levels, and low overall debt burden.
- The County is not expecting to see state-aid cuts for 2012, as the state is not projecting a deficit in the current biennium. However, there is a likelihood there will be local government-aid cuts in future years.

## **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.

This page was left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	<b>Primary Government Governmental Activities</b>	<b>Reads Landing Water and Sanitary District Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 17,470,388	\$ -
Petty cash and change funds	3,225	-
Investment in joint venture	719,984	-
Taxes receivable		
Prior - net	236,732	-
Special assessments receivable	-	8,348
Accounts receivable - net	126,580	6,404
Notes receivable	78,667	-
Accrued interest receivable	33,570	-
Due from other governments	2,458,891	-
Inventories	130,511	-
Restricted assets		
Cash and pooled investments	-	4,597
Deferred debt issuance costs	147,075	-
Capital assets		
Non-depreciable	6,077,510	-
Depreciable - net of accumulated depreciation	78,150,504	1,050,864
<b>Total Assets</b>	<b>\$ 105,633,637</b>	<b>\$ 1,070,213</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 407,241	\$ 172
Salaries payable	368,287	-
Contracts payable	92,219	-
Due to other governments	88,373	3,900
Advance from other governments	1,235,213	-
Accrued interest payable	328,530	-
Unearned revenue	62,581	20
Long-term liabilities		
Net OPEB obligation	382,865	-
Due within one year	933,906	1,370
Due in more than one year	19,918,179	90,551
<b>Total Liabilities</b>	<b>\$ 23,817,394</b>	<b>\$ 96,013</b>

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	<b>Primary Government Governmental Activities</b>	<b>Reads Landing Water and Sanitary District Component Unit</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 64,642,482	\$ 958,943
Restricted for		
General government	345,256	-
Public safety	58,912	-
Highways and streets	1,401,839	-
Human services	99,584	-
Health	22,297	-
Debt service	2,114,592	4,597
Equipment replacement	-	10,660
Unrestricted	13,131,281	-
<b>Total Net Assets</b>	<b>\$ 81,816,243</b>	<b>\$ 974,200</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 3,941,059	\$ 420,510
Public safety	5,945,130	506,711
Highways and streets	9,808,386	52,594
Sanitation	212,667	124,690
Human services	3,852,349	388,992
Health	1,517,528	375,007
Culture and recreation	286,216	1,982
Conservation of natural resources	377,237	29
Economic development	900,367	-
Interest	829,576	-
<b>Total Governmental Activities</b>	<b><u>\$ 27,670,515</u></b>	<b><u>\$ 1,870,515</u></b>
<b>Component unit</b>		
Reads Landing Water and Sanitary District	<b><u>\$ 87,157</u></b>	<b><u>\$ 54,648</u></b>

**General Revenues**

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

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**



**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Reads Landing Water and Sanitary District Component Unit</b>
\$ 123,506	\$ -	\$ (3,397,043)	
1,178,011	123,870	(4,136,538)	
5,299,112	869,283	(3,587,397)	
58,008	-	(29,969)	
2,406,179	-	(1,057,178)	
810,089	-	(332,432)	
184,590	-	(99,644)	
189,477	-	(187,731)	
-	-	(900,367)	
-	-	(829,576)	
<b>\$ 10,248,972</b>	<b>\$ 993,153</b>	<b>\$ (14,557,875)</b>	
<b>\$ -</b>	<b>\$ -</b>		<b>\$ (32,509)</b>
		\$ 11,674,895	\$ -
		14,455	-
		188	-
		249,575	-
		1,621,368	-
		184,579	17
		291,641	-
		41,625	-
		<b>\$ 14,078,326</b>	<b>\$ 17</b>
		<b>\$ (479,549)</b>	<b>\$ (32,492)</b>
		<b>82,295,792</b>	<b>1,006,692</b>
		<b>\$ 81,816,243</b>	<b>\$ 974,200</b>

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 9,725,826	\$ 914,868
Petty cash and change funds	3,225	-
Taxes receivable		
Prior	142,339	25,524
Accounts receivable	5,605	-
Accrued interest receivable	32,055	-
Loan receivable	78,667	-
Due from other governments	558,458	1,357,504
Inventories	-	130,511
	<b>\$ 10,546,175</b>	<b>\$ 2,428,407</b>
	<b>\$ 10,546,175</b>	<b>\$ 2,428,407</b>

**EXHIBIT 3**

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 4,030,319	\$ 2,103,210	\$ 696,165	\$ 17,470,388
-	-	-	3,225
31,542	31,532	5,795	236,732
57,042	-	63,933	126,580
-	1,515	-	33,570
-	-	-	78,667
435,503	-	107,426	2,458,891
-	-	-	130,511
<u>\$ 4,554,406</u>	<u>\$ 2,136,257</u>	<u>\$ 873,319</u>	<u>\$ 20,538,564</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 185,049	\$ 33,613
Salaries payable	213,566	49,219
Contracts payable	-	92,219
Due to other governments	19,676	7,655
Advance from other governments	-	1,235,213
Deferred revenue - unavailable	510,012	1,285,050
Deferred revenue - unearned	42,417	-
	<b>\$ 970,720</b>	<b>\$ 2,702,969</b>
<b>Fund Balances</b>		
<b>Nonspendable</b>		
Inventories	\$ -	\$ 130,511
Noncurrent loan receivable	76,000	-
<b>Restricted for</b>		
Law library	4,665	-
Recorder's unallocated fund	218,203	-
Recorder's technology fund	70,237	-
Sheriff's contingency	2,720	-
Sheriff's forfeited property	37,614	-
Attorney's forfeited property	44,622	-
Sheriff's permit to carry	18,578	-
Health	-	-
Tobacco settlement	7,529	-
Highway projects	-	138,017
Human services/health care	-	-
Debt service	-	-
<b>Assigned to</b>		
Human services	-	-
Public health	-	-
Regional Railroad Authority	-	-
Public safety	129,667	-
<b>Unassigned</b>	<b>8,965,620</b>	<b>(543,090)</b>
<b>Total Fund Balances</b>	<b>\$ 9,575,455</b>	<b>\$ (274,562)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,546,175</b>	<b>\$ 2,428,407</b>



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

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 167,882	\$ -	\$ 20,697	\$ 407,241
62,922	-	42,580	368,287
-	-	-	92,219
60,771	-	271	88,373
-	-	-	1,235,213
246,843	21,665	60,541	2,124,111
-	-	20,164	62,581
<u>\$ 538,418</u>	<u>\$ 21,665</u>	<u>\$ 144,253</u>	<u>\$ 4,378,025</u>
\$ -	\$ -	\$ -	\$ 130,511
-	-	-	76,000
-	-	-	4,665
-	-	-	218,203
-	-	-	70,237
-	-	-	2,720
-	-	-	37,614
-	-	-	44,622
-	-	-	18,578
-	-	22,297	22,297
-	-	-	7,529
-	-	-	138,017
99,584	-	-	99,584
-	2,114,592	-	2,114,592
3,916,404	-	-	3,916,404
-	-	680,598	680,598
-	-	26,171	26,171
-	-	-	129,667
-	-	-	8,422,530
<u>\$ 4,015,988</u>	<u>\$ 2,114,592</u>	<u>\$ 729,066</u>	<u>\$ 16,160,539</u>
<u>\$ 4,554,406</u>	<u>\$ 2,136,257</u>	<u>\$ 873,319</u>	<u>\$ 20,538,564</u>

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2011**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 16,160,539</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		84,228,014
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		719,984
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,124,111
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	\$ (12,765,000)	
Certificates of participation	(6,815,000)	
Bond discount	119,961	
Deferred debt issuance charges	147,075	
Capital leases	(125,493)	
Accrued interest payable	(328,530)	
Net OPEB obligation	(382,865)	
Compensated absences	(1,266,553)	
	<u>(21,416,405)</u>	<u>(21,416,405)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 81,816,243</u></b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b>Revenues</b>		
Taxes	\$ 7,214,418	\$ 1,238,241
Licenses and permits	229,700	-
Intergovernmental	3,551,942	7,308,972
Charges for services	758,914	25,530
Fines and forfeits	45,213	-
Gifts and contributions	532	-
Investment earnings	177,776	-
Miscellaneous	346,052	24,034
	<b>\$ 12,324,547</b>	<b>\$ 8,596,777</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 3,892,054	\$ -
Public safety	5,323,767	-
Highways and streets	-	9,353,933
Sanitation	211,266	-
Human services	-	-
Health	-	-
Culture and recreation	251,970	-
Conservation of natural resources	376,909	-
Economic development	900,367	-
<b>Debt service</b>		
Principal	23,796	-
Interest	10,512	-
Administrative (fiscal) charges	-	-
	<b>\$ 10,990,641</b>	<b>\$ 9,353,933</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,333,906</b>	<b>\$ (757,156)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(2,625)	-
Proceeds from sale of capital assets	85,325	6,900
	<b>\$ 82,700</b>	<b>\$ 6,900</b>
<b>Change in Fund Balance</b>	<b>\$ 1,416,606</b>	<b>\$ (750,256)</b>
<b>Fund Balance - January 1</b>	<b>8,158,849</b>	<b>480,778</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(5,084)</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,575,455</b>	<b>\$ (274,562)</b>

**EXHIBIT 5**

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,420,909	\$ 1,596,213	\$ 266,556	\$ 11,736,337
9,210	-	90	239,000
2,451,348	136,104	846,192	14,294,558
180,156	-	365,312	1,329,912
-	-	-	45,213
4,019	-	1,854	6,405
-	6,803	-	184,579
163,126	-	1,999	535,211
<b>\$ 4,228,768</b>	<b>\$ 1,739,120</b>	<b>\$ 1,482,003</b>	<b>\$ 28,371,215</b>
\$ -	\$ -	\$ -	\$ 3,892,054
-	-	-	5,323,767
-	-	-	9,353,933
-	-	-	211,266
4,004,266	-	-	4,004,266
-	-	1,509,395	1,509,395
-	-	7,987	259,957
-	-	-	376,909
-	-	-	900,367
-	815,000	-	838,796
-	810,736	-	821,248
-	5,300	-	5,300
<b>\$ 4,004,266</b>	<b>\$ 1,631,036</b>	<b>\$ 1,517,382</b>	<b>\$ 27,497,258</b>
<b>\$ 224,502</b>	<b>\$ 108,084</b>	<b>\$ (35,379)</b>	<b>\$ 873,957</b>
\$ -	\$ -	\$ 6,418	\$ 6,418
-	-	(3,793)	(6,418)
-	-	-	92,225
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,625</b>	<b>\$ 92,225</b>
<b>\$ 224,502</b>	<b>\$ 108,084</b>	<b>\$ (32,754)</b>	<b>\$ 966,182</b>
<b>3,791,486</b>	<b>2,006,508</b>	<b>761,820</b>	<b>15,199,441</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,084)</b>
<b>\$ 4,015,988</b>	<b>\$ 2,114,592</b>	<b>\$ 729,066</b>	<b>\$ 16,160,539</b>

**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, 2011**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 966,182**

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	\$ 2,124,111	
Deferred revenue - January 1	<u>(3,396,219)</u>	(1,272,108)

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	\$ 1,942,816	
Net book value of assets sold	(56,788)	
Current year depreciation	<u>(2,973,369)</u>	(1,087,341)

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. 178,720

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.

Principal repayments		
General obligation bonds	\$ 525,000	
Certificates of participation	290,000	
Capital lease	<u>23,796</u>	838,796

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	\$ 12,679	
Amortization of discounts and bond issuance costs	(15,707)	
Change in compensated absences	2,649	
Change in net OPEB obligation	(98,335)	
Change in inventories	<u>(5,084)</u>	<u>(103,798)</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ (479,549)**

**FIDUCIARY FUNDS**

This page was left blank intentionally.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2011**

<u>Assets</u>	
Cash and pooled investments	\$ 812,259
Due from other governments	-
	<hr/>
<b>Total Assets</b>	<b>\$ 812,259</b>
	<hr/> <hr/>
<u>Liabilities</u>	
Accounts payable	\$ 12,564
Due to other governments	799,695
	<hr/>
<b>Total Liabilities</b>	<b>\$ 812,259</b>
	<hr/> <hr/>

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

---

---

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, 2011. 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 7.B. Wabasha County also participates in jointly-governed organizations and a related organization described in Notes 7.C. and 7.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the County not accounted for and reported in another fund.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

Additionally, Wabasha County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, 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, 2011, 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 2011 were \$177,776.

2. Receivables and Payables

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

3. Inventories

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

4. Capital Assets

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

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



**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

5. Compensated Absences

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

6. Deferred Revenue

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations

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

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

8. Classifications of Fund Balances

Beginning in 2011, Wabasha County implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

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

Nonspendable - the nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Classifications of Fund Balances (Continued)

Restricted - fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

9. Minimum Fund Balance

Wabasha County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and other special revenue funds which are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum unassigned fund balance in the General Fund and an unrestricted fund balance in the remaining special revenue funds until the tax revenues are distributed. The County Board has determined this amount to be approximately 35 to 50 percent of fund operating revenues or no less than five months of operating expenses. This amount will provide adequate funds until the next property tax revenues are received. In the event the unassigned fund balance in the General Fund falls below these levels, the County Board is to develop a plan and time frame to replenish the fund balance to the recommended level.

10. Stabilization Arrangement

Wabasha County has determined that a stabilization arrangement is needed for sound financial management and fiscal accountability. Stabilization funds are to be set aside for the purpose of providing funds for a non-routine, urgent event that affects the safety of the employees or the general public. The recognition of the urgent event must be established by the County Board at its next meeting following the event. The minimum level has been established at five percent of the General Fund year-end fund balance, not to exceed \$500,000. In the event the balance drops below this level, the County Board is to develop a plan and a time frame to replenish the fund. As of December 31, 2011, the County has not committed any funds for a stabilization arrangement.

11. Use of Estimates

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

2. Stewardship, Compliance and Accountability

Excess of Expenditures Over Budget

The General Fund expenditures of \$10,990,641 exceeded the final budget of \$10,501,253 by \$489,388.

The Public Health Special Revenue Fund expenditures of \$1,509,395 exceeded the final budget of \$1,496,045 by \$13,350.

The Regional Railroad Special Revenue Fund expenditures of \$7,987 exceeded the final budget of \$4,244 by \$3,743.

The Criminal Justice Center Debt Service Fund expenditures of \$1,631,036 exceeded the final budget of \$1,632,040 by \$1,004.

Deficit Fund Equity

The Road and Bridge Special Revenue Fund had a deficit fund balance of \$274,562 as of December 31, 2011. The deficit can be attributed to the overspending of regular construction funds. At December 31, 2011, Wabasha County had received an advance of \$1,235,213 on its 2012 regular construction allotment from the state.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 17,470,388
Petty cash and change funds	3,225
Reads Landing Water and Sanitary District component unit	
Cash and pooled investments	
Restricted cash and pooled investments	4,597
Fiduciary funds	
Cash and pooled investments - agency funds	<u>812,259</u>
Total Cash and Investments	<u>\$ 18,290,469</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2011, the County's deposits were not exposed to custodial credit risk.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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



**WABASHA COUNTY  
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposits and investment balances at December 31, 2011, and information relating to potential investment risk.

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5% of Portfolio	Rate Risk Maturity Date	
U.S. Government Agency Securities					
Federal Home Mortgage Loan Corporation	Aaa	Moody's	11.1%	12/29/2021	\$ 250,000
Federal Home Mortgage Loan Corporation	Aaa	Moody's	22.2%	11/23/2021	500,000
Federal Home Mortgage Loan Corporation	Aaa	Moody's	11.1%	09/30/2021	250,000
Federal Home Mortgage Loan Corporation	Aaa	Moody's	22.2%	07/27/2021	500,750
Federal Home Loan Bank	Aaa	Moody's	11.1%	09/09/2021	249,990
Federal Home Loan Bank	Aaa	Moody's	22.1%	08/25/2021	499,500
Total U.S. government agency securities			99.8%		\$ 2,250,240
Wells Fargo Advantage Government Money Market Fund	Aaa	Moody's	N/A	N/A	4,217
Total investments					\$ 2,254,457
Deposits					16,032,787
Petty cash and change funds					3,225
Total Cash and Investments					<u>\$ 18,290,469</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2011, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 625,972
Less: allowance for uncollectible accounts	<u>(499,392)</u>
Net Accounts Receivable	<u>\$ 126,580</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,495,023	\$ -	\$ 22,000	\$ 1,473,023
Land highway right-of-way	3,774,008	5,100	5,100	3,774,008
Construction in process	<u>-</u>	<u>830,479</u>	<u>-</u>	<u>830,479</u>
Total capital assets not depreciated	<u>\$ 5,269,031</u>	<u>\$ 835,579</u>	<u>\$ 27,100</u>	<u>\$ 6,077,510</u>
Capital assets depreciated				
Buildings	\$ 20,909,481	\$ -	\$ 128,000	\$ 20,781,481
Improvements other than buildings	1,275,654	9,679	-	1,285,333
Machinery, furniture, and equipment	6,424,085	225,257	151,811	6,497,531
Software	277,500	-	-	277,500
Infrastructure - trails	525,178	-	-	525,178
Infrastructure - highways	<u>104,606,136</u>	<u>872,301</u>	<u>264,120</u>	<u>105,214,317</u>
Total capital assets depreciated	<u>\$ 134,018,034</u>	<u>\$ 1,107,237</u>	<u>\$ 543,931</u>	<u>\$ 134,581,340</u>
Less: accumulated depreciation for				
Buildings	\$ 1,349,978	\$ 421,605	\$ 99,400	\$ 1,672,183
Improvements other than buildings	114,502	38,422	-	152,924
Machinery, furniture, and equipment	4,106,760	470,891	150,723	4,426,928
Software	23,125	55,500	-	78,625
Infrastructure - trails	262,589	26,259	-	288,848
Infrastructure - highways	<u>48,114,756</u>	<u>1,960,692</u>	<u>264,120</u>	<u>49,811,328</u>
Total accumulated depreciation	<u>\$ 53,971,710</u>	<u>\$ 2,973,369</u>	<u>\$ 514,243</u>	<u>\$ 56,430,836</u>
Total capital assets depreciated, net	<u>\$ 80,046,324</u>	<u>\$ (1,866,132)</u>	<u>\$ 29,688</u>	<u>\$ 78,150,504</u>
Governmental Activities Capital Assets, Net	<u>\$ 85,315,355</u>	<u>\$ (1,030,553)</u>	<u>\$ 56,788</u>	<u>\$ 84,228,014</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	51,369
Public safety		689,038
Highways and streets, including depreciation of infrastructure assets		2,167,473
Human services		36,193
Health		3,037
Culture and recreation		<u>26,259</u>
Total Depreciation Expense - Governmental Activities	\$	<u>2,973,369</u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfer to Regional Railroad Special Revenue Fund from Public Health Special Revenue Fund	\$ 3,793	Statewide Health Improvement Program
Transfer to Regional Railroad Special Revenue Fund from General Fund	<u>2,625</u>	Minnesota high speed rail membership
Total Interfund Transfers	<u>\$ 6,418</u>	

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2011.

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
IBM AS-400	2014	Monthly	\$ 409	\$ 24,540	\$ 11,857
Kitchen equipment	2016	Monthly	2,450	205,800	<u>137,200</u>
Total Capital Leases					<u>\$ 149,057</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2012	\$ 34,308
2013	34,308
2014	31,441
2015	29,400
2016	<u>19,600</u>
Total	\$ 149,057
Less: amount representing interest	<u>(23,564)</u>
Present Value of Minimum Lease Payments	<u>\$ 125,493</u>

Both leases are paid from the General Fund.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Bonded Debt

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2011
General obligation bonds					
2007A G.O. Jail Bonds	2028	\$200,000 - \$725,000	4.00 - 4.10	\$ 10,000,000	\$ 9,075,000
Less: unamortized discount				-	(1,451)
2008A G.O. Jail Bonds	2028	\$80,000 - \$190,000	3.00 - 4.10	2,255,000	1,900,000
Less: unamortized discount				-	(17,718)
2009A G.O. Jail Bonds	2028	\$60,000 - \$135,000	2.00 - 4.15	1,915,000	1,790,000
Less: unamortized discount				-	(2,044)
General Obligation Bonds, Net				<u>\$ 14,170,000</u>	<u>\$ 12,743,787</u>
2008B Certificates of Participation	2028	\$280,000 - \$545,000	4.00 - 4.75	<u>\$ 7,745,000</u>	\$ 6,815,000
Less: unamortized discount					<u>(98,748)</u>
Certificates of Participation, Net					<u>\$ 6,716,252</u>

Debt service requirements at December 31, 2011, were as follows:

Year Ending December 31	General Obligation Jail Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2012	\$ 545,000	\$ 488,635	\$ 300,000	\$ 290,872
2013	565,000	468,338	305,000	278,773
2014	585,000	447,084	305,000	266,572
2015	605,000	424,867	325,000	253,973
2016	630,000	401,502	335,000	240,772
2017 - 2020	3,545,000	1,619,119	1,890,000	981,933
2021 - 2025	4,310,000	854,588	2,290,000	526,463
2026 - 2028	1,980,000	82,132	1,065,000	51,181
Total	<u>\$ 12,765,000</u>	<u>\$ 4,786,265</u>	<u>\$ 6,815,000</u>	<u>\$ 2,890,539</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation jail bonds	\$ 13,290,000	\$ -	\$ 525,000	\$ 12,765,000	\$ 545,000
Certificates of participation	7,105,000	-	290,000	6,815,000	300,000
Less: deferred amounts for issuance discounts	(127,017)	-	(7,056)	(119,961)	-
Total bonds payable	\$ 20,267,983	\$ -	\$ 807,944	\$ 19,460,039	\$ 845,000
Capital leases	149,289	-	23,796	125,493	25,578
Net OPEB obligation	284,530	98,335	-	382,865	-
Compensated absences	1,269,202	80,236	82,885	1,266,553	63,328
Governmental Activities Long-Term Liabilities	<u>\$ 21,971,004</u>	<u>\$ 178,571</u>	<u>\$ 914,625</u>	<u>\$ 21,234,950</u>	<u>\$ 933,906</u>

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for any five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

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

For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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

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

Funding Policy

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



**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2011:

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

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 467,031	\$ 443,753	\$ 400,403
Public Employees Police and Fire Fund	151,140	154,232	148,738
Public Employees Correctional Fund	65,066	65,497	50,589

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2011, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 9,176	\$ 9,176
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

The County provides health insurance benefits for certain retired employees under a single-employer self-insured health care plan, financed and administered by the Southeast Service Cooperative and Wabasha County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the Southeast Service Cooperative, is the Claims Administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 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, 2010, four retirees were receiving health benefits from the County's health plan. The postemployment benefit is funded on a pay-as-you go basis.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, if paid on an ongoing basis, projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$	133,342
Interest on net OPEB obligation		12,804
Adjustment to ARC		(17,353)
		_____
Annual OPEB cost	\$	128,793
Contribution during the year		(30,458)
		_____
Increase in net OPEB obligation	\$	98,335
Net OPEB - Beginning of Year		284,530
		_____
Net OPEB - End of Year	\$	382,865

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2009, 2010, and 2011, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2009	\$ 108,294	\$ 27,176	25.09%	\$ 172,490
December 31, 2010	130,655	18,615	14.25	284,530
December 31, 2011	128,793	30,458	23.65	382,865

**WABASHA COUNTY  
WABASHA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the January 1, 2010, actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 4.5 percent discount rate (net of investment expenses) and an annual medical trend rate of 8.5 percent in 2010, reduced incrementally to an ultimate rate of 5.0 percent over 7 years. The unfunded actuarial accrued liability is being amortized over 30 years on a closed basis.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 in 2011 and in \$460,000 in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Subsequent Events

Effective January 1, 2012, the Office of the County Administrator was abolished, and the County is in the process of exploring other optional forms of county government allowed by Minnesota statutes.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

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

Family Services Collaborative

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Family Services Collaborative (Continued)

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

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

South Country Health Alliance

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

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2011, was \$719,984. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Human Services.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Country Health Alliance (Continued)

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

C. Jointly-Governed Organizations

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

Minnesota Computer Cooperative

The Minnesota Computer Cooperative provides computer programming service to several counties. During 2011, the County paid \$99,873 for dues, membership, and services.

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs to members. During 2011, the County paid \$175 for an annual membership fee to the Cooperative.

Southeast Minnesota Water Quality Board

The Southeast Minnesota Water Quality Board provides regional water quality services to member counties. During 2011, Wabasha County made no payments to the Board.

Region One--Southeast Minnesota Homeland Security Emergency Management Organization

The Region One--Southeast Minnesota Homeland Security Emergency Management Organization (SERHSEM) was established to regionally coordinate efforts to better respond to emergencies and natural or other disasters within the SERHSEM region. During 2011, Wabasha County made no payments to the Organization.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Southeast Minnesota Regional Radio Board

The Southeast Minnesota Regional Radio Board provides for the regional administration of enhancements to the Statewide Public Safety Radio and Communications System (ARMER). During 2011, Wabasha County paid \$1,000 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 2011, Wabasha County paid \$6,000 to the Task Force.

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. During 2011, Wabasha County paid \$157,027 to the Library.

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During 2011, Wabasha County paid \$4,458 to the Project.

Three Rivers Community Action

Three Rivers Community Action provides various programs to several counties. During 2011, Wabasha County made no payments to Three Rivers.

Workforce Development, Inc.

Workforce Development, Inc., provides various job training services to several counties. During 2011, the County paid \$122,242 to this organization.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

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

D. Related Organization

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2011, the County paid \$4,398 to the Bear Valley Watershed.

8. 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**

---

8. 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**

8. 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, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	(281,939)	(34,175)	-	(316,114)
Total Capital Assets, Net	<u>\$ 1,085,039</u>	<u>\$ (34,175)</u>	<u>\$ -</u>	<u>\$ 1,050,864</u>

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

C. Liabilities

1. Long-Term Debt

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

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2011
General obligation bonds	2043	\$972 - \$5,166	4.375	\$ 101,000	<u>\$ 91,921</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

8. Reads Landing Water and Sanitary District - Component Unit

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2012	\$ 1,370	\$ 4,022
2013	1,430	3,962
2014	1,492	3,899
2015	1,557	3,834
2016	1,625	3,766
2017 - 2021	9,259	17,697
2022 - 2026	11,470	15,487
2027 - 2031	14,206	12,748
2032 - 2036	17,597	9,357
2037 - 2041	21,800	5,155
2042 - 2043	10,115	668
Total	<u>\$ 91,921</u>	<u>\$ 80,595</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	<u>\$ 93,233</u>	<u>\$ -</u>	<u>\$ 1,312</u>	<u>\$ 91,921</u>	<u>\$ 1,370</u>

This page was left blank intentionally.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT A-1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 7,274,398	\$ 7,274,398	\$ 7,214,418	\$ (59,980)
Licenses and permits	199,802	199,802	229,700	29,898
Intergovernmental	2,051,841	2,051,841	3,551,942	1,500,101
Charges for services	669,652	669,652	758,914	89,262
Fines and forfeits	8,000	8,000	45,213	37,213
Gifts and contributions	530	530	532	2
Investment earnings	125,000	125,000	177,776	52,776
Miscellaneous	172,030	172,030	346,052	174,022
<b>Total Revenues</b>	<b>\$ 10,501,253</b>	<b>\$ 10,501,253</b>	<b>\$ 12,324,547</b>	<b>\$ 1,823,294</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 189,121	\$ 189,121	\$ 174,871	\$ 14,250
Courts	38,500	38,500	58,107	(19,607)
Other courts	8,515	8,515	5,786	2,729
County administrator	421,219	421,219	394,959	26,260
County auditor/treasurer	278,056	278,056	243,760	34,296
County assessor	427,129	427,129	372,485	54,644
Elections	9,162	9,162	8,957	205
Data processing	293,770	293,770	280,743	13,027
Attorney	451,420	451,420	454,330	(2,910)
Law library	25,090	25,090	22,326	2,764
Recorder	363,829	363,829	344,781	19,048
Surveyor	30,000	30,000	30,000	-
Planning and zoning	299,266	299,266	430,430	(131,164)
Geographic information systems (GIS)	82,083	82,083	82,128	(45)
Buildings and plant	907,574	907,574	473,728	433,846
Veterans service officer	220,167	220,167	225,249	(5,082)
Other general government	381,081	381,081	289,414	91,667
<b>Total general government</b>	<b>\$ 4,425,982</b>	<b>\$ 4,425,982</b>	<b>\$ 3,892,054</b>	<b>\$ 533,928</b>
<b>Public safety</b>				
Sheriff	\$ 2,686,962	\$ 2,686,962	\$ 2,695,850	\$ (8,888)
Boat and water safety	20,549	20,549	24,810	(4,261)
Emergency services	66,888	66,888	76,968	(10,080)
Coroner	35,679	35,679	49,150	(13,471)
E-911 system	111,000	111,000	282,481	(171,481)
County jail	1,631,837	1,631,837	1,609,900	21,937
Community corrections	579,419	579,419	584,608	(5,189)
<b>Total public safety</b>	<b>\$ 5,132,334</b>	<b>\$ 5,132,334</b>	<b>\$ 5,323,767</b>	<b>\$ (191,433)</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Sanitation</b>				
Hazardous waste	\$ 16,150	\$ 16,150	\$ 17,296	\$ (1,146)
SCORE	57,425	57,425	55,677	1,748
Environmental services	139,276	139,276	138,293	983
<b>Total sanitation</b>	<b>\$ 212,851</b>	<b>\$ 212,851</b>	<b>\$ 211,266</b>	<b>\$ 1,585</b>
<b>Culture and recreation</b>				
Historical society	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Snowmobile	85,000	85,000	87,443	(2,443)
Senior citizens	1,500	1,500	1,500	-
County/regional library	157,027	157,027	157,027	-
<b>Total culture and recreation</b>	<b>\$ 249,527</b>	<b>\$ 249,527</b>	<b>\$ 251,970</b>	<b>\$ (2,443)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 120,177	\$ 120,177	\$ 118,881	\$ 1,296
Soil and water conservation	140,000	140,000	138,518	1,482
Agricultural inspections	450	450	75	375
Agricultural society/County fair	20,130	20,130	20,132	(2)
Water planning	19,289	19,289	19,289	-
Wetland challenge	11,915	11,915	11,915	-
Environmental services	-	-	50,257	(50,257)
Other	17,907	17,907	17,842	65
<b>Total conservation of natural resources</b>	<b>\$ 329,868</b>	<b>\$ 329,868</b>	<b>\$ 376,909</b>	<b>\$ (47,041)</b>
<b>Economic development</b>				
Housing development	\$ 113,461	\$ 113,461	\$ 897,445	\$ (783,984)
Tourism	2,922	2,922	2,922	-
<b>Total economic development</b>	<b>\$ 116,383</b>	<b>\$ 116,383</b>	<b>\$ 900,367</b>	<b>\$ (783,984)</b>
<b>Debt service</b>				
Principal	\$ 23,796	\$ 23,796	\$ 23,796	\$ -
Interest	10,512	10,512	10,512	-
<b>Total debt service</b>	<b>\$ 34,308</b>	<b>\$ 34,308</b>	<b>\$ 34,308</b>	<b>\$ -</b>
<b>Total Expenditures</b>	<b>\$ 10,501,253</b>	<b>\$ 10,501,253</b>	<b>\$ 10,990,641</b>	<b>\$ (489,388)</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 1,333,906	\$ 1,333,906
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (2,625)	\$ (2,625)
Proceeds from sale of capital assets	-	-	85,325	85,325
<b>Total Other Financing Sources (Uses)</b>	\$ -	\$ -	\$ 82,700	\$ 82,700
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ 1,416,606	\$ 1,416,606
<b>Fund Balance - January 1</b>	<u>8,158,849</u>	<u>8,158,849</u>	<u>8,158,849</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 8,158,849</u>	<u>\$ 8,158,849</u>	<u>\$ 9,575,455</u>	<u>\$ 1,416,606</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,279,115	\$ 1,279,115	\$ 1,238,241	\$ (40,874)
Intergovernmental	9,014,599	9,014,599	7,308,972	(1,705,627)
Charges for services	131,800	131,800	25,530	(106,270)
Miscellaneous	19,100	19,100	24,034	4,934
<b>Total Revenues</b>	<b>\$ 10,444,614</b>	<b>\$ 10,444,614</b>	<b>\$ 8,596,777</b>	<b>\$ (1,847,837)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 400,394	\$ 400,394	\$ 359,952	\$ 40,442
Engineering	546,747	546,747	658,040	(111,293)
Maintenance	1,499,320	1,499,320	1,545,596	(46,276)
Construction	7,212,792	7,212,792	6,085,674	1,127,118
Equipment maintenance and shop	785,361	785,361	704,671	80,690
<b>Total Expenditures</b>	<b>\$ 10,444,614</b>	<b>\$ 10,444,614</b>	<b>\$ 9,353,933</b>	<b>\$ 1,090,681</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (757,156)</b>	<b>\$ (757,156)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	6,900	6,900
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (750,256)</b>	<b>\$ (750,256)</b>
<b>Fund Balance - January 1</b>	<b>480,778</b>	<b>480,778</b>	<b>480,778</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(5,084)</b>	<b>(5,084)</b>
<b>Fund Balance - December 31</b>	<b>\$ 480,778</b>	<b>\$ 480,778</b>	<b>\$ (274,562)</b>	<b>\$ (755,340)</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,468,181	\$ 1,468,181	\$ 1,420,909	\$ (47,272)
Licenses and permits	10,000	10,000	9,210	(790)
Intergovernmental	2,541,022	2,541,022	2,451,348	(89,674)
Charges for services	58,850	58,850	180,156	121,306
Gifts and contributions	1,000	1,000	4,019	3,019
Miscellaneous	100,225	100,225	163,126	62,901
<b>Total Revenues</b>	<b>\$ 4,179,278</b>	<b>\$ 4,179,278</b>	<b>\$ 4,228,768</b>	<b>\$ 49,490</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,181,409	\$ 1,181,409	\$ 1,165,593	\$ 15,816
Social services	2,997,869	2,997,869	2,838,673	159,196
<b>Total Expenditures</b>	<b>\$ 4,179,278</b>	<b>\$ 4,179,278</b>	<b>\$ 4,004,266</b>	<b>\$ 175,012</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 224,502</b>	<b>\$ 224,502</b>
<b>Fund Balance - January 1</b>	<b>3,791,486</b>	<b>3,791,486</b>	<b>3,791,486</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,791,486</b>	<b>\$ 3,791,486</b>	<b>\$ 4,015,988</b>	<b>\$ 224,502</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT A-4**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2011**

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

---

1. Budgetary Information

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

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

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

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

2. Excess of Expenditures Over Budget

The General Fund expenditures of \$10,990,641 exceeded the final budget of \$10,501,253 by \$489,388.

3. Other Postemployment Benefits Funded Status

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

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

This page was left blank intentionally.



**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<b>Special Revenue Funds</b>		<b>Total (Exhibit 3)</b>
	<b>Regional Railroad</b>	<b>Public Health</b>	
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 26,171	\$ 669,994	\$ 696,165
Taxes receivable			
Prior	-	5,795	5,795
Accounts receivable	-	63,933	63,933
Due from other governments	-	107,426	107,426
	<b>\$ 26,171</b>	<b>\$ 847,148</b>	<b>\$ 873,319</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 20,697	\$ 20,697
Salaries payable	-	42,580	42,580
Due to other governments	-	271	271
Deferred revenue - unavailable	-	60,541	60,541
Deferred revenue - unearned	-	20,164	20,164
	<b>\$ -</b>	<b>\$ 144,253</b>	<b>\$ 144,253</b>
<b>Fund Balances</b>			
<b>Restricted for</b>			
Health	\$ -	\$ 22,297	\$ 22,297
<b>Assigned to</b>			
Public health	-	680,598	680,598
Regional Railroad Authority	26,171	-	26,171
	<b>\$ 26,171</b>	<b>\$ 702,895</b>	<b>\$ 729,066</b>
<b>Total Fund Balances</b>	<b>\$ 26,171</b>	<b>\$ 702,895</b>	<b>\$ 729,066</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,171</b>	<b>\$ 847,148</b>	<b>\$ 873,319</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Special Revenue Funds</u>		<u>Total (Exhibit 5)</u>
	<u>Regional Railroad</u>	<u>Public Health</u>	
<b>Revenues</b>			
Taxes	\$ -	\$ 266,556	\$ 266,556
Licenses and permits	-	90	90
Intergovernmental	-	846,192	846,192
Charges for services	-	365,312	365,312
Gifts and contributions	-	1,854	1,854
Miscellaneous	1,982	17	1,999
<b>Total Revenues</b>	<b>\$ 1,982</b>	<b>\$ 1,480,021</b>	<b>\$ 1,482,003</b>
<b>Expenditures</b>			
<b>Current</b>			
Health	\$ -	\$ 1,509,395	\$ 1,509,395
Culture and recreation	7,987	-	7,987
<b>Total Expenditures</b>	<b>\$ 7,987</b>	<b>\$ 1,509,395</b>	<b>\$ 1,517,382</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (6,005)</b>	<b>\$ (29,374)</b>	<b>\$ (35,379)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 6,418	\$ -	\$ 6,418
Transfers out	-	(3,793)	(3,793)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 6,418</b>	<b>\$ (3,793)</b>	<b>\$ 2,625</b>
<b>Net Change in Fund Balance</b>	<b>\$ 413</b>	<b>\$ (33,167)</b>	<b>\$ (32,754)</b>
<b>Fund Balance - January 1</b>	<b>25,758</b>	<b>736,062</b>	<b>761,820</b>
<b>Fund Balance - December 31</b>	<b>\$ 26,171</b>	<b>\$ 702,895</b>	<b>\$ 729,066</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT B-3*

**BUDGETARY COMPARISON SCHEDULE  
REGIONAL RAILROAD SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Gifts and contributions	\$ 394	\$ 394	\$ -	\$ (394)
Miscellaneous	1,350	1,350	1,982	632
<b>Total Revenues</b>	<b>\$ 1,744</b>	<b>\$ 1,744</b>	<b>\$ 1,982</b>	<b>\$ 238</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Trails	\$ 1,744	\$ 1,744	\$ 5,362	\$ (3,618)
Minnesota High Speed Rail Commission	2,500	2,500	2,625	(125)
<b>Total Expenditures</b>	<b>\$ 4,244</b>	<b>\$ 4,244</b>	<b>\$ 7,987</b>	<b>\$ (3,743)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,500)</b>	<b>\$ (2,500)</b>	<b>\$ (6,005)</b>	<b>\$ (3,505)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,500	2,500	6,418	3,918
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 413</b>	<b>\$ 413</b>
<b>Fund Balance - January 1</b>	<b>25,758</b>	<b>25,758</b>	<b>25,758</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 25,758</b>	<b>\$ 25,758</b>	<b>\$ 26,171</b>	<b>\$ 413</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT B-4*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 275,104	\$ 275,104	\$ 266,556	\$ (8,548)
Licenses and permits	300	300	90	(210)
Intergovernmental	373,984	373,984	846,192	472,208
Charges for services	810,157	810,157	365,312	(444,845)
Gifts and contributions	1,500	1,500	1,854	354
Miscellaneous	35,000	35,000	17	(34,983)
<b>Total Revenues</b>	<b>\$ 1,496,045</b>	<b>\$ 1,496,045</b>	<b>\$ 1,480,021</b>	<b>\$ (16,024)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	\$ 639,235	\$ 639,235	\$ 631,712	\$ 7,523
Family health	200,297	200,297	224,559	(24,262)
Disease prevention	45,321	45,321	45,345	(24)
Health education	119,434	119,434	177,112	(57,678)
Community health services	491,758	491,758	430,667	61,091
<b>Total Expenditures</b>	<b>\$ 1,496,045</b>	<b>\$ 1,496,045</b>	<b>\$ 1,509,395</b>	<b>\$ (13,350)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (29,374)</b>	<b>\$ (29,374)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(3,793)	(3,793)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (33,167)</b>	<b>\$ (33,167)</b>
<b>Fund Balance - January 1</b>	<b>736,062</b>	<b>736,062</b>	<b>736,062</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 736,062</b>	<b>\$ 736,062</b>	<b>\$ 702,895</b>	<b>\$ (33,167)</b>



**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT B-5*

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL  
CRIMINAL JUSTICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,611,938	\$ 1,611,938	\$ 1,596,213	\$ (15,725)
Intergovernmental	130,513	130,513	136,104	5,591
Investment earnings	-	-	6,803	6,803
<b>Total Revenues</b>	<b>\$ 1,742,451</b>	<b>\$ 1,742,451</b>	<b>\$ 1,739,120</b>	<b>\$ (3,331)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 815,000	\$ 815,000	\$ 815,000	\$ -
Interest	811,740	811,740	810,736	(1,004)
Administrative (fiscal) charges	5,300	5,300	5,300	-
<b>Total Expenditures</b>	<b>\$ 1,632,040</b>	<b>\$ 1,632,040</b>	<b>\$ 1,631,036</b>	<b>\$ (1,004)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 110,411</b>	<b>\$ 110,411</b>	<b>\$ 108,084</b>	<b>\$ (2,327)</b>
<b>Fund Balance - January 1</b>	<b>2,006,508</b>	<b>2,006,508</b>	<b>2,006,508</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,116,919</b>	<b>\$ 2,116,919</b>	<b>\$ 2,114,592</b>	<b>\$ (2,327)</b>

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**AGENCY FUNDS**

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

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

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

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

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>REVOLVING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>80,060</u>	\$ <u>610,477</u>	\$ <u>593,660</u>	\$ <u>96,877</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>80,060</u>	\$ <u>610,477</u>	\$ <u>593,660</u>	\$ <u>96,877</u>
 <b><u>FAMILY SERVICE COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>307,962</u>	\$ <u>116,110</u>	\$ <u>158,737</u>	\$ <u>265,335</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>307,962</u>	\$ <u>116,110</u>	\$ <u>158,737</u>	\$ <u>265,335</u>
 <b><u>PRE-TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>175,828</u>	\$ <u>2,260,022</u>	\$ <u>2,257,714</u>	\$ <u>178,136</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>175,828</u>	\$ <u>2,260,022</u>	\$ <u>2,257,714</u>	\$ <u>178,136</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 206,957	\$ 27,821,351	\$ 27,756,397	\$ 271,911
Due from other governments	22,117	-	22,117	-
<b>Total Assets</b>	<b>\$ 229,074</b>	<b>\$ 27,821,351</b>	<b>\$ 27,778,514</b>	<b>\$ 271,911</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 11,120	\$ 69,285	\$ 67,841	\$ 12,564
Due to other funds	-	11,970,211	11,970,211	-
Due to other governments	217,954	15,781,855	15,740,462	259,347
<b>Total Liabilities</b>	<b>\$ 229,074</b>	<b>\$ 27,821,351</b>	<b>\$ 27,778,514</b>	<b>\$ 271,911</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 770,807	\$ 30,807,960	\$ 30,766,508	\$ 812,259
Due from other governments	22,117	-	22,117	-
<b>Total Assets</b>	<b>\$ 792,924</b>	<b>\$ 30,807,960</b>	<b>\$ 30,788,625</b>	<b>\$ 812,259</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 11,120	\$ 69,285	\$ 67,841	\$ 12,564
Due to other funds	-	11,970,211	11,970,211	-
Due to other governments	781,804	18,768,464	18,750,573	799,695
<b>Total Liabilities</b>	<b>\$ 792,924</b>	<b>\$ 30,807,960</b>	<b>\$ 30,788,625</b>	<b>\$ 812,259</b>



## **COMPONENT UNIT**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT D-1*

**STATEMENT OF NET ASSETS  
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT  
DECEMBER 31, 2011**

**Assets**

**Current assets**

Special assessments receivable	
Current	\$ 8,348
Accounts receivable	6,404
	<hr/>

**Total current assets** **\$ 14,752**

**Restricted assets**

Cash and pooled investments	4,597
-----------------------------	-------

**Noncurrent assets**

Capital assets	
Depreciable - net	1,050,864
	<hr/>

**Total Assets** **\$ 1,070,213**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 172
Due to other governments	3,900
Deferred revenue - unearned	20
Revenue bonds payable - current	1,370
	<hr/>

**Total current liabilities** **\$ 5,462**

**Noncurrent liabilities**

Revenue bonds payable - long-term	90,551
	<hr/>

**Total Liabilities** **\$ 96,013**

**Net Assets**

Invested in capital assets - net of related debt	\$ 958,943
Restricted for	
Equipment replacement	10,660
Debt service	4,597
	<hr/>

**Total Net Assets** **\$ 974,200**

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT D-2*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Operating Revenues</b>	
Charges for services	\$ 49,237
Special assessments	5,411
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 54,648</b>
<b>Operating Expenses</b>	
Professional services	\$ 176
Contracted services	44,741
Machinery and equipment, repair, and maintenance	80
Other services and charges	111
Telephone	498
Utilities	1,393
Insurance	1,904
Depreciation	34,175
	<hr/>
<b>Total Expenditures</b>	<b>\$ 83,078</b>
<b>Operating Income (Loss)</b>	<b>\$ (28,430)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 17
Interest expense	(4,079)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (4,062)</b>
<b>Change in Net Assets</b>	<b>\$ (32,492)</b>
<b>Net Assets - January 1</b>	<b>1,006,692</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 974,200</b>
	<hr/> <hr/>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT D-3*

**STATEMENT OF CASH FLOWS  
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2011  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 51,184
Payments to suppliers	<u>(48,697)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 2,487</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (1,312)
Interest paid on long-term debt	<u>(4,079)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (5,391)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<u>\$ 17</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (2,887)</b>
<b>Cash and Cash Equivalents at January 1</b>	<u>7,484</u>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 4,597</u></u></b>
<b>Cash and Cash Equivalents - Exhibit D-1</b>	
Cash and pooled investments	\$ -
Restricted cash and pooled investments	<u>4,597</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 4,597</u></u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ (28,430)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 34,175
(Increase) decrease in special assessments receivable	(3,064)
(Increase) decrease in accounts receivable	(231)
Increase (decrease) in accounts payable	(50)
Increase (decrease) in due to other governments	256
Increase (decrease) in unearned revenue	<u>(169)</u>
<b>Total adjustments</b>	<b><u>\$ 30,917</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ 2,487</u></u></b>

This page was left blank intentionally.

## **SCHEDULES**

This page was left blank intentionally.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

***EXHIBIT E-1***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Shared Revenue**

**State**

Highway users tax	\$ 4,743,227
PERA rate reimbursement	22,637
Disparity reduction aid	15,135
Police aid	121,401
County program aid	842,276
Market value credit	701,160
Enhanced 911	98,330
Disaster credit	40,160
	<hr/>

**Total shared revenue** **\$ 6,584,326**

**Reimbursement for Services**

Minnesota Department of Human Services **\$ 500,023**

**Payments**

**Local**

Payments in lieu of taxes **\$ 249,575**

**Grants**

**State**

Minnesota Department of Corrections	\$ 204,770
Public Safety	333,713
Health	249,086
Employment and Economic Security	629,324
Natural Resources	131,940
Human Services	1,137,966
Veterans Services	32,750
Transportation	111,786
Water and Soil Resources Board	182,090
Pollution Control Agency	58,008
Peace Officer Standards and Training Board	6,817
	<hr/>

**Total state** **\$ 3,078,250**

**WABASHA COUNTY  
WABASHA, MINNESOTA**

***EXHIBIT E-1  
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 212,749
Commerce	34,743
Justice	1,122
Transportation	1,525,335
Education	10,000
Health and Human Services	1,011,013
Homeland Security	1,017,115
Election Assistance Commission	6,600
Environmental Protection Agency	63,707
	<hr/>
<b>Total federal</b>	<b>\$ 3,882,384</b>
	<hr/>
<b>Total state and federal grants</b>	<b>\$ 6,960,634</b>
	<hr/>
<b>Total Intergovernmental Revenue</b>	<b>\$ 14,294,558</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT E-2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>State Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00099	\$ 104,042
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>108,707</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 212,749</u></b>
<b>U.S. Department of Commerce</b>			
Passed Through Southeast Minnesota Regional Radio Board Public Safety Interoperable Communications Grant Program	11.555	N/A	<b><u>\$ 34,937</u></b>
<b>U.S. Department of Justice</b>			
Direct Bulletproof Vest Partnership Program	16.607	N/A	<b><u>\$ 2,467</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	N/A	\$ 1,154,432
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	9200-2982	7,375
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	9200-2982	<u>3,778</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 1,165,585</u></b>
<b>U.S. Environmental Protection Agency</b>			
Passed Through Southeastern Minnesota Water Resources Board Nonpoint Source Implementation Grants	66.460	A95930	<b><u>\$ 49,097</u></b>
<b>U.S. Department of Education</b>			
Passed Through Hiawatha Valley Education District Special Education - Preschool Grants	84.173	81110114221	<b><u>\$ 10,000</u></b>
<b>U.S. Election Assistance Commission</b>			
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	B50330	<b><u>\$ 6,600</u></b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT E-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>State Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	MRC 11 1538	\$ 4,103
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	12-700-00099	15,947
Universal Newborn Hearing Screening Immunization Cluster	93.251	12-700-00099	775
Immunization Grants	93.268	12-700-00099	800
ARRA - Immunization	93.712	12-700-00099	2,289
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	12-700-00099	2,500
Temporary Assistance for Needy Families Cluster			
Temporary Assistance for Needy Families	93.558	12-700-00099	24,045
Maternal and Child Health Services Block Grant	93.994	12-700-00099	24,155
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	N/A	6,359
Temporary Assistance for Needy Families Cluster			
Temporary Assistance for Needy Families	93.558	N/A	109,362
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	N/A	1,355
Child Support Enforcement	93.563	N/A	242,690
Child Care and Development Cluster			
Child Care and Development Block Grant	93.575	N/A	2,622
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	1,848
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	3,179
Foster Care - Title IV-E Cluster			
Foster Care - Title IV-E	93.658	N/A	56,494
Foster Care - Title IV-E - ARRA	93.658	N/A	306
Social Services Block Grant	93.667	N/A	124,278
Chafee Foster Care Independence Program	93.674	N/A	6,700
Children's Health Insurance Program	93.767	N/A	72
Medical Assistance Program	93.778	N/A	372,994
Block Grants for Community Mental Health Services	93.958	N/A	2,573
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 1,005,446</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT E-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>State Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	B-55392/30-1597	\$ 9,775
Passed Through Minnesota Department of Public Safety Hazard Mitigation Grant	97.039	N/A	2,901
Emergency Management Performance Grants	97.042	N/A	19,248
Passed Through Southeast Minnesota Regional Radio Board Interoperable Emergency Communications	97.055	N/A	1,553
Homeland Security Grant Program	97.067	N/A	114,357
Passed Through Region One - Southeast Minnesota Homeland Security and Emergency Management Organization Homeland Security Grant Program	97.067	N/A	<u>5,769</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>\$ 153,603</u></b>
<b>Total Federal Awards</b>			<b><u><u>\$ 2,640,484</u></u></b>

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

---

---

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wabasha County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wabasha County, it is not intended to and does not present the financial position, change in net assets, or cash flows of Wabasha County.

3. Summary of Significant Accounting Policies

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

4. Clusters

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

Immunization Cluster	\$	3,089
Temporary Assistance for Needy Families Cluster		134,762
Child Care and Development Cluster		4,470
Foster Care - Title IV-E Cluster		56,800

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit E-1)	\$	3,882,384
Deferred in 2010, recognized as revenue in 2011		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		(907,891)
Highway Planning and Construction		(361,988)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		(920)
Homeland Security Grant Program		(25,103)
Nonpoint Source Implementation Grants		(31,860)
ARRA - Immunization		(4,647)
Deferred in 2010, determined to be uncollectible in 2011		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		50,234
Grants received more than 60 days after year-end, deferred in 2011		
Public Safety Interoperable Communications Grant Program		194
Bulletproof Vest Partnership Program		1,345
State and Community Highway Safety		2,238
Nonpoint Source Implementation Grants		17,250
Emergency Management Performance Grants		19,248
		19,248
Expenditures per Schedule of Expenditures of Federal Awards (Exhibit E-2)	\$	2,640,484

6. Subrecipients

During 2011, the County did not pass any federal money to subrecipients.

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.





This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: **Unqualified for all major programs except for Temporary Assistance for Needy Families (CFDA #93.558) which was qualified.**

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

The major programs are:

Highway Planning and Construction	CFDA #20.205
Temporary Assistance for Needy Families Cluster	
Temporary Assistance for Needy Families	CFDA #93.558
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program	CFDA #93.714
Medical Assistance Program	CFDA #93.778

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

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEM RESOLVED

##### **Departmental Internal Accounting Controls (08-3)**

Due to the limited number of personnel within some County offices, segregation of accounting duties necessary to ensure adequate internal accounting controls was not always possible.

##### **Resolution**

Review of the Planning and Zoning Department disclosed that County management is monitoring activity within the department to compensate for segregation of duties issues.

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

### ITEMS ARISING THIS YEAR

#### 11-1 Reporting - Review Process

**Program:** Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558)

**Criteria:** Standard internal control procedures should include a review and approval process for reports to ensure the reports submitted to the State of Minnesota are accurate and meet reporting requirements.

**Condition:** During our testing of controls over reporting for the County's Public Health Department, we did not find a documented review process of reports submitted to the Minnesota Department of Health by a supervisory-level individual independent of the individual who prepares the reports.

**Questioned Costs:** None.

**Context:** The County reports expenditures incurred for administering the Local Public Health Grant - TANF to the Minnesota Department of Health on a quarterly basis.

**Effect:** The lack of periodic review of reports by a supervisory level individual increases the risk that reports submitted will not be correct.

**Cause:** The County does not have adequate procedures in place to ensure that reports submitted are reviewed.

**Recommendation:** We recommend the County document supervisory review of the quarterly Local Public Health Grant - TANF reports submitted to the Minnesota Department of Health to ensure the reports are accurate and meet reporting requirements.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Lyn Wolf, Public Health Accounts Manager*

Corrective Action Planned:

*All reports will be reviewed and signed by supervisory staff prior to submittal.*

Anticipated Completion Date:

*Corrective action was executed with the first quarter of 2012 reports submitted in April 2012.*

11-2 Reporting

**Program:** Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558)

**Criteria:** The Minnesota Department of Health provided guidelines for the TANF grant passed through to the County's Public Health Department. Those guidelines indicate program costs: "Includes expenditures made to implement or support program activities. Expenditures can include salary and fringe benefits for staff directly involved in program activities."

**Condition:** During our testing of the reports submitted by the County to the Minnesota Department of Health, we noted that the County was submitting for reimbursement program costs based on an hourly charge and not based on direct costs of County employees working on the program. The County's controls over compliance did not prevent, or detect and correct, this noncompliance.

**Questioned Costs:** \$15,767

**Context:** The County is charging \$120 per hour to this grant which is from the County's Public Health fee schedule.

**Effect:** Expenditures were over reported due to costs reported on an hourly fee rate rather than actual costs incurred.

**Cause:** The County was unaware it was reporting the incorrect information for the program.

**Recommendation:** We recommend the County calculate and report program costs in accordance with the TANF grant guidelines. These guidelines require program costs be based on actual costs to the County.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Lyn Wolf, Public Health Accounts Manager*

Corrective Action Planned:

*Wabasha County Public Health will take corrective action to ensure that actual program costs are calculated and used when reporting in accordance with TANF guidelines.*

Anticipated Completion Date:

*Corrective action was executed with the first quarter of 2012 reports submitted in April 2012.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Subrecipient Monitoring - Community Development Block Grants/State's Program (CFDA No. 14.228) (09-2)**

The County, as a pass-through entity of federal awards, did not obtain and review the subrecipient's audit report in order to monitor the subrecipient's compliance with the federal program requirements.

**Resolution**

The County did not expend federal grant dollars under the Community Development Block Grants/State's Program (CDFA No. 14.228) during 2011.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-4 Safe Driving Class

**Criteria:** As stated in Minn. Stat. § 169.022, in part, “. . . Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the

same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalties provided for in this chapter for the same offense.”

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

**Condition:** 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 citations prosecuted. The County’s website asserts that if a person chooses the class, the citation “will not go on your record, or affect your insurance.” The website notes that most of the \$127 paid for a speeding citation goes to the state, but that the \$125 paid for the class “will stay in the county” to be used for traffic enforcement. In a December 2004 letter to the County Sheriff, the Office of the State Auditor’s General Counsel explained the position of the Office of the State Auditor that this class program was unauthorized as a diversion program or otherwise and was an effort to issue County penalties for traffic offenses regulated by state law.

**Context:** 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 Representative 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.

The Minnesota Supreme Court has stated, “[a]s a creature of the state deriving its sovereignty from the state, the county should play a leadership role in carrying out legislative policy.” *Kasch v. Clearwater County*, 289 N.W. 2d 148, 152 (Minn. 1980), quoting *County of Freeborn v. Bryson*, 243 N.W. 2d 316, 321 (Minn. 1976).

**Effect:** The County’s Safe Driving Class is unauthorized and in violation of Minn. Stat. § 169.022.

**Cause:** The County asserts that the County can offer the Safe Driving Class option in lieu of issuance or court filing of a state uniform traffic ticket as a safe driving diversionary program.

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



Client's Response:

*Minnesota Statute 388.24 requires county attorneys to have a pretrial diversion for some offenders. Additionally, MS 401.605 requires pretrial diversion programs for adults in community corrections counties. MS 401.065 subd. 1(2) states that "pretrial diversion" means the decision of a prosecutor to refer an offender to a diversion program on condition that the criminal charges against the offender will be dismissed after a specified period of time, or the case will not be charged, if the offender successfully completes the program.*

*Further, State v. Olinger stated:*

*"Minn. Stat. § 401.065, subd. 1(2), makes the admission of the Defendant into a diversion program 'a decision of the prosecutor to refer.' These matters [pretrial diversion] are handled at the discretion of the prosecutor and . . . it is solely within the prosecutor's discretion."*

*One prerequisite outlined by the statute is that an offender would not be eligible for a pretrial diversion program if they have previously participated as an adult in another Minnesota pretrial diversion program. MS 401.065, subd 1(iii). Another bar to eligibility is that the offender may not participate in the diversion program if they have previously committed a crime against a person. Subd. 1 (2).*

*Additionally, MS 401.065 subd. 3 states that a diversion program under that section may:*

- (1) provide screening services to the court and the prosecuting authorities to help identify likely candidates for pretrial diversion;*
- (2) establish goals for diverted offenders and monitor performance of these goals;*
- (3) perform chemical dependency assessments of diverted offenders where indicated, make appropriate referrals for treatment, and monitor treatment and aftercare;*
- (4) provide individual, group, and family counseling services;*
- (5) oversee the payment of victim restitution by diverted offenders;*
- (6) assist diverted offenders in identifying and contacting appropriate community resources;*

- (7) *provide educational services to diverted offenders to enable them to earn high school diploma or GED; and*
- (8) *provide accurate information on how diverted offenders perform in the program to the court, prosecutors, defense attorneys, and probation officers.*

*Finally, any diversion program that is created under MS. 401.065 that deals with offenses with a severity level of a misdemeanor or greater has a mandatory reporting duty to provide to the Bureau of Criminal Apprehension. The information that must be provided is:*

- (1) *The name and date of birth of each diversion program participant and any identifying information the superintendent considers necessary;*
- (2) *The date on which the individual began to participate in the diversion program;*
- (3) *The date on which the individual is expected to complete the diversion program;*
- (4) *The date on which the individual successfully completed the diversion program, where applicable; and*
- (5) *The date on which the individual was removed from the diversion program for failure to successfully complete the individual's goals, where applicable.*

*From researching Minnesota Statutes and Minnesota case law, the ability to establish a pretrial diversion program is within the sole discretion of the prosecuting authority. Specifically, it has been stated that:*

*“A prosecuting attorney may dismiss a charge against a defendant upon the defendant's successful completion of a pretrial diversion program. Minn. R. Crim. P. 30.01. A pretrial diversion is the decision of a prosecutor to refer an offender to a diversion program on condition that the criminal charges against the defender will be dismissed after a specified period of time, or the case will not be charged, if the offender successfully completes the program.” State v. Adams, 1996 WL 208495.*

*Additionally, Adams stated:*

*“Nothing in the diversion-program statute provides for judicial review of a prosecutor’s decision to divert offenders from the criminal process. Indeed, both the statute and the rules of criminal procedures vest the prosecuting attorney with the authority to decide which offenders to refer for pretrial diversion and the terms of an individual offender’s program. Such a decision, therefore, is an exercise of prosecutorial discretion,*

*With these facts in mind, it is the County’s Attorney’s opinion that Wabasha County can have a safe driving diversionary program that works with offenders who have received traffic citations. The benefit of such a program is that it would divert a large amount of low level offenses from an already overburdened court system.*

Auditor’s Reply:

The Client’s Response cites two statutes as providing a basis for the County’s Safe Driving Class. Neither statute provides such authority. Minnesota Statutes § 388.24 applies only to juveniles. Minnesota Statutes § 401.065 only provides authority to provide a diversion programs for “offenders” as the term is defined in the statute. The statute defines “offender” as a person charged or about to be charged with “a felony, gross misdemeanor or misdemeanor crime.” The persons being offered the County’s Safe Driving Class in lieu of filing their uniform state traffic ticket are not “offenders” under this statute; the “simpler” traffic violations are defined under state law as a “petty misdemeanors.” *See* Minn. Stat. § 169.89.

Minnesota Statutes ch. 169 deals with traffic violations. No provision of this chapter authorizes the Wabasha County Safe Driving Class.

The Minnesota Attorney General reviewed all of these statutes back in 2003 when responding to Representative Steve Smith, and concluded there was no authority for a pre-charge traffic offense diversion course such as the one operated by Wabasha County. In the December 1, 2003, letter, the Attorney General recognized that Minn. Stat. § 169.89, subd. 5, “authorizes a trial court to require, as part of or in lieu of other penalties, that convicted persons attend a driver improvement clinic. All such programs, however, require that a *trial court* make the determination as to whether attendance at such a clinic is appropriate.” The statutes regarding driver improvement clinics specifically state that such clinics are for “persons convicted of traffic violations.” Minn. Stat. § 169.971. The tuition fee for an authorized clinic may not exceed \$50 or the actual cost of the course. Minn. Stat. § 169.972, subd. 2. The “Safe Driving Class” operated by Wabasha County is not authorized by these statutes.

The Client's Response does not cite any state law that authorizes the County's diversion program or any part of the program.

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

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-10 Disaster Recovery Plan

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

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

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

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

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

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

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

Client's Response:

*Management of Wabasha County understands and recognizes the need for a disaster recovery plan and is in the process of developing one. Once the plan is in place it will be tested and implemented.*

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## **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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 24, 2012. 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

Management of Wabasha County is responsible for establishing and maintaining effective 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.

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

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

### 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 Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Wabasha County did not have any.

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

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

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



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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 24, 2012

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

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

Board of County Commissioners  
Wabasha County

### Compliance

We have audited Wabasha County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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.

As described in item 11-2 in the accompanying Schedule of Findings and Questioned Costs, Wabasha County did not comply with requirements regarding reporting requirements that are applicable to its Temporary Assistance for Needy Families program (CFDA No. 93.558). Compliance with such requirements is necessary, in our opinion, for Wabasha County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Wabasha County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

### Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 11-1. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Wabasha County's corrective action plans to the federal award findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plans and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 24, 2012