

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

YEAR ENDED DECEMBER 31, 2014

## **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 150 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 700 public pension funds; and

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

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

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**WINONA COUNTY  
WINONA, MINNESOTA**

**Year Ended December 31, 2014**



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

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**WINONA COUNTY  
WINONA, MINNESOTA**

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**WINONA COUNTY  
WINONA, MINNESOTA**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2014**

Office	Name	Term Expires
<b>Commissioners</b>		
First District	Jim Pomeroy	January 2015
Second District	Wayne Valentine	January 2015
Third District	Steve Jacob	January 2017
Fourth District	Greg Olson	January 2017
Fifth District	Marcia Ward	January 2015
<b>Officers</b>		
<b>Elected</b>		
Attorney	Karin Sonneman	January 2015
Recorder	Robert Bambenek	January 2015
Sheriff	Dave Brand	January 2015
Auditor/Treasurer	Patrick Moga*	January 2015
<b>Appointed</b>		
Interim County Administrator/ Assistant County Administrator/ Personnel Director	Maureen Holte	Indefinite
Community Health Director	Beth Wilms	Indefinite
County Assessor	Steven Hacken	December 2016
Planning & Environmental Services Director	Jason Gilman	Indefinite
Building Superintendent	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2015
Human Services Director	Beth Wilms	Indefinite
Information Technology Director	Mark Anderson	Indefinite
Veterans Service Officer	Vacant	Indefinite

\*Appointed after the previous Auditor/Treasurer retired mid-term.

**WINONA COUNTY  
WINONA, MINNESOTA**

**ORGANIZATION OF THE COUNTY**

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

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



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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Winona County  
Winona, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winona County's basic financial statements. The supplementary information and other information section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information section which includes the Tax Capacity, Tax Rates, Levies, and Percentage of Collections exhibit has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015, on our consideration of Winona County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winona County's internal control over financial reporting and compliance.

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 24, 2015

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**WINONA COUNTY  
WINONA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014  
(Unaudited)**

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Winona County, Minnesota, for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements, including the notes, to enhance their understanding of the County's financial activity and performance. All amounts are expressed in dollars, unless specifically noted.

**FINANCIAL HIGHLIGHTS**

- At the end of 2014, Winona County's assets exceeded liabilities by \$113.8 million (net position). Of that amount, \$5.1 million is restricted; \$21.4 million is unrestricted net position and may be used to meet the County's ongoing obligations to citizens and creditors. The remaining \$87.3 million is the net investment in capital assets.
- At the close of the current year, the ending fund balances for all governmental funds were \$25.8 million. This is a decrease of \$1.7 million from the previous year. Of the combined ending fund balances, \$11.8 million is unassigned fund balance available for spending by the County.
- At the end of the year, the General Fund's unassigned fund balance was \$11,803,763. The County is not able to assign for cash flow and compensated absences due to Governmental Accounting Standards Board (GASB) 54. The County will pay for compensated absences and cash flow from the unassigned fund balance.
- Total long-term debt decreased by \$976,224, or 16.3 percent, during the year. The decrease was due to reduction in principal.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The three main sections of this report are: introductory, financial, and supplementary. The introductory section contains the County's organizational structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. The basic financial statements have three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The

required supplementary information section contains the budget to actual presentations for the County's major special revenue funds and the General Fund. Other supplementary information is included to enhance reader understanding of the County's financial activity. An example is information about federal grant programs.

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

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

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

The principal support for governmental activities for Winona County is property taxes and intergovernmental revenue. Included in governmental activities are:

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

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

Budgetary comparisons--Winona County adopts an annual budget for all funds, and budgetary comparison schedules are presented for each fund. The EDA Loan Special Revenue Fund was created in 2008.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

A useful tool for analyzing financial statements is comparative information from previous years. Net position may be a useful indicator of a government's financial position over time. As of December 31, 2014, assets exceeded liabilities by \$113.8 million. The following table provides a summary of Winona County's governmental net position.

<b>Governmental Net Position</b>			
	<u>2014</u>	<u>2013</u>	<u>Percent Change (%)</u>
<b>Assets</b>			
Current and other assets	\$ 31,784,309	\$ 33,996,127	(7)
Capital assets	<u>92,258,082</u>	<u>92,203,203</u>	-
Total Assets	<u>\$ 124,042,391</u>	<u>\$ 126,199,330</u>	(2)
<b>Liabilities</b>			
Current and other liabilities	\$ 2,063,740	\$ 2,178,880	(5)
Long-term liabilities	<u>8,142,700</u>	<u>9,330,259</u>	(13)
Total Liabilities	<u>\$ 10,206,440</u>	<u>\$ 11,509,139</u>	(11)
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 250,000</u>	(100)
<b>Net position</b>			
Net investment in capital assets	\$ 87,314,170	\$ 86,247,987	1
Restricted	5,076,365	4,574,152	11
Unrestricted	<u>21,445,416</u>	<u>23,618,052</u>	(9)
Total Net Position	<u>\$ 113,835,951</u>	<u>\$ 114,440,191</u>	(1)

The largest portion of Winona County's net position, 76.7 percent, or \$87.3 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt; however, resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional \$5.1 million of the County's net position, or 4.5 percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as public safety projects.

The remaining \$21.4 million of net position, or 18.8 percent, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2014, Winona County had positive balances in all categories of net position.

Change in net position--In 2014, government-wide expenses exceeded revenues by \$0.6 million, thereby decreasing net position. Net position changed as follows:

<b>Change in Net Position</b>			
	<u>2014</u>	<u>2013</u>	<u>Percent Change (%)</u>
<b>Revenues</b>			
Program revenues			
Fees, charges, fines, and other	\$ 5,835,609	\$ 4,465,041	31
Operating grants and contributions	13,917,525	15,786,233	(12)
Capital grants and contributions	649,715	-	100
General revenues			
Property taxes	15,844,049	15,904,023	-
Grants and contributions not restricted to specific programs	2,818,004	2,332,512	21
Unrestricted investment earnings	183,254	125,084	47
Other	644,681	776,688	(17)
<b>Total Revenues</b>	<u>\$ 39,892,837</u>	<u>\$ 39,389,581</u>	1
<b>Expenses</b>			
General government	\$ 6,964,959	\$ 8,422,243	(17)
Public safety	7,294,212	7,076,448	3
Highways and streets	10,134,315	5,685,401	78
Sanitation	1,308,623	1,342,581	(3)
Human services	11,586,633	11,813,719	(2)
Health	1,959,041	2,274,398	(14)
Interest	171,290	209,374	(18)
Other	1,078,004	933,206	16
<b>Total Expenses</b>	<u>\$ 40,497,077</u>	<u>\$ 37,757,370</u>	7
<b>Change in Net Position</b>	<u>\$ (604,240)</u>	<u>\$ 1,632,211</u>	(137)
<b>Net Position - January 1</b>	<u>114,440,191</u>	<u>112,807,980</u>	1
<b>Net Position - December 31</b>	<u>\$ 113,835,951</u>	<u>\$ 114,440,191</u>	(1)

The following three statements depict relationships:

- Program revenues indicate the proportion of program revenue available to fund expenses. Program revenues derive from the program itself or outside the County's taxpayers or citizenry and help reduce the cost of the program.

- General revenues by source indicate the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 40 percent of the total revenue for the County.
- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$15.8 million are leveraged to provide \$40.5 million in services.

Governmental activities decreased Winona County's net position by \$0.6 million, which is 2 percent of current year revenues, 1 percent of current year expenses, or 1 percent of beginning net position. The following are the major components of this decrease:

- overall, expenses increased by 7 percent from 2013 to 2014; and
- operating grants decreased by 12 percent and other revenues decreased by 17 percent.

## **FUND LEVEL FINANCIAL ANALYSIS**

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

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

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

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

For the year ended December 31, 2014, the combined ending fund balances of governmental funds were \$25.8 million. Approximately 83.4 percent, or \$21.5 million, of the combined ending fund balances consists of unassigned and assigned fund balances. Assigned fund balances are available as working capital and for current spending consistent with the purposes of each of the specific funds. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it is restricted or in nonspendable form for the following purposes:

- inventories,
- debt service,

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

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

- (1) The General Fund is the primary operating fund of Winona County. The General Fund's fund balance was \$14.5 million at the end of 2014. Of that amount, \$1.3 million is restricted for such items as forfeited property and donations. Nonspendable fund balance of \$77.3 thousand is for loans receivable. In addition, the Board of County Commissioners has assigned \$1.3 million for recycling, employee wellness, tobacco settlement, and future expenditures. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unassigned fund balance is \$11,803,763, or 69 percent, of 2014 expenditures, while total fund balance is 85 percent of the same amount. The County is not able to assign fund balance for compensated absences and cash flow due to GASB 54. Winona County will use the unassigned amount to cover compensated absences and cash flow. A listing of compensated absences can be obtained in Note 3.C.2. (Compensated Absences). The second purpose is to compare the unrestricted fund balance percentages to the recommended percentage given by the Office of the State Auditor. The recommendations are 35 to 50 percent of operating revenues, or no less than five months of expenditures. Winona County's General Fund unrestricted fund balance is sufficient to cover nine months of expenditures.

When compared to 2013, the ending fund balance of the General Fund increased \$565,863.

- (2) The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$2.9 million fund balance at the end of 2014 that represented a \$1.7 million, or 154 percent, increase from 2013. The increase was due to revenues recognized in the current year related to expenditures incurred in the previous year.
- (3) The Community Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services and health programs supported by federal, state, and local taxpayer dollars. The fund had a \$2.8 million fund balance at the end of 2014 that represented a \$1.9 million, or 40 percent, decrease from the 2013 fund balance due to increased out-of-home placements and mental health costs.



- (4) The Capital Projects Fund exists to account for construction and capital purchases. The fund balance at the end of 2014 was \$3,089,573. The fund balance decreased by \$2,271,504. The decrease is due to investments in two highway shops and capital equipment.

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

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

**General Fund Budgetary Highlights**

The Winona County Board of Commissioners approves the budget for all governmental funds for the next year during a December Board meeting. Approval is done by resolution. The most significant budgeted fund is the General Fund.

For 2014, the Board of County Commissioners adopted the following budget:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources</u>
Board-adopted (Original)	\$ 17,609,337	\$ 18,046,801	\$ 404,783

The adopted General Fund budget anticipated using \$32,681 of fund balance. There was one approved budget adjustment for the General Fund. General Fund actual revenues were \$10,887 below final budget, and actual expenditures were \$965,324 below final budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

Winona County’s investment in capital assets for its governmental activities as of December 31, 2014, was \$92.3 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

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

	Capital Assets		Percent Change (%)
	2014	2013	
Capital assets not depreciated			
Land	\$ 6,138,087	\$ 6,122,571	-
Construction in progress	1,632,942	9,884,401	(83)
Total capital assets not depreciated	\$ 7,771,029	\$ 16,006,972	(51)
Capital assets depreciated			
Buildings	\$ 24,962,523	\$ 24,962,523	-
Improvements other than buildings	485,641	485,641	-
Machinery, furniture, and equipment	11,314,116	11,428,377	(1)
Infrastructure	75,595,560	65,785,965	15
Total capital assets depreciated	\$ 112,357,840	\$ 102,662,506	9
Less: accumulated depreciation for			
Buildings	\$ 3,959,409	\$ 3,693,889	7
Improvements other than buildings	232,073	218,830	6
Machinery, furniture, and equipment	5,948,316	6,082,362	(2)
Infrastructure	17,730,989	16,471,194	8
Total accumulated depreciation	\$ 27,870,787	\$ 26,466,275	5
Total capital assets depreciated, net	\$ 84,487,053	\$ 76,196,231	11
Governmental Activities Capital Assets, Net	\$ 92,258,082	\$ 92,203,203	-

### Outstanding Long-Term Debt

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

#### Outstanding Long-Term Debt

	Governmental Activities	
	2014	2013
Loans	\$ 77,280	\$ 48,504
General obligation bonds	4,925,000	5,930,000
Total	\$ 5,002,280	\$ 5,978,504

The outstanding debt listed above for Winona County decreased \$976,224 due to principal reduction for the 2014 payment.

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

Additional information about Winona County's long-term debt can be found in Notes 3.C.3. to 3.C.5. in the financial statements.

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

### Unemployment

The 12-month average for unemployment in 2014 for the U.S., Minnesota, and Winona County was 6.17 percent, 4.09 percent, and 3.64 percent, respectively. This compared to 2013 averages of 7.4 percent, 5.0 percent, and 4.6 percent.

### New Construction

New construction for all of Winona County was valued at \$25.3 million in 2014, which is payable in 2014.

### State Financial Position

The state forecast is better than it has been in previous years. The county program aid for counties will stay flat for 2015. At the present time, counties do not have levy limits. There have been no significant mandate reliefs for counties.

### Budgeting Approach

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

All of these factors are being considered in preparing the Winona County budget for 2015.

## **REQUESTS FOR INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014**

**Assets**

Cash and pooled investments	\$ 24,216,963
Petty cash and change funds	2,950
Taxes receivable - prior	338,219
Special assessments receivable - prior	18,574
Accounts receivable - net	2,013,964
Accrued interest receivable	81,328
Notes receivable	131,219
Loans receivable	903,360
Due from other governments	3,812,602
Inventories	265,130
Capital assets	
Non-depreciable	7,771,029
Depreciable - net of accumulated depreciation	84,487,053
<b>Total Assets</b>	<b>\$ 124,042,391</b>

**Liabilities**

Accounts payable	\$ 1,178,359
Salaries payable	512,874
Contracts payable	225,376
Due to other governments	76,665
Accrued interest payable	70,466
Long-term liabilities	
Due within one year	1,336,745
Due in more than one year	5,724,413
Net OPEB obligation	1,081,542
<b>Total Liabilities</b>	<b>\$ 10,206,440</b>

**Net Position**

Net investment in capital assets	\$ 87,314,170
Restricted for	
General government	690,021
Public safety	577,714
Highways and streets	1,043,413
Culture and recreation	7,828
Debt service	1,238,628
Economic development	1,401,924
Conservation of natural resources	39,557
Loan receivable - non-expendable	77,280
Unrestricted	21,445,416
<b>Total Net Position</b>	<b>\$ 113,835,951</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Operating Grants and Contributions</b>		<b>Capital Grants and Contributions</b>
<b>Functions/Programs</b>					
<b>Primary government</b>					
<b>Governmental activities</b>					
General government	\$ 6,964,959	\$ 1,490,193	\$ 570,459	\$ -	\$ (4,904,307)
Public safety	7,294,212	708,446	487,057	-	(6,098,709)
Highways and streets	10,134,315	6,824	5,761,871	649,715	(3,715,905)
Sanitation	1,308,623	900,146	5,000	-	(403,477)
Human services	11,586,633	1,157,358	6,020,956	-	(4,408,319)
Health	1,959,041	1,353,128	564,069	-	(41,844)
Culture and recreation	290,946	3,153	-	-	(287,793)
Conservation of natural resources	739,835	57,418	507,713	-	(174,704)
Economic development	47,223	158,943	400	-	112,120
Interest	171,290	-	-	-	(171,290)
<b>Total Governmental Activities</b>	<b>\$ 40,497,077</b>	<b>\$ 5,835,609</b>	<b>\$ 13,917,525</b>	<b>\$ 649,715</b>	<b>\$ (20,094,228)</b>
<b>General Revenues</b>					
Property taxes				\$ 15,844,049	
Mortgage registry and deed tax				29,409	
Taxes - other				3,615	
Payments in lieu of tax				308,012	
Grants and contributions not restricted to specific programs				2,818,004	
Unrestricted investment earnings				183,254	
Miscellaneous				296,479	
Gain on sale of capital assets				7,166	
<b>Total general revenues</b>				<b>\$ 19,489,988</b>	
<b>Change in net position</b>				<b>\$ (604,240)</b>	
<b>Net Position - Beginning</b>				<b>114,440,191</b>	
<b>Net Position - Ending</b>				<b>\$ 113,835,951</b>	

## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**WINONA COUNTY  
WINONA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<b>General</b>	<b>Special Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 14,896,164	\$ 2,209,494
Petty cash and change funds	2,850	-
Taxes receivable - prior	209,270	38,353
Special assessments - prior	18,574	-
Accounts receivable - net	180,899	1,524
Accrued interest receivable	81,328	-
Notes receivable	-	-
Loans receivable	77,280	-
Due from other funds	1,688	-
Due from other governments	402,730	2,296,839
Inventories	-	265,130
	<b>\$ 15,870,783</b>	<b>\$ 4,811,340</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 575,403	\$ 51,389
Salaries payable	284,315	48,080
Contracts payable	-	184,372
Due to other funds	107,743	-
Due to other governments	1,367	1,730
	<b>\$ 968,828</b>	<b>\$ 285,571</b>
 <b>Deferred Inflows of Resources</b>		
Unavailable revenue	<b>\$ 421,570</b>	<b>\$ 1,652,391</b>

**EXHIBIT 3**

<u>Revenue Funds</u>		<u>Other</u>	
<u>Community</u>	<u>Capital</u>	<u>Governmental</u>	<u>Total</u>
<u>Services</u>	<u>Projects</u>	<u>Funds</u>	
\$ 2,382,184	\$ 3,051,526	\$ 1,677,595	\$ 24,216,963
100	-	-	2,950
57,574	8,467	24,555	338,219
-	-	-	18,574
1,831,541	-	-	2,013,964
-	-	-	81,328
-	-	131,219	131,219
-	-	826,080	903,360
52,800	54,943	-	109,431
968,261	144,772	-	3,812,602
-	-	-	265,130
<b><u>\$ 5,292,460</u></b>	<b><u>\$ 3,259,708</u></b>	<b><u>\$ 2,659,449</u></b>	<b><u>\$ 31,893,740</u></b>
\$ 541,567	\$ 10,000	\$ -	\$ 1,178,359
180,479	-	-	512,874
-	41,004	-	225,376
1,688	-	-	109,431
73,568	-	-	76,665
<b><u>\$ 797,302</u></b>	<b><u>\$ 51,004</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,102,705</u></b>
<b><u>\$ 1,743,281</u></b>	<b><u>\$ 119,131</u></b>	<b><u>\$ 18,897</u></b>	<b><u>\$ 3,955,270</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<b>General</b>	<b>Special Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances,</u></b>		
<b>(Continued)</b>		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 265,130
Loans receivable	77,280	-
Restricted for		
Debt service	-	-
Law library	11,890	-
Apple Blossom Drive	7,828	-
Recorder's unallocated equipment purchases	333,937	-
Recorder's equipment purchases	289,235	-
Enhanced 911	373,339	-
Sheriff's contingency	5,000	-
DARE	19,365	-
Sheriff's forfeited property	1,428	-
Attorney's forfeited property	54,627	-
Explorer post	332	-
Police dog donations	3,453	-
Permits to carry	163,928	-
Aquatic invasive species	39,557	-
Dive and rescue	11,201	-
Economic development	-	-
Assigned		
Specific projects	1,108,688	-
Highways and streets	-	2,608,248
Capital improvements	-	-
Health and human services	-	-
Recycling	97,382	-
Employee wellness	18,296	-
Tobacco settlement	59,856	-
Unassigned	11,803,763	-
<b>Total Fund Balances</b>	<b>\$ 14,480,385</b>	<b>\$ 2,873,378</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 15,870,783</b>	<b>\$ 4,811,340</b>



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

<u>Revenue Funds</u> <u>Community Services</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 265,130
-	-	-	77,280
-	-	1,238,628	1,238,628
-	-	-	11,890
-	-	-	7,828
-	-	-	333,937
-	-	-	289,235
-	-	-	373,339
-	-	-	5,000
-	-	-	19,365
-	-	-	1,428
-	-	-	54,627
-	-	-	332
-	-	-	3,453
-	-	-	163,928
-	-	-	39,557
-	-	-	11,201
-	-	1,401,924	1,401,924
-	-	-	1,108,688
-	-	-	2,608,248
-	3,089,573	-	3,089,573
2,751,877	-	-	2,751,877
-	-	-	97,382
-	-	-	18,296
-	-	-	59,856
-	-	-	11,803,763
<b>\$ 2,751,877</b>	<b>\$ 3,089,573</b>	<b>\$ 2,640,552</b>	<b>\$ 25,835,765</b>
<b>\$ 5,292,460</b>	<b>\$ 3,259,708</b>	<b>\$ 2,659,449</b>	<b>\$ 31,893,740</b>

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>25,835,765</b>
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		92,258,082
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.		3,955,270
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
General obligation bonds	\$ (4,925,000)	
Loans payable	(77,280)	
Bond discount	2,946	
Bond premium	(21,858)	
Net OPEB obligation	(1,081,542)	
Accrued interest payable	(70,466)	
Compensated absences	(2,039,966)	(8,213,166)
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b>\$ 113,835,951</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>General</b>	<b>Special Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 10,238,384	\$ 1,692,961
Special assessments	271,668	-
Licenses and permits	234,281	-
Intergovernmental	3,958,753	6,985,988
Charges for services	2,108,759	4,654
Fines and forfeits	45,990	-
Gifts and contributions	25,905	-
Investment earnings	183,254	-
Miscellaneous	531,456	110,164
	<b>\$ 17,598,450</b>	<b>\$ 8,793,767</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 7,449,208	\$ 4,275
Public safety	7,134,481	-
Highways and streets	-	6,827,418
Sanitation	1,305,016	-
Human services	-	-
Health	171,337	-
Culture and recreation	290,946	-
Conservation of natural resources	730,650	-
Economic development	17,839	-
<b>Intergovernmental</b>		
Highways and streets	-	242,653
<b>Debt service</b>		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
	<b>\$ 17,099,477</b>	<b>\$ 7,074,346</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 498,973</b>	<b>\$ 1,719,421</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 131,631	\$ -
Transfers out	(107,743)	(4,140)
Proceeds from loans issued	35,836	-
Proceeds from sale of capital assets	7,166	-
	<b>\$ 66,890</b>	<b>\$ (4,140)</b>
<b>Change in Fund Balance</b>	<b>\$ 565,863</b>	<b>\$ 1,715,281</b>
<b>Fund Balance - January 1</b>	<b>13,914,522</b>	<b>1,130,194</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>27,903</b>
<b>Fund Balance - December 31</b>	<b>\$ 14,480,385</b>	<b>\$ 2,873,378</b>

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

**EXHIBIT 5**

<u>Revenue Funds</u>		<u>Other</u>	
<u>Community Services</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Total</u>
\$ 2,415,889	\$ 334,031	\$ 1,211,550	\$ 15,892,815
-	-	9,285	280,953
25,700	-	-	259,981
7,547,611	5,536	20,687	18,518,575
1,357,652	249,368	-	3,720,433
-	-	-	45,990
-	-	-	25,905
-	-	21,221	204,475
313,197	45,678	136,352	1,136,847
<b>\$ 11,660,049</b>	<b>\$ 634,613</b>	<b>\$ 1,399,095</b>	<b>\$ 40,085,974</b>
\$ -	\$ 458,323	\$ -	\$ 7,911,806
-	214,905	-	7,349,386
-	2,265,084	-	9,092,502
-	22,748	-	1,327,764
11,554,108	-	-	11,554,108
1,895,225	-	-	2,066,562
-	-	-	290,946
-	-	-	730,650
-	-	29,384	47,223
-	-	-	242,653
-	-	1,012,060	1,012,060
-	-	185,447	185,447
-	-	4,100	4,100
<b>\$ 13,449,333</b>	<b>\$ 2,961,060</b>	<b>\$ 1,230,991</b>	<b>\$ 41,815,207</b>
<b>\$ (1,789,284)</b>	<b>\$ (2,326,447)</b>	<b>\$ 168,104</b>	<b>\$ (1,729,233)</b>
\$ 52,800	\$ 54,943	\$ -	\$ 239,374
(127,491)	-	-	(239,374)
-	-	-	35,836
-	-	-	7,166
<b>\$ (74,691)</b>	<b>\$ 54,943</b>	<b>\$ -</b>	<b>\$ 43,002</b>
<b>\$ (1,863,975)</b>	<b>\$ (2,271,504)</b>	<b>\$ 168,104</b>	<b>\$ (1,686,231)</b>
4,615,852	5,361,077	2,472,448	27,494,093
-	-	-	27,903
<b>\$ 2,751,877</b>	<b>\$ 3,089,573</b>	<b>\$ 2,640,552</b>	<b>\$ 25,835,765</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT 6*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (1,686,231)**

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 unavailable. 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 unavailable revenue.

Unavailable revenue - December 31	\$ 3,955,270	
Unavailable revenue - January 1	(4,155,573)	(200,303)

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

Expenditures for general capital assets and infrastructure	\$ 2,579,200	
Net book value of assets disposed of	(179,853)	
Current depreciation	(2,344,468)	54,879

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

Principal repayments		
General obligation bonds	\$ 1,005,000	
Loans	7,060	
Loans issued	(35,836)	976,224

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

Change in OPEB obligation	\$ (85,362)	
Change in accrued interest payable	11,953	
Change in compensated absences	290,393	
Change in inventories	27,903	
Amortization of premiums/discounts	6,304	251,191

**Change in Net Position of Governmental Activities (Exhibit 2) \$ (604,240)**

**FIDUCIARY FUNDS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2014**

	<u>HC Garvin Private-Purpose Trust</u>	<u>Agency Funds</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ -	\$ 1,733,912
Investments	47,715	-
Accrued interest receivable	89	-
<b>Total Assets</b>	<b><u>\$ 47,804</u></b>	<b><u>\$ 1,733,912</u></b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 89	\$ 720,800
Due to other governments	-	1,013,112
<b>Total Liabilities</b>	<b><u>\$ 89</u></b>	<b><u>\$ 1,733,912</u></b>
<b><u>Net Position</u></b>		
Net position, held in trust	<b><u>\$ 47,715</u></b>	

WINONA COUNTY  
WINONA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>HC Garvin Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Interest on investments	\$ 356
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<u>356</u>
<b>Change in net position</b>	<b>\$ -</b>
<b>Net Position - January 1</b>	<b><u>47,715</u></b>
<b>Net Position - December 31</b>	<b><u><u>\$ 47,715</u></u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Component Units

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

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

Winona County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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 separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Private-Purpose Trust Fund accounts for resources legally held in trust for others.

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

C. Measurement Focus and Basis of Accounting

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

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

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, 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 2014 were \$194,335.

Winona County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC). The investment in the pool is measured at the amortized cost per share provided by the pool which would approximate fair value.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. There were no advances in 2014.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

Accounts receivable is shown net of an allowance for uncollectibles.

3. Inventories

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

4. Capital Assets

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

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



**WINONA COUNTY  
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1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

5. Compensated Absences

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

6. Unearned Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. There was no unearned revenue in 2014.

**WINONA COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one such item. The County reports unavailable revenue in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Classification of Net Position

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

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

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

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

10. Classification of Fund Balances

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

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

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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

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

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

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

Minimum Fund Balance Policy

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

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.

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**WINONA COUNTY  
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2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The Debt Service Fund expenditures of \$1,201,607 exceeded the final budget of \$1,197,513 by \$4,094.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	\$	24,216,963
Petty cash and change funds		2,950
Statement of fiduciary net position		
Private-purpose trust		
Investments		47,715
Agency		
Cash and pooled investments		1,733,912
Total Cash and Investments	\$	26,001,540
Deposits	\$	9,922,622
Petty cash and change funds	\$	2,950
Negotiable securities	\$	13,441,796
Mutual funds		2,634,172
Total investments	\$	16,075,968
Total Deposits, Cash on Hand, and Investments	\$	26,001,540

**WINONA COUNTY  
WINONA, MINNESOTA**

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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's policy is to follow state law which requires that all deposits be insured or collateralized. As of December 31, 2014, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

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



**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2014, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 3 Years</u>
Investments subject to interest rate risk			
Negotiable securities	\$ 13,441,796	<u>\$ 6,956,000</u>	<u>\$ 6,485,796</u>
Investments not subject to interest rate risk			
Mutual funds	<u>2,634,172</u>		
Total Investments	<u>\$ 16,075,968</u>		

Credit Risk

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

The County's exposure to credit risk as of December 31, 2014, is as follows:

<u>Standard &amp; Poor's Rating</u>	<u>Fair Value</u>
AAAm	\$ 54,006
Not rated	2,580,166
Not applicable	<u>13,441,796</u>
Total	<u>\$ 16,075,968</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy limits the dollar amount invested in securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name to no more than ten percent at any time during the year. As of December 31, 2014, the County does not have any investments exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit. There are no investments in a single issuer that have more than a five percent concentration of total investments.

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, for Winona County's governmental activities, including the applicable allowances for uncollectibles (Community Services Special Revenue Fund) accounts, are as follows:

	Receivable (Gross)	Less: Allowance for Uncollectibles	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	\$ 338,219	\$ -	\$ 338,219	\$ -
Special assessments	18,574	-	18,574	-
Accounts	8,332,986	(6,319,022)	2,013,964	-
Interest	81,328	-	81,328	-
Loans receivable	903,360	-	903,360	792,629
Notes receivable	131,219	-	131,219	-
Due from other governments	3,812,602	-	3,812,602	-
Total Governmental Activities	<u>\$ 13,618,288</u>	<u>\$ (6,319,022)</u>	<u>\$ 7,299,266</u>	<u>\$ 793,394</u>

The loans receivable of \$826,080 in the EDA Loan Special Revenue Fund were made with funding through the State of Minnesota to help qualified businesses directly and adversely affected by the 2007 flood. Part of the loans may be written off if the business meets qualifications for a period of time, and part of the loans will be paid back by the businesses at a rate of one percent. Also, there are loans receivable of \$77,280 in the General Fund. The County received a state grant to assist property owners that had failing septic systems. The loans receivable balance includes \$110,731 to be collected in the subsequent year, \$103,529 for the EDA Loan Special Revenue Fund loans, and \$7,202 for the General Fund loans.

**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 6,122,571	\$ 15,516	\$ -	\$ 6,138,087
Construction in progress	9,884,401	1,472,687	9,724,146	1,632,942
Total capital assets not depreciated	<u>\$ 16,006,972</u>	<u>\$ 1,488,203</u>	<u>\$ 9,724,146</u>	<u>\$ 7,771,029</u>
Capital assets depreciated				
Buildings	\$ 24,962,523	\$ -	\$ -	\$ 24,962,523
Improvements other than buildings	485,641	-	-	485,641
Machinery, furniture, and equipment	11,428,377	1,005,548	1,119,809	11,314,116
Infrastructure	65,785,965	9,809,595	-	75,595,560
Total capital assets depreciated	<u>\$ 102,662,506</u>	<u>\$ 10,815,143</u>	<u>\$ 1,119,809</u>	<u>\$ 112,357,840</u>
Less: accumulated depreciation for				
Buildings	\$ 3,693,889	\$ 265,520	\$ -	\$ 3,959,409
Improvements other than buildings	218,830	13,243	-	232,073
Machinery, furniture, and equipment	6,082,362	805,910	939,956	5,948,316
Infrastructure	16,471,194	1,259,795	-	17,730,989
Total accumulated depreciation	<u>\$ 26,466,275</u>	<u>\$ 2,344,468</u>	<u>\$ 939,956</u>	<u>\$ 27,870,787</u>
Total capital assets depreciated, net	<u>\$ 76,196,231</u>	<u>\$ 8,470,675</u>	<u>\$ 179,853</u>	<u>\$ 84,487,053</u>
Governmental Activities Capital Assets, Net	<u>\$ 92,203,203</u>	<u>\$ 9,958,878</u>	<u>\$ 9,903,999</u>	<u>\$ 92,258,082</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	356,030
Public safety		306,996
Highways and streets, including depreciation of infrastructure assets		1,668,139
Human services		3,649
Sanitation		3,033
Conservation of natural resources		6,621
Total Depreciation Expense - Governmental Activities	\$	2,344,468

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community Services Fund	\$ 1,688
Community Services Fund	General Fund	52,800
Capital Projects Fund	General Fund	54,943
Total Due To/From Other Funds		\$ 109,431

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

<u>Fund From</u>	<u>Fund To</u>	<u>Amount</u>	
General Fund	Capital Projects Fund	\$ 54,943	Transfer expenditures
General Fund	Community Services Fund	52,800	Transfer state revenues
Road and Bridge Fund	General Fund	4,140	Transfer retiree insurance
Community Services Fund	General Fund	125,803	Transfer retiree insurance
Community Services Fund	General Fund	<u>1,688</u>	Transfer state revenues
Total Transfers		<u>\$ 239,374</u>	

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2014. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and bridges	\$ 4,181,931	\$ 1,844,019

2. Compensated Absences

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

The value of the compensated absences cash payout option for eligible employees at the end of 2014 is \$885,865.

**WINONA COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Bonds

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
General obligation bonds					
2010 G.O. Capital Improvement Plan Bonds	2021	\$225,000 - \$265,000	2.00 - 4.00	\$ 2,400,000	\$ 1,725,000
2009A G.O. Capital Improvement Plan Refunding Bonds	2024	\$25,000 - \$445,000	2.00 - 4.00	3,735,000	1,880,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	\$400,000 - \$460,000	4.00	<u>3,435,000</u>	<u>1,320,000</u>
Total General Obligation Bonds				<u>\$ 9,570,000</u>	<u>\$ 4,925,000</u>

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

Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
South Branch Whitewater River Watershed Bacteria Reduction Project Loan Payable	2018	\$3,958 - \$7,799	2.00	\$ 69,472	\$ 41,444
Ag Best Management Loan Program	2024	\$3,312 - \$6,335	-	<u>35,836</u>	<u>35,836</u>
Total General Obligation Bonds and and Loans				<u>\$ 105,308</u>	<u>\$ 77,280</u>

Beginning in 2014, Ag Best funds were received through the Minnesota Department of Agriculture. The loan terms are ten years with no interest. The County is required to repay the Minnesota Department of Agriculture. All loans are secured by special assessments placed on the individual parcels requesting repair of a failing system. Loan payments are made from the General Fund and Debt Service Fund.

**WINONA COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Revenue Bonds		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 230,000	\$ 54,750	\$ 825,000	\$ 97,462
2016	235,000	48,350	855,000	67,963
2017	240,000	40,925	895,000	37,237
2018	245,000	32,738	445,000	14,281
2019	250,000	24,075	30,000	6,525
2020 - 2024	525,000	20,450	150,000	16,200
Total	<u>\$ 1,725,000</u>	<u>\$ 221,288</u>	<u>\$ 3,200,000</u>	<u>\$ 239,668</u>

Year Ending December 31	Loans Payable	
	Principal	Interest
2015	\$ 7,202	\$ 793
2016	13,682	648
2017	10,806	501
2018	11,057	350
2019	11,313	195
2020 - 2024	23,220	40
Total	<u>\$ 77,280</u>	<u>\$ 2,527</u>



**WINONA COUNTY  
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 5,930,000	\$ -	\$ 1,005,000	\$ 4,925,000	\$ 1,055,000
Premium on bonds	29,144	-	7,286	21,858	-
Discounts on bonds	(3,928)	-	(982)	(2,946)	-
Total bonds payable	\$ 5,955,216	\$ -	\$ 1,011,304	\$ 4,943,912	\$ 1,055,000
Loans payable	48,504	35,836	7,060	77,280	7,202
Compensated absences	2,330,359	1,416,657	1,707,050	2,039,966	274,543
Governmental Activities					
Long-Term Liabilities	\$ 8,334,079	\$ 1,452,493	\$ 2,725,414	\$ 7,061,158	\$ 1,336,745

D. Deferred Inflows/Outflows of Resources

1. Deferred Outflows

There were no deferred outflows of resources for the year ended December 31, 2014.

2. Deferred Inflows

As of December 31, 2014, there were various components of unavailable revenue as follows:

Taxes	\$ 261,793
Special assessments	16,137
Intergovernmental	1,786,803
Miscellaneous	1,890,537
Total Unavailable Revenue	<u>\$ 3,955,270</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

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.

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

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

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

For 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.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 721,578	\$ 703,788	\$ 699,716
Public Employees Police and Fire Fund	138,780	129,295	123,663
Public Employees Correctional Fund	76,361	73,161	74,110

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	Employee	Employer
Contribution amount	\$ 4,847	\$ 4,847
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

The County provides health insurance benefits for qualifying retired employees under a single-employer self-insured plan, financed and administered by Winona County and the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota, under contract with the Southeast Service Cooperative, is the claims administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from

**WINONA COUNTY  
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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program.

Retirees are required to pay 100 percent of the total group rate. The premium is a blended rate determined on the entire active and retiree population. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate "subsidy." As of January 1, 2013, 35 retirees were receiving health benefits from the County's health plan. As of year-end, the County has 25 participants. Some employees who leave in good standing with more than ten years of service and who have a minimum accumulation of 100 days of unused sick leave may convert it to paid-up health insurance for the employee only, according to the following schedule:

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

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

Elected Officials

After completing two full terms as an elected County Commissioner and being at least 50 years of age, a Commissioner may receive one year of single health insurance. This benefit is provided pursuant to County Board Resolution 95-27. The County had no participants in 2014.

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities or (funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$	493,447
Interest on net OPEB obligations		44,828
Adjustment to ARC		<u>(63,299)</u>
Annual OPEB cost	\$	474,976
Contribution during the year		<u>(389,614)</u>
Increase (Decrease) in net OPEB obligation	\$	85,362
Net OPEB - Beginning of Year		<u>996,180</u>
Net OPEB - End of Year	\$	<u>1,081,542</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2014, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed (%)	Net OPEB Obligation
December 31, 2012	\$ 383,906	\$ 314,493	81.91%	\$ 866,822
December 31, 2013	477,928	348,570	72.93	996,180
December 31, 2014	474,976	389,614	82.03	1,081,542

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2013	\$ -	\$ 4,056,205	\$ 4,056,205	0.00%	\$ 13,419,180	30.20%

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

Actuarial Methods and Assumptions

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

In the January 1, 2013, actuarial valuation, the Projected Unit Credit Actuarial Method was used. The actuarial assumptions included a 4.5 percent discount rate (net of expenses), including an inflation assumption of 2.5 percent and an annual health care cost rate of 7.5 percent initially, and reduced incrementally to an ultimate rate of 5.0 percent after 5 years. The initial unfunded actuarial accrued liability is being amortized as a level dollar amount over a closed period (not to exceed 30 years) beginning in 2008.



**WINONA COUNTY  
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5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$490,000 in 2015. If any insurance and self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

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

Premiums are paid by the fund receiving the benefits.

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Southeastern Minnesota Multi-County HRA

Winona County is a member of the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) that provides housing and redevelopment services to the County. Each member county appoints members to the governing body that consists of a Board of Commissioners. The HRA approves its own budget. Winona County did not contribute to the operations of the HRA in 2014. However, the Board of County Commissioners approves the levy for the HRA each year.

Complete financial statements for the HRA can be obtained at 134 East Second Street, Wabasha, Minnesota 55981.

Family Service Collaborative

Winona County has created the Winona Family Service Collaborative pursuant to an interagency agreement and Minn. Stat. § 124D.23. The Collaborative is represented by the following: Winona County; the City of Winona; Independent School Districts 861, 857, and 858; Department of Economic Security Workforce Center; SEMCAC; Hiawatha Valley Mental Health Center; and Hiawatha Valley Education District. The Collaborative Board consists of 21 members, of which Winona County appoints 2. The

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Family Service Collaborative (Continued)

Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. The Winona Area Public Schools became the fiscal agent for the Collaborative in 2011. The Collaborative had \$229,333 of expenditures in 2014.

Separate financial information can be obtained at <http://www.winonak12.mn.us> or Winona Area Public Schools, 903 Gilmore Avenue, Winona, Minnesota 55987

Southeast Minnesota Emergency Communications Board

The Southeast Minnesota Emergency Communications Board serves to provide regional administration of enhancement to the allied Radio Matrix for Emergency Response (ARMER) system owned and operated by the State of Minnesota and enhance and improve interoperable public safety communications. During the year, the County paid \$1,000 to the Southeast Minnesota Emergency Communications Board.

Southeastern Minnesota Narcotics Task Force

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

D. Jointly-Governed Organizations

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

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to several counties. During the year, the County paid \$4,500 to the Southeast Minnesota Water Resources Board.

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeast Minnesota Emergency Medical Services

Southeast Minnesota Emergency Medical Services provides various health services to several counties. During the year, the County did not contribute to this organization.

Southeastern Libraries Cooperative

The Southeastern Libraries Cooperative provides library services within the County. During the year, the County paid \$10,984 to the Southeastern Libraries Cooperative.

Southeastern Community Action Council

The Southeastern Community Action Council (SEMCAC) provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. During the year, Winona County did not contribute to SEMCAC.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Winona County expended \$113,901 to MCCC.

Whitewater Joint Powers Board

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

Southeast Service Cooperative

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

**WINONA COUNTY  
WINONA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Sentence to Serve Program

Winona County purchases services from the state for the Sentence to Serve Program. During the year, Winona County made payments of \$116,312.

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. Winona County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Minnesota Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Winona County did not contribute to the Joint Powers.

Southeast Minnesota Immunization Connection

The Southeast Minnesota Immunization Connection (SEMIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. During the year, Winona County did not contribute to SEMIC.

E. Related Organization

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2014, the County settled with Watershed Number One for property taxes collected in the amount of \$7,540.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 10,141,435	\$ 10,141,435	\$ 10,238,384	\$ 96,949
Special assessments	273,606	273,606	271,668	(1,938)
Licenses and permits	217,818	217,818	234,281	16,463
Intergovernmental	3,548,474	3,548,474	3,958,753	410,279
Charges for services	2,587,600	2,587,600	2,108,759	(478,841)
Fines and forfeits	19,050	19,050	45,990	26,940
Gifts and contributions	8,900	8,900	25,905	17,005
Investment earnings	200,010	200,010	183,254	(16,756)
Miscellaneous	612,444	612,444	531,456	(80,988)
<b>Total Revenues</b>	<b>\$ 17,609,337</b>	<b>\$ 17,609,337</b>	<b>\$ 17,598,450</b>	<b>\$ (10,887)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 220,084	\$ 220,084	\$ 195,475	\$ 24,609
Courts	144,712	144,712	180,558	(35,846)
Law library	38,500	38,500	40,253	(1,753)
County administration	471,823	471,823	333,284	138,539
County auditor/treasurer	311,869	311,869	201,881	109,988
License bureau	202,493	202,493	195,416	7,077
County assessor	540,026	540,026	509,009	31,017
Elections	57,400	57,400	76,377	(18,977)
Accounting and auditing	695,086	695,086	546,079	149,007
Data processing	965,053	965,053	687,014	278,039
Personnel	612,662	612,662	595,224	17,438
Attorney	1,519,494	1,519,494	1,361,737	157,757
Recorder	522,196	540,196	343,618	196,578
Planning and zoning	555,027	555,027	528,901	26,126
Maintenance	1,057,960	1,057,960	805,651	252,309
Veterans service officer	158,915	158,915	101,932	56,983
Other general government	783,363	783,363	746,799	36,564
<b>Total general government</b>	<b>\$ 8,856,663</b>	<b>\$ 8,874,663</b>	<b>\$ 7,449,208</b>	<b>\$ 1,425,455</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,281,588	\$ 2,281,588	\$ 2,348,170	\$ (66,582)
Boat and water safety	33,662	33,662	35,598	(1,936)
Emergency services	183,154	183,154	184,209	(1,055)
E-911 system	137,737	137,737	320,910	(183,173)
County jail	2,234,562	2,234,562	2,386,334	(151,772)
Law enforcement center	1,079,712	1,079,712	1,132,720	(53,008)
Probation and parole	788,679	788,679	722,072	66,607
DARE program	2,500	2,500	4,468	(1,968)
<b>Total public safety</b>	<b>\$ 6,741,594</b>	<b>\$ 6,741,594</b>	<b>\$ 7,134,481</b>	<b>\$ (392,887)</b>
<b>Sanitation</b>				
Recycling	\$ 1,316,314	\$ 1,316,314	\$ 1,305,016	\$ 11,298
<b>Health</b>				
Environmental health	\$ 184,363	\$ 184,363	\$ 171,337	\$ 13,026
<b>Culture and recreation</b>				
Historical society	\$ 55,000	\$ 55,000	\$ 55,000	\$ -
Parks	13,446	13,446	16,262	(2,816)
Regional library	219,684	219,684	219,684	-
<b>Total culture and recreation</b>	<b>\$ 288,130</b>	<b>\$ 288,130</b>	<b>\$ 290,946</b>	<b>\$ (2,816)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 152,348	\$ 152,348	\$ 153,034	\$ (686)
Soil and water conservation	105,000	105,000	163,000	(58,000)
Feedlot	95,935	95,935	93,600	2,335
Agricultural inspection	4,788	4,788	3,754	1,034
Wetland challenge	43,062	43,062	33,092	9,970
Other	206,469	206,469	245,620	(39,151)
Agricultural society/County fair	38,550	38,550	38,550	-
<b>Total conservation of natural resources</b>	<b>\$ 646,152</b>	<b>\$ 646,152</b>	<b>\$ 730,650</b>	<b>\$ (84,498)</b>
<b>Economic development</b>				
Other	\$ 13,585	\$ 13,585	\$ 17,839	\$ (4,254)
<b>Total Expenditures</b>	<b>\$ 18,046,801</b>	<b>\$ 18,064,801</b>	<b>\$ 17,099,477</b>	<b>\$ 965,324</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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>	<u>\$ (437,464)</u>	<u>\$ (455,464)</u>	<u>\$ 498,973</u>	<u>\$ 954,437</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 389,783	\$ 407,783	\$ 131,631	\$ (276,152)
Transfers out	-	-	(107,743)	(107,743)
Proceeds from loans issued	-	-	35,836	35,836
Proceeds from sale of capital assets	15,000	15,000	7,166	(7,834)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 404,783</u>	<u>\$ 422,783</u>	<u>\$ 66,890</u>	<u>\$ (355,893)</u>
<b>Change in Fund Balance</b>	<u>\$ (32,681)</u>	<u>\$ (32,681)</u>	<u>\$ 565,863</u>	<u>\$ 598,544</u>
<b>Fund Balance - January 1</b>	<u>13,914,522</u>	<u>13,914,522</u>	<u>13,914,522</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 13,881,841</u></u>	<u><u>\$ 13,881,841</u></u>	<u><u>\$ 14,480,385</u></u>	<u><u>\$ 598,544</u></u>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 1,687,085	\$ 1,687,085	\$ 1,692,961	\$ 5,876
Intergovernmental	7,823,148	7,823,148	6,985,988	(837,160)
Charges for services	4,500	4,500	4,654	154
Miscellaneous	183,000	183,000	110,164	(72,836)
<b>Total Revenues</b>	<b>\$ 9,697,733</b>	<b>\$ 9,697,733</b>	<b>\$ 8,793,767</b>	<b>\$ (903,966)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Surveyor	\$ 199,879	\$ 199,879	\$ 4,275	\$ 195,604
<b>Highways and streets</b>				
Administration	\$ 388,974	\$ 388,974	\$ 396,373	\$ (7,399)
Maintenance	1,796,858	1,796,858	1,834,396	(37,538)
Construction	6,168,535	6,168,535	3,664,758	2,503,777
Equipment maintenance and shop	476,667	476,667	513,792	(37,125)
Materials and services for resale	432,820	432,820	418,099	14,721
<b>Total highways and streets</b>	<b>\$ 9,263,854</b>	<b>\$ 9,263,854</b>	<b>\$ 6,827,418</b>	<b>\$ 2,436,436</b>
<b>Intergovernmental</b>	<b>\$ 234,000</b>	<b>\$ 234,000</b>	<b>\$ 242,653</b>	<b>\$ (8,653)</b>
<b>Total Expenditures</b>	<b>\$ 9,697,733</b>	<b>\$ 9,697,733</b>	<b>\$ 7,074,346</b>	<b>\$ 2,623,387</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,719,421</b>	<b>\$ 1,719,421</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(4,140)	(4,140)
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,715,281</b>	<b>\$ 1,715,281</b>
<b>Fund Balance - January 1</b>	<b>1,130,194</b>	<b>1,130,194</b>	<b>1,130,194</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>27,903</b>	<b>27,903</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,130,194</b>	<b>\$ 1,130,194</b>	<b>\$ 2,873,378</b>	<b>\$ 1,743,184</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,406,610	\$ 2,406,610	\$ 2,415,889	\$ 9,279
Licenses and permits	29,700	29,700	25,700	(4,000)
Intergovernmental	7,288,335	7,288,335	7,547,611	259,276
Charges for services	1,401,846	1,401,846	1,357,652	(44,194)
Miscellaneous	375,850	375,850	313,197	(62,653)
<b>Total Revenues</b>	<b>\$ 11,502,341</b>	<b>\$ 11,502,341</b>	<b>\$ 11,660,049</b>	<b>\$ 157,708</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 3,106,266	\$ 3,106,266	\$ 3,617,444	\$ (511,178)
Social services	6,248,682	6,248,682	7,742,004	(1,493,322)
Care grant	-	-	194,660	(194,660)
<b>Total human services</b>	<b>\$ 9,354,948</b>	<b>\$ 9,354,948</b>	<b>\$ 11,554,108</b>	<b>\$ (2,199,160)</b>
<b>Health</b>				
Nurse services	\$ 205,082	\$ 205,082	\$ 210,298	\$ (5,216)
Maternal and child health	465,454	465,454	378,613	86,841
County health officer	259,000	259,000	275,711	(16,711)
Health center	1,217,857	1,217,857	1,030,603	187,254
<b>Total health</b>	<b>\$ 2,147,393</b>	<b>\$ 2,147,393</b>	<b>\$ 1,895,225</b>	<b>\$ 252,168</b>
<b>Total Expenditures</b>	<b>\$ 11,502,341</b>	<b>\$ 11,502,341</b>	<b>\$ 13,449,333</b>	<b>\$ (1,946,992)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,789,284)</b>	<b>\$ (1,789,284)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 52,800	\$ 52,800
Transfers out	-	-	(127,491)	(127,491)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (74,691)</b>	<b>\$ (74,691)</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,863,975)</b>	<b>\$ (1,863,975)</b>
<b>Fund Balance - January 1</b>	<b>4,615,852</b>	<b>4,615,852</b>	<b>4,615,852</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,615,852</b>	<b>\$ 4,615,852</b>	<b>\$ 2,751,877</b>	<b>\$ (1,863,975)</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT A-4**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2014**

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, 2009	\$ -	\$ 2,875,818	\$ 2,875,818	0.00%	\$ 13,866,076	20.70%
January 1, 2011	-	3,786,238	3,786,238	0.00	14,065,939	26.90
January 1, 2013	-	4,056,205	4,056,205	0.00	13,419,180	30.20

**WINONA COUNTY  
WINONA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

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

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

2. Excess of Expenditures Over Budget

The Community Services Special Revenue Fund expenditures of \$13,449,333 exceeded the final budget of \$11,502,341 by \$1,946,992 due to out of home placement and mental health services being higher than budgeted.

3. Other Postemployment Benefits

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero.

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

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**SUPPLEMENTARY INFORMATION**

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**MAJOR FUND**

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 333,111	\$ 333,111	\$ 334,031	\$ 920
Intergovernmental	4,857	4,857	5,536	679
Charges for services	450,000	450,000	249,368	(200,632)
Miscellaneous	-	-	45,678	45,678
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Revenues</b>	<b>\$ 787,968</b>	<b>\$ 787,968</b>	<b>\$ 634,613</b>	<b>\$ (153,355)</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 780,300	\$ 1,031,951	\$ 458,323	\$ 573,628
Public safety	145,900	145,900	214,905	(69,005)
Highways and streets	1,539,500	1,989,500	2,265,084	(275,584)
Sanitation	22,268	22,268	22,748	(480)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Expenditures</b>	<b>\$ 2,487,968</b>	<b>\$ 3,189,619</b>	<b>\$ 2,961,060</b>	<b>\$ 228,559</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,700,000)</b>	<b>\$ (2,401,651)</b>	<b>\$ (2,326,447)</b>	<b>\$ 75,204</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,700,000	2,401,651	54,943	(2,346,708)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,271,504)</b>	<b>\$ (2,271,504)</b>
<b>Fund Balance - January 1</b>	<b>5,361,077</b>	<b>5,361,077</b>	<b>5,361,077</b>	<b>-</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Fund Balance - December 31</b>	<b>\$ 5,361,077</b>	<b>\$ 5,361,077</b>	<b>\$ 3,089,573</b>	<b>\$ (2,271,504)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

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**WINONA COUNTY  
WINONA, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUND**

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

**DEBT SERVICE FUND**

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

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT C-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<u>EDA Loan Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 444,625	\$ 1,232,970	\$ 1,677,595
Taxes receivable - prior	-	24,555	24,555
Notes receivable	131,219	-	131,219
Loans receivable	826,080	-	826,080
	<b>\$ 1,401,924</b>	<b>\$ 1,257,525</b>	<b>\$ 2,659,449</b>
<b><u>Deferred Inflows of Resources and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	\$ -	\$ 18,897	\$ 18,897
<b>Fund Balances</b>			
Restricted for			
Debt service	\$ -	\$ 1,238,628	\$ 1,238,628
Economic development	1,401,924	-	1,401,924
	<b>\$ 1,401,924</b>	<b>\$ 1,238,628</b>	<b>\$ 2,640,552</b>
<b>Total Fund Balances</b>	<b>\$ 1,401,924</b>	<b>\$ 1,238,628</b>	<b>\$ 2,640,552</b>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,401,924</b>	<b>\$ 1,257,525</b>	<b>\$ 2,659,449</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT C-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>EDA Loan Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 1,211,550	\$ 1,211,550
Special assessments	-	9,285	9,285
Intergovernmental	-	20,687	20,687
Investment earnings	21,221	-	21,221
Miscellaneous	136,352	-	136,352
<b>Total Revenues</b>	<b><u>\$ 157,573</u></b>	<b><u>\$ 1,241,522</u></b>	<b><u>\$ 1,399,095</u></b>
<b>Expenditures</b>			
<b>Current</b>			
Economic development	\$ 29,384	\$ -	\$ 29,384
<b>Debt service</b>			
Principal	-	1,012,060	1,012,060
Interest	-	185,447	185,447
Administrative (fiscal) charges	-	4,100	4,100
<b>Total Expenditures</b>	<b><u>\$ 29,384</u></b>	<b><u>\$ 1,201,607</u></b>	<b><u>\$ 1,230,991</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ 128,189</u></b>	<b><u>\$ 39,915</u></b>	<b><u>\$ 168,104</u></b>
<b>Fund Balance - January 1</b>	<b><u>1,273,735</u></b>	<b><u>1,198,713</u></b>	<b><u>2,472,448</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 1,401,924</u></u></b>	<b><u><u>\$ 1,238,628</u></u></b>	<b><u><u>\$ 2,640,552</u></u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
EDA LOAN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 215,000	\$ 215,000	\$ 21,221	\$ (193,779)
Miscellaneous	-	-	136,352	136,352
<b>Total Revenues</b>	<b>\$ 215,000</b>	<b>\$ 215,000</b>	<b>\$ 157,573</b>	<b>\$ (57,427)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Other economic development	215,000	215,000	29,384	185,616
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 128,189</b>	<b>\$ 128,189</b>
<b>Fund Balance - January 1</b>	<b>1,273,735</b>	<b>1,273,735</b>	<b>1,273,735</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,273,735</b>	<b>\$ 1,273,735</b>	<b>\$ 1,401,924</b>	<b>\$ 128,189</b>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,209,657	\$ 1,209,657	\$ 1,211,550	\$ 1,893
Special assessments	-	-	9,285	9,285
Intergovernmental	20,537	20,537	20,687	150
<b>Total Revenues</b>	<b>\$ 1,230,194</b>	<b>\$ 1,230,194</b>	<b>\$ 1,241,522</b>	<b>\$ 11,328</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,005,000	\$ 1,005,000	\$ 1,012,060	\$ (7,060)
Interest	184,513	184,513	185,447	(934)
Administrative (fiscal) charges	8,000	8,000	4,100	3,900
<b>Total Expenditures</b>	<b>\$ 1,197,513</b>	<b>\$ 1,197,513</b>	<b>\$ 1,201,607</b>	<b>\$ (4,094)</b>
<b>Change in Fund Balance</b>	<b>\$ 32,681</b>	<b>\$ 32,681</b>	<b>\$ 39,915</b>	<b>\$ 7,234</b>
<b>Fund Balance - January 1</b>	<b>1,198,713</b>	<b>1,198,713</b>	<b>1,198,713</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,231,394</b>	<b>\$ 1,231,394</b>	<b>\$ 1,238,628</b>	<b>\$ 7,234</b>

**FIDUCIARY FUNDS**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**AGENCY FUNDS**

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

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

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

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

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

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>EMPLOYEE BENEFIT PLANS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>138,630</u>	\$ <u>997,619</u>	\$ <u>1,009,633</u>	\$ <u>126,616</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ <u>138,630</u>	\$ <u>997,619</u>	\$ <u>1,009,633</u>	\$ <u>126,616</u>
 <b><u>EMPLOYEE BENEFIT PLANS - LIABILITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>420,980</u>	\$ <u>594,184</u>	<u>420,980</u>	\$ <u>594,184</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ <u>420,980</u>	\$ <u>594,184</u>	\$ <u>420,980</u>	\$ <u>594,184</u>
 <b><u>SETTLEMENT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>572,158</u>	\$ <u>49,464,164</u>	\$ <u>49,181,749</u>	\$ <u>854,573</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>572,158</u>	\$ <u>49,464,164</u>	\$ <u>49,181,749</u>	\$ <u>854,573</u>

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT D-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 109,794	\$ 1,197,937	\$ 1,180,082	\$ 127,649
<b><u>Liabilities</u></b>				
Due to other governments	\$ 109,794	\$ 1,197,937	\$ 1,180,082	\$ 127,649
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 44,476	\$ 69,002	\$ 82,588	\$ 30,890
<b><u>Liabilities</u></b>				
Due to other governments	\$ 44,476	\$ 69,002	\$ 82,588	\$ 30,890
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,286,038	\$ 52,322,906	\$ 51,875,032	\$ 1,733,912
<b><u>Liabilities</u></b>				
Accounts payable	\$ 559,610	\$ 1,591,803	\$ 1,430,613	\$ 720,800
Due to other governments	726,428	50,731,103	50,444,419	1,013,112
<b>Total Liabilities</b>	<b>\$ 1,286,038</b>	<b>\$ 52,322,906</b>	<b>\$ 51,875,032</b>	<b>\$ 1,733,912</b>

## **OTHER SCHEDULES**

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**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT E-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Shared Revenue**

**State**

Highway users tax	\$ 5,396,500
PERA rate reimbursement	54,309
Disparity reduction aid	40,731
Police aid	152,320
County program aid	2,509,188
County program aid - aquatic	39,557
Agricultural conservation credit	39,013
Market value credit	167,572
Enhanced 911	134,606
Performance aid credit	7,191
	7,191

**Total shared revenue**

**\$ 8,540,987**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 867,486
	867,486

**Payments**

**Local**

Local contributions	\$ 5,000
Payments in lieu of taxes	308,012
	308,012

**Total payments**

**\$ 313,012**

**Grants**

**State**

Minnesota Department/Board of	
Public Safety	\$ 45,554
Health	261,189
Natural Resources	101,306
Human Services	2,285,756
Corrections	101,954
Transportation	1,086,062
Water and Soil Resources	250,312
Veterans Affairs	25,000
Peace Officer Standards and Training Board	6,436
Pollution Control Agency	164,365
	164,365

**Total state**

**\$ 4,327,934**

WINONA COUNTY  
WINONA, MINNESOTA

*EXHIBIT E-1*  
*(Continued)*

SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014

Grants (Continued)

Federal

Department of

Agriculture	\$	593,101
Interior		4,968
Justice		296,436
Transportation		226,730
Environmental Protection		71,890
Education		1,526
Health and Human Services		3,237,767
Homeland Security		36,738

**Total federal**

**\$ 4,469,156**

**Total state and federal grants**

**\$ 8,797,090**

**Total Intergovernmental Revenue**

**\$ 18,518,575**

**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT E-2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>State Pass-Through Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	12-700-00102	10.557	\$ 122,203
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	NA	10.561	<u>399,848</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 522,051</u></b>
<b>U.S. Department of the Interior</b>			
Direct Fish and Wildlife Management Assistance	NA	15.608	<b><u>\$ 4,968</u></b>
<b>U.S. Department of Justice</b>			
Direct Supervised Visitation, Safe Havens for Children	NA	16.527	\$ 119,846
Drug Court Discretionary Grant Program	NA	16.585	96,389
State Criminal Alien Assistance Program	NA	16.606	4,309
Bulletproof Vest Partnership Program	NA	16.607	3,445
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grants	NA	16.588	9,099
Edward Byrne Memorial Justice Assistance Grant Program	NA	16.738	<u>63,348</u>
<b>Total U.S. Department of Justice</b>			<b><u>\$ 296,436</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	NA	20.205	\$ 168,663
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	NA	20.600	20,273
National Priority Safety Programs	NA	20.616	1,800
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	NA	20.608	<u>7,750</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 198,486</u></b>

**WINONA COUNTY  
WINONA, MINNESOTA**

**EXHIBIT E-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>State Pass-Through Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Environmental Protection Agency</b>			
Passed Through Southeast Minnesota Water Resource Board Nonpoint Source Implementation Grants	NA	66.460	<b>\$ 71,890</b>
<b>U.S. Department of Education</b>			
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	12-700-00102	84.181	<b>\$ 2,289</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through the National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	12-700-0102	93.008	\$ 3,500
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	12-700-00102	93.069	31,885
Universal Newborn Hearing and Screening Centers for Disease Control and Prevention - Investigations and Technical Assistance	NA	93.251	1,026
Temporary Assistance for Needy Families	NA	93.283	150
(Total Temporary Assistance for Needy Families 93.558 \$520,107)	NA	93.558	34,960
Maternal and Child Health Services Block Grant to the States	12-700-00102	93.994	43,608
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	NA	93.556	15,505
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$520,107)	NA	93.558	485,147
Child Support Enforcement	NA	93.563	680,047
Refugee and Entrant Assistance - State Administered Programs	NA	93.566	2,074
Child Care and Development Block Grant	NA	93.575	22,142
Stephanie Tubbs Jones Child Welfare Services Program	NA	93.645	19,344
Foster Care - Title IV-E	NA	93.658	130,994
Social Services Block Grant	NA	93.667	284,718
Child Abuse and Neglect State Grants	NA	93.669	2,663
Chafee Foster Care Independence Program	NA	93.674	3,025
Children's Health Insurance Program	NA	93.767	169
Medical Assistance Program	NA	93.778	997,615
Block Grants for Community Mental Health Services	NA	93.958	<u>11,721</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 2,770,293</b>



**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT E-2  
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>State Pass-Through Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	NA	97.012	\$ 6,962
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	NA	97.042	<u>29,810</u>
<b>Total U.S. Department of Homeland Security</b>			<u>\$ 36,772</u>
<b>Total Federal Awards</b>			<u>\$ 3,903,185</u>

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**WINONA COUNTY  
WINONA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Winona County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Winona County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Winona County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,469,156
2013 grant revenue received in 2014	
Medical Assistance Program (CFDA #93.778)	(198,083)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	(401,183)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA #10.561)	(71,050)
Foster Care - Title IV-E (CFDA #93.658)	(15,483)
Public Health Emergency Preparedness (CFDA #93.069)	(6,370)
Child Care and Development Block Grant (CFDA #93.575)	(1,622)
Child Support Enforcement (CFDA #93.563)	(120,592)
Temporary Assistance for Needy Families (CFDA #93.558)	(129,542)
Highway Planning and Construction (CFDA #20.205)	(43,244)
Block Grants for Community Mental Health Services (CFDA #93.958)	(12,825)
Emergency Management Performance Grants (CFDA #97.042)	(29,776)

**WINONA COUNTY  
WINONA, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Grants received more than 60 days after year-end, unavailable in 2014	
Medical Assistance Program (CFDA #93.778)	2,637
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	401,183
Child Care and Development Block Grant (CFDA #93.575)	1,815
Special Education - Grants for Infants and Families (CFDA #84.181)	763
Temporary Assistance for Needy Families (CFDA #93.558)	12,591
Highway Planning and Construction (CFDA #20.205)	15,000
Emergency Management Performance Grants (CFDA #97.042)	<u>29,810</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,903,185</u>

5. Passed Through to Subrecipients

During 2014, Winona County did not pass any federal money to subrecipients.

**Other Information  
Section**

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**WINONA COUNTY  
WINONA, MINNESOTA**

*EXHIBIT F-1*

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS  
FOR CALENDAR YEARS 2012 THROUGH 2014**

	<u>Tax Year 2012</u>		<u>Tax Year 2013</u>		<u>Tax Year 2014</u>	
	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>
<b>Tax Capacity</b>						
Real property	\$ 38,054,058		\$ 37,787,095		\$ 40,334,526	
Personal property	597,591		685,504		692,285	
Tax increment financing	(40,170)		(38,874)		(36,754)	
<b>Net Tax Capacity</b>	<b>\$ 38,611,479</b>		<b>\$ 38,433,725</b>		<b>\$ 40,990,057</b>	
<b>Tax Levied for County</b>						
County Revenue	\$ 9,799,929	26.05	\$ 9,825,369	26.23	\$ 10,195,414	25.44
Road and Bridge	1,949,866	5.07	1,904,093	4.97	1,713,853	4.20
Community Services	3,232,119	8.40	2,672,060	6.98	2,444,480	5.98
CIP	453,115	1.17	477,937	1.24	451,624	1.10
2010A Bond Debt	311,866	0.81	307,163	0.80	473,822	1.16
CIP Bond 2007	451,596	1.17	451,872	1.18	302,438	0.74
Building/Capital Improvement	774,183	2.01	315,820	0.83	337,968	0.83
<b>Net Tax Levy</b>	<b>\$ 16,972,674</b>	<b>44.684</b>	<b>\$ 15,954,314</b>	<b>42.221</b>	<b>\$ 15,919,599</b>	<b>39.444</b>
	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>
<b>Taxable Valuations</b>						
Light and power tax						
Transmission lines	\$ 34,044	\$ 1,739,700	\$ 40,320	\$ 2,053,500	\$ 40,432	\$ 2,059,100
Distribution lines	17,400	907,500	19,196	997,300	27,934	1,434,200
<b>Total Taxable Valuations - Light and Power Tax</b>	<b>\$ 51,444</b>	<b>\$ 2,647,200</b>	<b>\$ 59,516</b>	<b>\$ 3,050,800</b>	<b>\$ 68,366</b>	<b>\$ 3,493,300</b>
<b>Light and Power Tax Levy</b>						
Transmission lines	\$ 32,326	\$ 4,530	\$ 37,235	\$ 5,143	\$ 34,615	\$ 5,441
Distribution lines	16,522	2,363	17,727	2,498	23,915	3,790
<b>Total Light and Power Tax Levy</b>	<b>\$ 48,848</b>	<b>\$ 6,893</b>	<b>\$ 54,962</b>	<b>\$ 7,641</b>	<b>\$ 58,530</b>	<b>\$ 9,231</b>
<b>Percentage of Tax Collections for All Purposes</b>	<b>98.39%</b>		<b>98.66%</b>			

(Unaudited)

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**WINONA COUNTY  
WINONA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

The major programs are:

State Administrative Matching Grants for the	
Supplemental Nutrition Assistance Program	CFDA #10.561
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

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

Winona County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2012-001

Segregation of Duties/Vendor Setup

**Criteria:** Internal controls should be designed to provide for an adequate segregation of functions and responsibilities so no one person has incompatible duties which would permit the perpetration and concealment of material irregularities.

**Condition:** Procedures were established to have personnel independent of the vendor payment process add new vendors or make changes to existing vendor files. However, it was noted during our audit that personnel who process vendor payments in the accounting system also have the ability to add new vendors or make changes to existing vendor files.

**Context:** Segregation of duties between processing vendor payments and establishing a new vendor or making changes to an existing vendor on the accounting system is limited due to the number of office personnel within the County.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely manner.

**Cause:** The County indicated it did not realize personnel who process vendor payments in the accounting system also have the ability to add a new vendor or make changes to existing vendor files.

**Recommendation:** We recommend duties of personnel who have the ability to process vendor payments be segregated from the duties of personnel who have the ability to add new vendors or change existing vendor files. If this segregation is not feasible, we recommend personnel independent of the vendor payment process review new vendors or changes to existing vendors.

Client's Response:

*Winona County has developed a process to have the vendor entering done by a person independent of the payment process. This process has been implemented in 2014. Also, the Finance Director and information technology technician will ensure that staff have appropriate authorization to the computer programs needed.*

Finding 2013-001

Segregation of Duties/Disbursements

**Criteria:** Controls in place over operations should be designed to provide reasonable assurance that material errors will be prevented or detected in a timely basis. Warrant registers should be reviewed to the original invoices to ensure disbursements are for approved County expenditures. These procedures should be performed by an employee independent of the vendor payment process on a timely basis.

**Condition:** The County does not have a control in place to prevent employees who process vendor payments into the accounting system from adding and paying unapproved expenditures via County warrant.

**Context:** During 2014, the County established procedures to have a review of original invoices amount to the warrant register amount. This review was not documented, did not include a review to ensure the disbursement was for an approved County expenditure, and was not performed by an employee independent of the vendor payments process.

**Effect:** The absence of internal control procedures increases the risk that errors or irregularities will not be detected in a timely manner.

**Cause:** The County indicated, due to turnover and shortages in staff, this review did not get implemented properly.

**Recommendation:** We recommend the County document that an employee independent of the vendor payment process review the warrant register to original invoices to ensure disbursements are for approved County expenditures.

Client's Response:

*Winona County has developed a process to have invoices reviewed by an independent party. The independent party has no process in entering of bills. The process to review invoices and to scan them has been implemented. The part that was not completed was having the individual sign the report; the individual was only checking off that it was completed. This process has been implemented in 2014 and should not be in the 2015 report.*

## ITEMS ARISING THIS YEAR

Finding 2014-001

### Segregation of Duties/Payroll Entry

**Criteria:** Internal controls should be designed to provide for an adequate segregation of functions and responsibilities so no one person has incompatible duties which would permit the perpetration and concealment of material irregularities. Payroll hours entered into the payroll system should be reviewed to the approved timesheets. This procedure should be performed by an employee independent of the payroll input process in a timely manner.

**Condition:** Procedures were established to have personnel independent of the payroll input process review hours entered into the payroll system to ensure the accuracy of the data input prior to payroll being processed. However, it was noted during our audit that in five of the eight payrolls tested, this review was performed by an employee who is not independent of the payroll input process.

**Context:** County procedures indicate timesheets are to be approved by supervisors. Approved timesheets are sent to the Finance Department where the information is input into the payroll system.

**Effect:** When established internal control procedures are not followed, there is an increased risk that errors or irregularities will not be detected in a timely manner.

**Cause:** The County indicated the individual assigned to the review of payroll data input was unable to perform the review due to turnover and shortages in staff.

**Recommendation:** We recommend an individual independent of the payroll input process review hours input into the payroll accounting system on a timely basis.

### Client's Response:

*Designated staff will verify the information that has been entered into payroll. These staff members will sign the report that has been verified. The Finance Director will verify the wage of the staff that enter information into the paymate system and the staff that do maintenance to the paymate system and sign that this information was reviewed. This finding may end up in 2015 as this was not found until 2015.*

Finding 2014-002

Segregation of Duties/Payroll Maintenance

**Criteria:** Controls in place over operations should be designed to monitor maintenance changes entered into the payroll system.

**Condition:** Personnel responsible for entering maintenance changes into the payroll accounting system are also responsible for processing payroll payments to employees. Procedures were established to have personnel independent of the payroll payment process review a listing (Audit Log) of maintenance changes to the payroll accounting system after each payroll is processed. However, it was noted during our audit that in one of the eight Audit Logs tested, there was no documented review of payroll maintenance changes.

**Context:** When personnel have access to make maintenance changes to the payroll accounting system and process payroll payments, unauthorized changes or payments could be made to the payroll system.

**Effect:** When established internal control procedures are not followed, there is an increased risk that errors or irregularities will not be detected in a timely manner.

**Cause:** The County indicated the review was performed but was not documented.

**Recommendation:** We recommend an individual independent of the payroll payment process review maintenance changes to the payroll accounting system after each payroll on a timely basis.

Client's Response:

*Winona County will ensure that the audit logs are reviewed and signed.*

Finding 2014-003

Audit Adjustment

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

**Condition:** During our audit, we proposed an audit reclassification which resulted in a significant change to Winona County's financial statements. This reclassification was reviewed and approved by the appropriate staff and is reflected in the financial statements.

**Context:** An audit reclassification journal entry was necessary to decrease nonspendable fund balance for long-term loans receivable and increase restricted for economic development fund balance in the EDA Loan Special Revenue Fund.

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

**Cause:** The County indicated the error was made due to using new trial balance software. The County indicated it needed to become more familiar with the formulas in the new trial balance.

**Recommendation:** We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements.

Client's Response:

*A new audit package was used by the Auditors for fiscal year 2014. It was the understanding by the Finance Director that formulas were in the software to determine assigned and restricted amounts in all funds except General Fund. This was a learning year for the Finance Director as to how the audit package actually works. This finding may end up in 2015 as this was not found until 2015.*

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

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2013-002

Reporting Compliance Requirements

**Programs:** U.S. Department of Health and Human Services' State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561), Temporary Assistance for Needy Families (CFDA No. 93.558), Child Support Enforcement (CFDA No. 93.563), and Medical Assistance Program (CFDA No. 93.778)

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



**Criteria:** The Minnesota Department of Human Services issues instructions (DHS Bulletin #14-32-01) for preparing the Income Maintenance quarterly expense reports (Form DHS-2550). These instructions indicate expenditures reported in Section A (Income Maintenance Random Moment Time Study (IMRMS) Expenditures) are direct costs associated with staff required to participate in the random moment time study. Quarterly salaries of time study participants must be reported. Salaries of individuals who should have been participants but were not included in the quarter's random moment sample should not be included. The salaries of those not included in the IMRMS are to be reported in Section E (Income Maintenance Overhead Expenditures).

**Condition:** The County reported salaries and fringe expenditures on Form DHS-2550 Section E for employees who were listed on the random moment study. These employees should have been reported in Section A of the DHS-2550 report. The County also reported salaries and fringe expenditures on Form DHS-2550 Section A for employees who were not listed on the random moment time study. These employees should have been reported in Section E of the DHS-2550 report. During our 2013 audit, we noted that the County incorrectly reported \$56,454 of salaries and fringe expenditures in Section B of Form DHS-2550. We did not note any errors reported in Section B during our current testing of Form DHS-2550.

**Questioned Costs:** Cannot be determined. The Minnesota Department of Human Services determines part of the County's federal reimbursement for multiple programs based upon its random moment time study performed.

**Context:** Form DHS-2550 is used by the State of Minnesota Department of Human Services to reimburse the County federal awards, including the State Administrative Matching Grants for Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Child Support Enforcement, and Medical Assistance Program.

**Effect:** The County incorrectly reported \$39,556 of salaries and fringe expenditures in the second and fourth quarters of 2014 on Form DHS-2550 Section A and Section E. This was projected to a total of \$79,112 for 2014.

**Cause:** The County indicated one employee's salary and fringe expenditures were reported in Section E instead of Section A of the DHS-2550 report because the employee is a supervisor. The County indicated salary and fringe expenditures were reported in Section A instead Section E in error.

**Recommendation:** We recommend the County implement procedures to review the list of employees on the random moment time study and report only these participants in Section A of Form DHS-2550. Those employees not listed on the IMRMS should be reported in Section E of Form DHS-2550.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Pat Moga, Finance Director*

Corrective Action Planned:

*Winona County will implement procedures to ensure that the correct information is submitted on the reports. Winona County has made the recommended changes that the Auditors suggested in the third quarter of 2015. The County worked with the State on Quarters 1 and 2 for year 2015. The State's response was to move forward and make sure the correct staff are being sampled.*

Anticipated Completion Date:

*This was completed for the third quarter of 2015.*

Finding 2013-003

Program Eligibility Intake Function

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

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

**Criteria:** OMB Circular A-133 §.300(b) states the auditee shall maintain internal controls over federal programs which provide reasonable assurance the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Specific criteria are established with respect to eligibility for assistance. Minn. Stat. § 256.056, subd. 3, gives statutory asset limitations for individuals and families.

**Condition:** The State of Minnesota maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our review of the Medical Assistance Program, the asset information in the MAXIS system did not match the supporting documentation provided by the client in 8 of the 40 case files tested.

**Questioned Costs:** Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Context:** The State of Minnesota contracts with the County to perform the “intake function” which includes meeting with the social service client to determine income and categorical eligibility. The state maintains the MAXIS system, which supports the eligibility determination process and actually pays the benefits to the participants.

**Effect:** The improper input of information into the MAXIS system increases the risk eligibility will not be properly determined.

**Cause:** The County indicated the case workers need to be more cautious when updating the asset panel in the MAXIS system when they perform a re-determination of eligibility.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that information to support eligibility determinations is properly input into the MAXIS system.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

*Karen Moore, Fiscal Supervisor III*

Corrective Action Planned:

*These issues were discussed with all staff upon exit of audit personnel. We reviewed asset policy and what programs required what documentation. We also discussed the importance of making sure Maxis information matched any supporting documentation. Because we case bank, this area will be reviewed as the case is accessed by the team.*

Anticipated Completion Date:

*This education/reminder was completed in July 2015.*

## PREVIOUSLY REPORTED ITEM RESOLVED

### **Activities Allowed and Unallowed and Allowable Costs/Cost Principles (CFDA Nos. 93.558 and 93.778) (2012-002)**

Based on our testing of internal controls, 8 of the 60 Temporary Assistance for Needy Families (CFDA No. 93.558) invoices tested and 2 of the 60 Medical Assistance Program (CFDA No. 93.778) invoices tested did not include evidence to indicate they were reviewed and approved by a supervisor who has oversight responsibility.

### **Resolution**

All Temporary Assistance for Needy Families and Medical Assistance Program invoices tested for internal controls contained evidence of approval by a supervisor who has oversight responsibility.

## **IV. OTHER FINDINGS AND RECOMMENDATIONS**

### OTHER ITEM FOR CONSIDERATION

#### *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Winona County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Winona County  
Winona, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2015.

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

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

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

financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2012-001, 2013-001, 2014-001, 2014-002, and 2014-003, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except we did not test for compliance with the provisions for tax increment financing because the County has no tax increment financing.

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



## **Other Matters**

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

## **Winona County's Response to Findings**

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

## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 24, 2015

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REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of Commissioners  
Winona County  
Winona, Minnesota

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

We have audited Winona County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Winona County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Our responsibility is to express an opinion on compliance for each of Winona County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winona County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

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

In our opinion, Winona County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

Winona County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Winona County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2013-003, that we consider to be significant deficiencies.

Winona County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Winona County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 24, 2015

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR