

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WINONA COUNTY
WINONA, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**WINONA COUNTY
WINONA, MINNESOTA**

Year Ended December 31, 2013



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

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**WINONA COUNTY
WINONA, MINNESOTA**

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WINONA, MINNESOTA**

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**WINONA COUNTY
WINONA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2013**

Office	Name	Term Expires
Commissioners		
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
Officers		
Elected		
Attorney	Karin Sonneman	January 2015
Recorder	Robert Bambenek	January 2015
Sheriff	Dave Brand	January 2015
Auditor/Treasurer (Appointed)	Patrick Moga	January 2015
Appointed		
Administrator	Duane Hebert	Indefinite
Community Health Director	Vacant	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
Assistant County Administrator/ Personnel Director	Maureen Holte	Indefinite
Veterans Service Officer	Steven Johnson	June 2014

**WINONA COUNTY
WINONA, MINNESOTA**

ORGANIZATION OF THE COUNTY

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

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

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Winona County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Supplementary 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 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, 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 12, 2014

/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, 2013
(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, 2013. 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 2013, Winona County's assets exceeded liabilities by \$114.4 million (net position). Of that amount, \$4.6 million is restricted; \$23.6 million is unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$86.2 million is invested in capital assets.
- At the close of the current year, the ending fund balances for all governmental funds were \$27.5 million. This is a decrease of \$4.4 million from the previous year. Of the combined ending fund balances, \$10.9 million is unassigned fund balance available for spending by the County.
- At the end of the year, the General Fund's unassigned fund balance was \$10,939,030. 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 for cash flow from the unassigned cash balance.
- Total bonded debt decreased by \$986,921, or 14.2 percent, during the year. The decrease was due to reduction in principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The principal support for governmental activities for Winona County is property taxes and intergovernmental revenue. Governmental activities include:

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

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

Budgetary comparisons--Winona County adopts an annual budget for the General Fund and all special revenue funds. A budgetary comparison schedule has been provided for the General Fund and budgeted special revenue funds. The EDA Loan Special Revenue Fund was created in 2008.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A useful tool for analyzing financial statements is comparative information from previous years. Net position may be a useful indicator of a government's financial position over time. As of December 31, 2013, assets exceeded liabilities by \$114.4 million. The following table provides a summary of Winona County's governmental net position.

Governmental Net Position			
	<u>2013</u>	<u>2012</u>	<u>Percent Change (%)</u>
Assets			
Current and other assets	\$ 33,996,127	\$ 39,811,918	(15)
Capital assets	<u>92,203,203</u>	<u>87,759,961</u>	5
Total Assets	<u>\$ 126,199,330</u>	<u>\$ 127,571,879</u>	(1)
Liabilities			
Current and other liabilities	\$ 2,178,880	\$ 4,675,418	(53)
Long-term liabilities	<u>9,330,259</u>	<u>8,512,923</u>	10
Total Liabilities	<u>\$ 11,509,139</u>	<u>\$ 13,188,341</u>	(13)
Deferred Inflows of Resources	<u>\$ 250,000</u>	<u>\$ 1,575,558</u>	(84)
Net position			
Net investment in capital assets	\$ 86,247,987	\$ 80,818,442	7
Restricted	4,574,152	4,516,353	1
Unrestricted	<u>23,618,052</u>	<u>27,473,185</u>	(14)
Total Net Position	<u>\$ 114,440,191</u>	<u>\$ 112,807,980</u>	1

The largest portion of Winona County's net position, 75.4 percent, or \$86.2 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt. However, resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional \$4.6 million of the County's net position, or 4 percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as land acquisition and public safety projects.

The remaining \$23.6 million of net position, or 20.6 percent, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2013, Winona County had positive balances in all categories of net position.

Change in net position--In 2013, government-wide revenue exceeded expenses by \$1.6 million, thereby increasing net position. Net position changed as follows:

Changes in Net Position			
	<u>2013</u>	<u>2012</u>	<u>Percent Change (%)</u>
Revenues			
Program revenues			
Charges for services	\$ 4,465,041	\$ 4,602,864	(3)
Operating grants and contributions	15,786,233	18,798,169	(16)
General revenues			
Property taxes	15,904,023	16,918,908	(6)
Unrestricted grants	2,332,512	2,797,103	(17)
Investment income	125,084	187,298	(33)
Other	776,688	843,364	(8)
Total Revenues	<u>\$ 39,389,581</u>	<u>\$ 44,147,706</u>	(11)
Expenses			
General government	\$ 8,422,243	\$ 7,522,589	12
Public safety	7,076,448	7,327,643	(3)
Highways and streets	5,685,401	6,916,890	(18)
Sanitation	1,342,581	1,267,566	6
Human services	11,813,719	10,940,285	8
Health	2,274,398	2,462,898	(8)
Interest on long-term debt	209,374	235,391	(11)
Other	933,206	1,024,245	(9)
Total Expenses	<u>\$ 37,757,370</u>	<u>\$ 37,697,507</u>	-
Increase in Net Position	<u>\$ 1,632,211</u>	<u>\$ 6,450,199</u>	(75)
Net Position - January 1	<u>112,807,980</u>	<u>106,357,781</u>	6
Net Position - December 31	<u>\$ 114,440,191</u>	<u>\$ 112,807,980</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 government's taxpayers or citizenry and help reduce the cost of the program.
- General revenue by source indicates the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 40 percent of the total revenue for the County.

- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$15.9 million are leveraged to provide \$37.8 million in services.

Governmental activities increased Winona County's net position by \$1.6 million, which is 4.1 percent of current year revenues, 4.3 percent of current expenses, or 1.4 percent of beginning net position. Following are the major components of this portion of the growth:

- property taxes decreased 6.0 percent;
- expenses for public safety, highways and streets, health, interest on long-term debt, and other departments decreased from 2012 to 2013; and
- unrestricted grants decreased by 16.6 percent, and operating grants decreased by 16.0 percent.

FUND LEVEL FINANCIAL ANALYSIS

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

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

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

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

For the year ended December 31, 2013, the combined ending fund balances of governmental funds were \$27.5 million. Approximately 85.0 percent, or \$23.4 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,
- acquisition of assets,

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

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

- (1) The General Fund is the primary operating fund of the Winona County government. The General Fund's fund balance was \$13.9 million at the end of 2013. Of that amount, \$1.4 million is restricted for acquisition of assets, forfeited property, and donations. Nonspendable cash of \$48.5 thousand is for loans receivable. In addition, the Board of Commissioners has assigned \$1.5 million for recycling, capital improvements, employee wellness, and tobacco settlement. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unassigned fund balance is \$10,939,030, or 66.9 percent, of 2013 expenditures, while total fund balance is 85.1 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 2012, the ending fund balance of the General Fund increased \$78,978.

- (2) The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$1.1 million fund balance at the end of 2013 that represented a \$356 thousand, or 24.0 percent, decrease from 2012. The decrease was due to capital projects.
- (3) The Community Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services and health programs supported by federal, state, and local taxpayer dollars. The fund had a \$4.6 million fund balance at the end of 2013 that represented a \$2.3 million, or 33 percent, decrease from the 2012 fund balance due to the EDMS project and increased out-of-home placement.

- (4) The EDA Loan Special Revenue Fund exists to provide grants and loans to businesses affected by the 2007 flood. Repayment of these loans will be used to fund other loans. The fund balance at the end of 2013 was \$1,273,735.
- (5) The Capital Projects Fund exists to account for construction and capital purchases. The fund balance at the end of 2013 was \$5,361,077. The fund balance decreased by \$1,883,544. The decrease is due to investments in capital equipment and the EDMS project.

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 2013, the Board of Commissioners adopted the following budget:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources</u>
Board-adopted	\$ 16,423,524	\$ 17,153,962	\$ 692,986

The adopted General Fund budget anticipated using \$37,452 of fund balance. There were no approved budget adjustments for the General Fund. General Fund actual revenues were \$181,379 below final budget, and actual expenditures were \$810,875 below budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Winona County’s investment in capital assets for its governmental activities as of December 31, 2013, was \$92.2 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 (%)
	2013	2012	
Capital assets not depreciated			
Land			
General	\$ 2,569,560	\$ 2,518,160	2
Highways	50,085	50,085	-
Highway right-of-way	3,502,926	3,387,104	3
Construction in progress	9,884,401	19,929,603	(50)
Total capital assets not depreciated	\$ 16,006,972	\$ 25,884,952	(38)
Capital assets depreciated			
Buildings	\$ 24,962,523	\$ 24,964,214	-
Improvements other than buildings	485,641	485,641	-
Machinery, furniture, and equipment	11,428,377	10,440,530	9
Infrastructure	65,785,965	50,869,876	29
Total capital assets depreciated	\$ 102,662,506	\$ 86,760,261	18
Less: accumulated depreciation for			
Buildings	\$ 3,693,889	\$ 3,428,772	8
Improvements other than buildings	218,830	205,587	6
Machinery, furniture, and equipment	6,082,362	5,793,148	5
Infrastructure	16,471,194	15,457,745	7
Total accumulated depreciation	\$ 26,466,275	\$ 24,885,252	6
Total capital assets depreciated, net	\$ 76,196,231	\$ 61,875,009	23
Governmental Activities Capital Assets, Net	\$ 92,203,203	\$ 87,759,961	5

Outstanding Long-Term Debt

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

Outstanding Long-Term Debt

	Governmental Activities	
	2013	2012
Notes	\$ 48,504	\$ 55,425
General obligation bonds	5,930,000	6,910,000
Total	\$ 5,978,504	\$ 6,965,425

The outstanding debt listed above for Winona County decreased \$986,921 due to principal reduction for the 2013 payment.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment

The 12-month average for unemployment in 2013 for the U.S., Minnesota, and Winona County was 7.4 percent, 5.0 percent, and 4.6 percent, respectively. This compared to 2012 averages of 8.1 percent, 5.7 percent, and 5.0 percent.

New Construction

New construction for all of Winona County was valued at \$25.7 million in 2013, which is payable in 2013. An increase of 36 percent was experienced from the previous year.

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 2014.

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, 2013**

Assets

Cash and pooled investments	\$	27,422,091
Petty cash and change funds		2,950
Taxes receivable		
Current		214,648
Prior		147,021
Special assessments receivable		
Current		7,723
Prior		10,343
Accounts receivable - net		1,577,045
Accrued interest receivable		36,895
Loan receivable		844,110
Due from other governments		3,496,074
Inventories		237,227
Capital assets		
Non-depreciable		16,006,972
Depreciable - net of accumulated depreciation		76,196,231
Total Assets	\$	126,199,330

Liabilities

Accounts payable	\$	912,840
Salaries payable		435,071
Contracts payable		273,256
Due to other governments		335,123
Accrued interest payable		82,419
Unearned revenue		140,171
Long-term liabilities		
Due within one year		1,287,615
Due in more than one year		8,042,644
Total Liabilities	\$	11,509,139

Deferred Inflows of Resources

Advance allotments	\$	250,000
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Net Position

Net investment in capital assets	\$	86,247,987
Restricted for		
General government		638,108
Public safety		726,151
Highways and streets		675,237
Culture and recreation		8,800
Debt service		1,198,713
Economic development		1,273,735
Loan receivable - non-expendable		48,504
Health		4,904
Unrestricted		23,618,052
Total Net Position	\$	114,440,191

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

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 2

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

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities				
General government	\$ 8,422,243	\$ 1,459,358	\$ 323,227	\$ (6,639,658)
Public safety	7,076,448	402,099	767,021	(5,907,328)
Highways and streets	5,685,401	26,971	7,562,143	1,903,713
Sanitation	1,342,581	981,955	6,842	(353,784)
Human services	11,813,719	460,276	6,357,220	(4,996,223)
Health	2,274,398	1,073,497	589,897	(611,004)
Culture and recreation	290,723	2,202	-	(288,521)
Conservation of natural resources	607,739	46,598	179,883	(381,258)
Economic development	34,744	12,085	-	(22,659)
Interest	209,374	-	-	(209,374)
Total Governmental Activities	<u>\$ 37,757,370</u>	<u>\$ 4,465,041</u>	<u>\$ 15,786,233</u>	<u>\$ (17,506,096)</u>
General Revenues				
Property taxes			\$ 15,904,023	
Mortgage registry and deed tax			33,521	
Taxes - other			3,715	
Payments in lieu of tax			305,753	
Grants and contributions not restricted to specific programs			2,332,512	
Unrestricted investment earnings			125,084	
Miscellaneous			422,458	
Gain on sale of capital assets			11,241	
Total general revenues			<u>\$ 19,138,307</u>	
Change in net position				<u>\$ 1,632,211</u>
Net Position - Beginning				<u>112,807,980</u>
Net Position - Ending				<u>\$ 114,440,191</u>

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WINONA COUNTY
WINONA, MINNESOTA**

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

	General	Special Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 14,168,629	\$ 1,471,669
Petty cash and change funds	2,850	-
Taxes receivable		
Current	132,265	25,609
Prior	84,271	17,841
Special assessments		
Current	7,723	-
Prior	10,343	-
Accounts receivable - net	97,549	5,385
Accrued interest receivable	36,895	-
Loans receivable	48,504	-
Due from other funds	9,110	-
Due from other governments	331,722	1,985,445
Inventories	-	237,227
	\$ 14,929,861	\$ 3,743,176
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 351,623	\$ 114,532
Salaries payable	245,572	46,287
Contracts payable	-	273,256
Due to other funds	-	-
Due to other governments	172,111	7,070
Unearned revenue	-	-
	\$ 769,306	\$ 441,145
Deferred Inflows of Resources		
Unavailable revenue	\$ 246,033	\$ 1,921,837
Advance allotments	-	250,000
	\$ 246,033	\$ 2,171,837

EXHIBIT 3

Revenue Funds					
Community Services	EDA Loan	Capital Projects	Nonmajor Fund Debt Service	Total	
\$ 4,747,798	\$ 618,300	\$ 5,223,273	\$ 1,192,422	\$ 27,422,091	
100	-	-	-	2,950	
35,942	-	4,251	16,581	214,648	
30,599	-	5,417	8,893	147,021	
-	-	-	-	7,723	
-	-	-	-	10,343	
1,474,111	-	-	-	1,577,045	
-	-	-	-	36,895	
-	795,606	-	-	844,110	
-	-	-	-	9,110	
1,009,643	-	169,264	-	3,496,074	
-	-	-	-	237,227	
\$ 7,298,193	\$ 1,413,906	\$ 5,402,205	\$ 1,217,896	\$ 34,005,237	
\$ 414,592	\$ -	\$ 32,093	\$ -	\$ 912,840	
143,212	-	-	-	435,071	
-	-	-	-	273,256	
9,110	-	-	-	9,110	
154,908	-	1,034	-	335,123	
-	140,171	-	-	140,171	
\$ 721,822	\$ 140,171	\$ 33,127	\$ -	\$ 2,105,571	
\$ 1,960,519	\$ -	\$ 8,001	\$ 19,183	\$ 4,155,573	
-	-	-	-	250,000	
\$ 1,960,519	\$ -	\$ 8,001	\$ 19,183	\$ 4,405,573	

**WINONA COUNTY
WINONA, MINNESOTA**

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

	General	Special Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances.</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 237,227
Loans receivable	48,504	-
Restricted for		
Debt service	-	-
Law library	1,602	-
Apple Blossom Drive	8,800	-
Well decontamination	4,904	-
Recorder's unallocated land-based	326,656	-
Recorder's equipment purchases	269,651	-
Enhanced 911	558,961	-
Sheriff's contingency	5,000	-
DARE	18,694	-
Sheriff's forfeited property	6,898	-
Attorney's forfeited property	39,867	-
Explorer post	332	-
Police dog donations	3,813	-
Permits to carry	132,785	-
Economic development	-	-
Assigned		
Future expenditures	1,124,956	-
Highways and streets	-	892,967
Capital improvements	-	-
Health and human services	-	-
Recycling	336,054	-
Employee wellness	18,296	-
Tobacco settlement	69,719	-
Unassigned	10,939,030	-
Total Fund Balances	\$ 13,914,522	\$ 1,130,194
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 14,929,861	\$ 3,743,176

EXHIBIT 3
(Continued)

Revenue Funds				
Community Services	EDA Loan	Capital Projects	Nonmajor Fund Debt Service	Total
\$ -	\$ -	\$ -	\$ -	\$ 237,227
-	-	-	-	48,504
-	-	-	1,198,713	1,198,713
-	-	-	-	1,602
-	-	-	-	8,800
-	-	-	-	4,904
-	-	-	-	326,656
-	-	-	-	269,651
-	-	-	-	558,961
-	-	-	-	5,000
-	-	-	-	18,694
-	-	-	-	6,898
-	-	-	-	39,867
-	-	-	-	332
-	-	-	-	3,813
-	-	-	-	132,785
-	1,273,735	-	-	1,273,735
-	-	-	-	1,124,956
-	-	-	-	892,967
-	-	5,361,077	-	5,361,077
4,615,852	-	-	-	4,615,852
-	-	-	-	336,054
-	-	-	-	18,296
-	-	-	-	69,719
-	-	-	-	10,939,030
\$ 4,615,852	\$ 1,273,735	\$ 5,361,077	\$ 1,198,713	\$ 27,494,093
\$ 7,298,193	\$ 1,413,906	\$ 5,402,205	\$ 1,217,896	\$ 34,005,237

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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, 2013**

Fund balances - total governmental funds (Exhibit 3)	\$	27,494,093
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		92,203,203
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.		4,155,573
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (5,930,000)	
Notes payable	(48,504)	
Bond discount	3,928	
Bond premium	(29,144)	
Net pension obligation	(996,180)	
Accrued interest payable	(82,419)	
Compensated absences	(2,330,359)	
	(9,412,678)	(9,412,678)
Net Position of Governmental Activities (Exhibit 1)	\$	<u>114,440,191</u>

**WINONA COUNTY
WINONA, MINNESOTA**

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

	General	Special Road and Bridge
Revenues		
Taxes	\$ 9,953,999	\$ 1,880,025
Special assessments	292,948	-
Licenses and permits	250,072	-
Intergovernmental	2,880,577	7,320,665
Charges for services	2,179,467	13,730
Fines and forfeits	32,332	-
Gifts and contributions	16,718	-
Investment earnings	127,184	-
Miscellaneous	508,848	160,312
	\$ 16,242,145	\$ 9,374,732
Expenditures		
Current		
General government	\$ 7,619,578	\$ 137,075
Public safety	6,304,148	-
Highways and streets	-	9,368,862
Sanitation	1,335,882	-
Human services	-	-
Health	185,708	-
Culture and recreation	290,723	-
Conservation of natural resources	598,935	-
Economic development	8,113	-
Intergovernmental		
Highways and streets	-	232,262
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
	\$ 16,343,087	\$ 9,738,199
Excess of Revenues Over (Under) Expenditures	\$ (100,942)	\$ (363,467)
Other Financing Sources (Uses)		
Transfers in	\$ 168,679	\$ -
Transfers out	-	(9,348)
Proceeds from sale of capital assets	11,241	-
	\$ 179,920	\$ (9,348)
Change in Fund Balance	\$ 78,978	\$ (372,815)
Fund Balance - January 1	13,835,544	1,486,139
Increase (decrease) in reserved for inventories	-	16,870
Fund Balance - December 31	\$ 13,914,522	\$ 1,130,194

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

EXHIBIT 5

Revenue Funds					
Community Services	EDA Loan	Capital Projects	Nonmajor Fund Debt Service	Total	
\$ 2,645,699	\$ -	\$ 314,031	\$ 1,219,775	\$ 16,013,529	
-	-	-	8,725	301,673	
32,450	-	-	-	282,522	
6,841,944	-	213,225	20,548	17,276,959	
1,185,709	-	82,731	-	3,461,637	
375	-	-	-	32,707	
-	-	-	-	16,718	
-	11,212	-	-	138,396	
352,597	13	7,500	-	1,029,270	
\$ 11,058,774	\$ 11,225	\$ 617,487	\$ 1,249,048	\$ 38,553,411	
\$ -	\$ -	\$ 368,940	\$ -	\$ 8,125,593	
-	-	868,120	-	7,172,268	
-	-	530,076	-	9,898,938	
-	-	-	-	1,335,882	
11,248,647	-	568,895	-	11,817,542	
1,922,431	-	165,000	-	2,273,139	
-	-	-	-	290,723	
-	-	-	-	598,935	
-	26,631	-	-	34,744	
-	-	-	-	232,262	
-	-	-	986,921	986,921	
-	-	-	215,011	215,011	
-	-	-	5,731	5,731	
\$ 13,171,078	\$ 26,631	\$ 2,501,031	\$ 1,207,663	\$ 42,987,689	
\$ (2,112,304)	\$ (15,406)	\$ (1,883,544)	\$ 41,385	\$ (4,434,278)	
\$ -	\$ -	\$ -	\$ -	\$ 168,679	
(159,331)	-	-	-	(168,679)	
-	-	-	-	11,241	
\$ (159,331)	\$ -	\$ -	\$ -	\$ 11,241	
\$ (2,271,635)	\$ (15,406)	\$ (1,883,544)	\$ 41,385	\$ (4,423,037)	
6,887,487	1,289,141	7,244,621	1,157,328	31,900,260	
-	-	-	-	16,870	
\$ 4,615,852	\$ 1,273,735	\$ 5,361,077	\$ 1,198,713	\$ 27,494,093	

**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, 2013**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (4,423,037)

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.

Deferred inflows of resources - December 31	\$ 4,155,573	
Deferred inflows of resources - January 1	(3,330,644)	824,929

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	\$ 6,599,086	
Net book value of assets disposed of	(18,356)	
Current depreciation	(2,137,488)	4,443,242

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	\$ 980,000	
Premiums (discounts)	6,304	
Note	6,921	993,225

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	\$ (129,358)	
Change in accrued interest payable	11,985	
Change in compensated absences	(105,645)	
Change in inventories	16,870	(206,148)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,632,211

FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 7

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

	<u>HC Garvin Private-Purpose Trust</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and pooled investments	\$ -	\$ 1,286,038
Investments	47,715	-
Accrued interest receivable	-	-
	<hr/>	<hr/>
Total Assets	\$ 47,715	\$ 1,286,038
	<hr/>	<hr/>
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 559,610
Due to other governments	-	726,428
	<hr/>	<hr/>
Total Liabilities	\$ -	\$ 1,286,038
	<hr/>	<hr/>
<u>Net Position</u>		
Net position, held in trust	\$ 47,715	
	<hr/>	

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>HC Garvin Private-Purpose Trust</u>
<u>Additions</u>	
Interest on investments	\$ 71
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>71</u>
Change in net position	\$ -
Net Position - January 1	<u>47,715</u>
Net Position - December 31	<u><u>\$ 47,715</u></u>

**WINONA COUNTY
WINONA, MINNESOTA**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

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

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

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.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Component Units

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

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
The Regional Railroad Authority (RRA) was created to monitor the preservation and improvement of rail transportation within the County per Minn. Stat. ch. 398A.	The County Commissioners are the members of the RRA Board.	Separate financial statements are not prepared. RRA activities are insignificant to the County's operation.
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 provides services almost entirely to the County.	Separate financial statements are not prepared.

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

Additionally, the County reports the following fund types:

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

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.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, 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, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2013 were \$127,184.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

Winona County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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

3. Inventories

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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
Intangible assets	5 - 20

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Unearned Revenue

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

7. Long-Term Obligations

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

In the fund financial statements, 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.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflow/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 two such items. Unavailable revenue arises only under the modified accrual basis of accounting. Advance allotments arise under both the modified accrual and full accrual basis of accounting. Unavailable revenue and advance allotments are reported in the governmental funds balance sheet, while advance allotments are also reported in the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position (Continued)

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.

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.

**WINONA COUNTY
WINONA, MINNESOTA**

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)

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.

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.

**WINONA COUNTY
WINONA, MINNESOTA**

2. Stewardship, Compliance and Accountability

Excess of Expenditures Over Budget

The Community Services Special Revenue Fund expenditures of \$13,171,078 exceeded the final budget of \$11,864,554 by \$1,306,524 due to the EDMS system being more extensive than budgeted and preventive services that were enacted to save money in the future.

The Capital Projects Fund expenditures of \$2,501,031 exceeded the final budget of \$1,671,000 by \$830,031 due to expenditures relating to purchase of highway equipment and the EDMS system expenditures.

The Debt Service Fund expenditures of \$1,207,663 exceeded the final budget of \$1,201,938 by \$5,725.

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	\$ 27,422,091
Petty cash and change funds	2,950
Statement of fiduciary net position	
Private-purpose trust	
Investments	47,715
Agency	
Cash and pooled investments	1,286,038
Total Cash and Investments	<u>\$ 28,758,794</u>
Deposits	<u>\$ 13,188,884</u>
Petty cash and change funds	<u>\$ 2,950</u>
Negotiable securities	\$ 14,693,813
Mutual funds	873,147
Total investments	<u>\$ 15,566,960</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 28,758,794</u>

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to follow state law which requires that all deposits be insured or collateralized. As of December 31, 2013, the County's deposits were not exposed to custodial credit risk.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Maturity	Maximum Investment
Less than three years	100%

At December 31, 2013, the County had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1 to 3 Years
Negotiable securities	\$ 14,693,813	\$ 4,629,000	\$ 10,064,813
Investments subject to interest rate risk	\$ 14,693,813	\$ 4,629,000	\$ 10,064,813
Investments not subject to interest rate risk	873,147		
Total Investments	\$ 15,566,960		

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.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2013, is as follows:

<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
AAAm	\$ 785,853
Not rated	87,294
Not applicable	<u>14,693,813</u>
Total	<u>\$ 15,566,960</u>

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, 2013, 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 five percent concentration.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, for Winona County's governmental activities, including the applicable allowances for uncollectible (Community Services Special Revenue Fund) accounts, are as follows:

	Account Receivable (Gross)	Less: Allowance for Uncollectible	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	\$ 361,669	\$ -	\$ 361,669	\$ -
Special assessments	18,066	-	18,066	-
Accounts	7,264,837	(5,687,792)	1,577,045	-
Interest	36,895	-	36,895	-
Loans receivable	844,110	-	844,110	476,987
Due from other governments	3,496,074	-	3,496,074	-
Total Governmental Activities	<u>\$ 12,021,651</u>	<u>\$ (5,687,792)</u>	<u>\$ 6,333,859</u>	<u>\$ 476,987</u>

The loans receivable of \$795,606 in the EDA Special Revenue Fund were made with funding through the State of Minnesota to help qualified businesses directly and adversely affected by the 2007 flood. Part of the loans may be written off if the business meets qualifications for a period of time, and part of the loans will be paid back by the businesses at a rate of one percent. Also, there are loans receivable of \$48,504 in the General Fund. The County received a state grant to assist property owners that had failing septic systems. The loan repayment is collected thru property taxes and submitted to the state two times a year. The loans receivable balance includes \$367,123 to be collected in the subsequent year. The details of the receivable which will be scheduled for collection in the subsequent year is as follows: \$360,063 for the EDA Special Revenue Fund loans and \$7,060 for the General Fund loans.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

Wind Turbine Project

The Winona County EDA began work on the Winona County wind project in 2005 with County Board authorization. Site selection and preliminary studies were completed. During 2009, special legislation was enacted by the State of Minnesota allowing the Winona County EDA to create a Limited Liability Company and negotiate a power purchase agreement. Progress in 2010 included the transfer of ownership in Winona County Wind, LLC, to Winona Wind Holdings, LLC, a privately-owned corporation, for the sum of \$99,800. The EDA, a blended component unit of the County, receives the funds which are deposited into the County's General Fund. The first and second payments of \$5,000 and \$10,000 have been received, and the remaining loan amount was received in 2012. Construction on the project began in 2010. The project has been commissioned and has been producing power at projected capacity factor. The EDA has an exclusive option to purchase Winona County Wind, LLC, after the tax benefits to the private investors have expired, approximately six to seven years from the commencement of operations.

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
General	\$ 2,518,160	\$ 51,400	\$ -	\$ 2,569,560
Highway	50,085	-	-	50,085
Highway right-of-way	3,387,104	115,822	-	3,502,926
Construction in progress				
Highway	19,929,603	2,501,083	12,546,285	9,884,401
Total capital assets not depreciated	\$ 25,884,952	\$ 2,668,305	\$ 12,546,285	\$ 16,006,972

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 24,964,214	\$ -	\$ 1,691	\$ 24,962,523
Improvements other than buildings	485,641	-	-	485,641
Machinery, furniture, and equipment	10,440,530	1,560,977	573,130	11,428,377
Infrastructure	50,869,876	14,916,089	-	65,785,965
Total capital assets depreciated	\$ 86,760,261	\$ 16,477,066	\$ 574,821	\$ 102,662,506
Less: accumulated depreciation for				
Buildings	\$ 3,428,772	\$ 265,778	\$ 661	\$ 3,693,889
Improvements other than buildings	205,587	13,243	-	218,830
Machinery, furniture, and equipment	5,793,148	845,018	555,804	6,082,362
Infrastructure	15,457,745	1,013,449	-	16,471,194
Total accumulated depreciation	\$ 24,885,252	\$ 2,137,488	\$ 556,465	\$ 26,466,275
Total capital assets depreciated, net	\$ 61,875,009	\$ 14,339,578	\$ 18,356	\$ 76,196,231
Governmental Activities Capital Assets, Net	\$ 87,759,961	\$ 17,007,883	\$ 12,564,641	\$ 92,203,203

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

Governmental Activities	
General government	\$ 394,816
Public safety	315,932
Highways and streets, including depreciation of infrastructure assets	1,412,113
Human services	6,869
Sanitation	1,137
Conservation of natural resources	6,621
Total Depreciation Expense - Governmental Activities	\$ 2,137,488

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community Services Fund	\$ 9,110

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

2. Interfund Transfers

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

Fund From	Fund To	Amount	
Community Services Fund	General Fund	\$ 159,331	Transfer retiree insurance
Road and Bridge Fund	General Fund	9,348	Transfer retiree insurance
Total Transfers		\$ 168,679	

C. Liabilities

1. Construction Commitments

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

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	\$ 19,018,853	\$ 721,516
LETG	356,209	24,972

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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 2013 is \$1,107,322.

3. Bonded Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2013</u>
General obligation bonds and notes					
2010 G.O. Capital Improvement Plan Bonds	2021	\$225,000 - \$265,000	2.00 - 4.00	\$ 2,400,000	\$ 1,950,000
2009A G.O. Capital Improvement Plan Bonds	2024	\$25,000 - \$445,000	2.00 - 4.00	3,735,000	2,270,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	\$350,000 - \$460,000	1.70 - 2.30	<u>3,435,000</u>	<u>1,710,000</u>
Total general obligation bonds				\$ 9,570,000	\$ 5,930,000
Note payable					
South Branch Whitewater River Watershed Bacteria Reduction Project Note Payable	2018		2.00	<u>69,472</u>	<u>48,504</u>
Total General Obligation Bonds and Notes				<u>\$ 9,639,472</u>	<u>\$ 5,978,504</u>

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Bonded Debt (Continued)

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

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2014	\$ 1,005,000	\$ 184,512
2015	1,055,000	152,212
2016	1,090,000	116,313
2017	1,135,000	78,162
2018	690,000	47,019
2019 - 2023	920,000	66,550
2024	35,000	700
Total	<u>\$ 5,930,000</u>	<u>\$ 645,468</u>

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 6,910,000	\$ -	\$ 980,000	\$ 5,930,000	\$ 1,005,000
Premium on bonds	36,430	-	7,286	29,144	-
Discounts on bonds	(4,910)	-	(982)	(3,928)	-
Total bonds payable	<u>\$ 6,941,520</u>	<u>\$ -</u>	<u>\$ 986,304</u>	<u>\$ 5,955,216</u>	<u>\$ 1,005,000</u>
Note	55,425	-	6,921	48,504	7,060
Compensated absences	2,224,714	1,690,455	1,584,810	2,330,359	275,555
OPEB liability	866,822	477,928	348,570	996,180	-
Governmental Activities Long-Term Liabilities	<u>\$ 10,088,481</u>	<u>\$ 2,168,383</u>	<u>\$ 2,926,605</u>	<u>\$ 9,330,259</u>	<u>\$ 1,287,615</u>

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Deferred Inflows/Outflows of Resources

1. Deferred Outflows

There were no deferred outflows of resources for the year ended December 31, 2013.

2. Deferred Inflows

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

Taxes	\$ 277,535
Special assessments	15,638
Intergovernmental	2,638,027
Miscellaneous	<u>1,224,373</u>
Total Unavailable Revenue	<u>\$ 4,155,573</u>

Advance allotments consist of state aid received by the County but not yet appropriated by the State of Minnesota. Total advance allotments at December 31, 2013, are \$250,000.

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.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

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

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

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's 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.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description (Continued)

For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; 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**

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 are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

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

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2013	2012	2011
General Employees Retirement Fund	\$ 703,788	\$ 699,716	\$ 716,191
Public Employees Police and Fire Fund	129,295	123,663	120,525
Public Employees Correctional Fund	73,161	74,110	69,579

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

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Winona County during the year ended December 31, 2013, 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
WINONA, MINNESOTA**

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, 23 retirees were receiving health benefits from the County's health plan. As of year-end, the County has 23 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 2013.

**WINONA COUNTY
WINONA, MINNESOTA**

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 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$	493,447
Interest on net OPEB obligations		39,007
Adjustment to ARC		<u>(54,526)</u>
Annual OPEB cost	\$	477,928
Contribution during the year		<u>(348,570)</u>
Increase (Decrease) in net OPEB obligation	\$	129,358
Net OPEB - Beginning of Year		<u>866,822</u>
Net OPEB - End of Year	\$	<u>996,180</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, 2013, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed (%)	Net OPEB Obligation
December 31, 2011	\$ 386,319	\$ 274,339	71.01	\$ 797,409
December 31, 2012	383,906	314,493	81.91	866,822
December 31, 2013	477,928	348,570	72.93	996,180

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 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
WINONA, MINNESOTA**

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 \$470,000 per claim in 2013 and \$480,000 in 2014. 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**

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 2013. However, the Board of County Commissioners approves the levy for the HRA each year.

Complete financial statements for the HRA can be obtained at 730 West Sixth Street, Wabasha, Minnesota 55981.

Family Service Collaborative

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

**WINONA COUNTY
WINONA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Family Service Collaborative (Continued)

The Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. The Winona Area Public Schools became the fiscal agent for the Collaborative in 2011. The Collaborative had \$139,214 of expenditures in 2013.

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 \$4,000 to the Southeast Minnesota Water Resources Board.

Southeast Minnesota Emergency Medical Services

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

**WINONA COUNTY
WINONA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeastern Libraries Cooperative

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

Southeastern Community Action Council

The Southeastern Community Action Council (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 make any payments to the Council.

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Winona County expended \$172,925 to the Cooperative.

Whitewater Joint Powers Board

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

Southeast Service Cooperative

The County purchases the County insurance from the Southeast Service Cooperative. During the year, Winona County made payments of \$3,031,033 to the Southeast Service Cooperative.

Sentence to Service Program

Winona County purchases services from the state for the Sentence to Service Program. In 2013, Winona County made payments of \$115,990.

**WINONA COUNTY
WINONA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Region 1 - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Homeland Security Emergency Management Organization (SERHSEM) 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 SERHSEM 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. No payments were made for 2013.

Southeast Minnesota Immunization Connection (SEMIC)

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. No payments were made for 2013.

E. Related Organization

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2013, 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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,784,945	\$ 9,784,945	\$ 9,953,999	\$ 169,054
Special assessments	292,166	292,166	292,948	782
Licenses and permits	227,263	227,263	250,072	22,809
Intergovernmental	2,992,964	2,992,964	2,880,577	(112,387)
Charges for services	2,563,003	2,563,003	2,179,467	(383,536)
Fines and forfeits	20,100	20,100	32,332	12,232
Gifts and contributions	9,600	9,600	16,718	7,118
Investment earnings	241,100	241,100	127,184	(113,916)
Miscellaneous	292,383	292,383	508,848	216,465
Total Revenues	\$ 16,423,524	\$ 16,423,524	\$ 16,242,145	\$ (181,379)
Expenditures				
Current				
General government				
Commissioners	\$ 205,059	\$ 205,059	\$ 198,408	\$ 6,651
Courts	144,002	144,002	123,149	20,853
Law library	38,500	38,500	32,942	5,558
County administration	547,110	547,110	419,375	127,735
County auditor/treasurer	295,305	295,305	188,769	106,536
License bureau	236,055	236,055	190,365	45,690
County assessor	520,455	520,455	531,128	(10,673)
Elections	17,630	17,630	18,838	(1,208)
Accounting and auditing	477,049	477,049	533,228	(56,179)
Data processing	893,927	893,927	762,114	131,813
Personnel	459,307	459,307	505,187	(45,880)
Attorney	1,431,449	1,431,449	1,306,181	125,268
Recorder	472,483	472,483	488,484	(16,001)
Planning and zoning	530,758	530,758	559,913	(29,155)
Maintenance	1,022,253	1,022,253	848,139	174,114
Veterans service officer	160,312	160,312	156,452	3,860
Other general government	699,400	699,400	756,906	(57,506)
Total general government	\$ 8,151,054	\$ 8,151,054	\$ 7,619,578	\$ 531,476

**WINONA COUNTY
WINONA, MINNESOTA**

*EXHIBIT A-1
(Continued)*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,196,863	\$ 2,196,863	\$ 2,281,333	\$ (84,470)
Boat and water safety	25,853	25,853	34,313	(8,460)
Emergency services	180,707	180,707	45,557	135,150
E-911 system	137,737	137,737	151,168	(13,431)
County jail	2,226,643	2,226,643	2,141,326	85,317
Law enforcement center	1,078,293	1,078,293	925,348	152,945
Probation and parole	811,433	811,433	722,209	89,224
DARE program	2,400	2,400	2,894	(494)
Total public safety	\$ 6,659,929	\$ 6,659,929	\$ 6,304,148	\$ 355,781
Sanitation				
Recycling	\$ 1,248,293	\$ 1,248,293	\$ 1,335,882	\$ (87,589)
Health				
Environmental health	\$ 195,961	\$ 195,961	\$ 185,708	\$ 10,253
Culture and recreation				
Historical society	\$ 49,950	\$ 49,950	\$ 49,950	\$ -
Parks	13,327	13,327	21,089	(7,762)
Regional library	219,684	219,684	219,684	-
Total culture and recreation	\$ 282,961	\$ 282,961	\$ 290,723	\$ (7,762)
Conservation of natural resources				
County extension	\$ 148,175	\$ 148,175	\$ 151,283	\$ (3,108)
Soil and water conservation	65,000	65,000	65,000	-
Feedlot	94,282	94,282	96,171	(1,889)
Agricultural inspection	4,752	4,752	4,705	47
Wetland challenge	41,499	41,499	41,063	436
Other	207,421	207,421	202,163	5,258
Agricultural society/County fair	38,550	38,550	38,550	-
Total conservation of natural resources	\$ 599,679	\$ 599,679	\$ 598,935	\$ 744
Economic development				
Other	\$ 16,085	\$ 16,085	\$ 8,113	\$ 7,972
Total Expenditures	\$ 17,153,962	\$ 17,153,962	\$ 16,343,087	\$ 810,875

**WINONA COUNTY
WINONA, MINNESOTA**

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	<u>\$ (730,438)</u>	<u>\$ (730,438)</u>	<u>\$ (100,942)</u>	<u>\$ 629,496</u>
Other Financing Sources (Uses)				
Transfers in	\$ 677,986	\$ 677,986	\$ 168,679	\$ (509,307)
Proceeds from sale of capital assets	<u>15,000</u>	<u>15,000</u>	<u>11,241</u>	<u>(3,759)</u>
Total Other Financing Sources (Uses)	<u>\$ 692,986</u>	<u>\$ 692,986</u>	<u>\$ 179,920</u>	<u>\$ (513,066)</u>
Change in Fund Balance	<u>\$ (37,452)</u>	<u>\$ (37,452)</u>	<u>\$ 78,978</u>	<u>\$ 116,430</u>
Fund Balance - January 1	<u>13,835,544</u>	<u>13,835,544</u>	<u>13,835,544</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 13,798,092</u></u>	<u><u>\$ 13,798,092</u></u>	<u><u>\$ 13,914,522</u></u>	<u><u>\$ 116,430</u></u>

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT A-2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,876,340	\$ 1,876,340	\$ 1,880,025	\$ 3,685
Intergovernmental	10,601,976	10,601,976	7,320,665	(3,281,311)
Charges for services	130,000	130,000	13,730	(116,270)
Miscellaneous	106,600	106,600	160,312	53,712
Total Revenues	<u>\$ 12,714,916</u>	<u>\$ 12,714,916</u>	<u>\$ 9,374,732</u>	<u>\$ (3,340,184)</u>
Expenditures				
Current				
General government				
Surveyor	\$ 184,007	\$ 184,007	\$ 137,075	\$ 46,932
Highways and streets				
Administration	\$ 381,026	\$ 381,026	\$ 373,112	\$ 7,914
Maintenance	1,962,716	1,962,716	1,850,641	112,075
Construction	9,224,184	9,224,184	6,130,863	3,093,321
Equipment maintenance and shop	498,068	498,068	545,146	(47,078)
Materials and services for resale	464,915	464,915	469,100	(4,185)
Total highways and streets	<u>\$ 12,530,909</u>	<u>\$ 12,530,909</u>	<u>\$ 9,368,862</u>	<u>\$ 3,162,047</u>
Intergovernmental	<u>-</u>	<u>-</u>	232,262	(232,262)
Total Expenditures	<u>\$ 12,714,916</u>	<u>\$ 12,714,916</u>	<u>\$ 9,738,199</u>	<u>\$ 2,976,717</u>
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (363,467)	\$ (363,467)
Other Financing Sources (Uses)				
Transfers out	-	-	(9,348)	(9,348)
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (372,815)</u>	<u>\$ (372,815)</u>
Fund Balance - January 1	1,486,139	1,486,139	1,486,139	-
Increase (decrease) in reserved for inventories	<u>-</u>	<u>-</u>	<u>16,870</u>	<u>16,870</u>
Fund Balance - December 31	<u>\$ 1,486,139</u>	<u>\$ 1,486,139</u>	<u>\$ 1,130,194</u>	<u>\$ (355,945)</u>

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,633,109	\$ 2,633,109	\$ 2,645,699	\$ 12,590
Licenses and permits	31,600	31,600	32,450	850
Intergovernmental	7,160,647	7,160,647	6,841,944	(318,703)
Charges for services	1,697,818	1,697,818	1,185,709	(512,109)
Fines and forfeits	300	300	375	75
Miscellaneous	341,080	341,080	352,597	11,517
Total Revenues	\$ 11,864,554	\$ 11,864,554	\$ 11,058,774	\$ (805,780)
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,048,985	\$ 3,048,985	\$ 3,526,213	\$ (477,228)
Social services	6,394,450	6,394,450	7,581,938	(1,187,488)
Care grant	137,210	137,210	140,496	(3,286)
Total human services	\$ 9,580,645	\$ 9,580,645	\$ 11,248,647	\$ (1,668,002)
Health				
Nurse services	\$ 162,981	\$ 162,981	\$ 125,781	\$ 37,200
Maternal and child health	444,159	444,159	436,749	7,410
County health officer	396,607	396,607	369,666	26,941
Health center	1,280,162	1,280,162	990,235	289,927
Total health	\$ 2,283,909	\$ 2,283,909	\$ 1,922,431	\$ 361,478
Total Expenditures	\$ 11,864,554	\$ 11,864,554	\$ 13,171,078	\$ (1,306,524)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (2,112,304)	\$ (2,112,304)
Other Financing Sources (Uses)				
Transfers out	-	-	(159,331)	(159,331)
Change in Fund Balance	\$ -	\$ -	\$ (2,271,635)	\$ (2,271,635)
Fund Balance - January 1	6,887,487	6,887,487	6,887,487	-
Fund Balance - December 31	\$ 6,887,487	\$ 6,887,487	\$ 4,615,852	\$ (2,271,635)

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
EDA LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 5,874	\$ 5,874	\$ 11,212	\$ 5,338
Miscellaneous	198,878	198,878	13	(198,865)
Total Revenues	\$ 204,752	\$ 204,752	\$ 11,225	\$ (193,527)
Expenditures				
Current				
Economic development				
Other economic development	204,752	204,752	26,631	178,121
Change in Fund Balance	\$ -	\$ -	\$ (15,406)	\$ (15,406)
Fund Balance - January 1	1,289,141	1,289,141	1,289,141	-
Fund Balance - December 31	\$ 1,289,141	\$ 1,289,141	\$ 1,273,735	\$ (15,406)

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT A-5

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

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

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**WINONA COUNTY
WINONA, MINNESOTA**

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

1. Budgetary Information

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

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

2. Excess of Expenditures Over Budget

The Community Services Special Revenue Fund expenditures of \$13,171,078 exceeded the final budget of \$11,864,554 by \$1,306,524 due to the EDMS system being more expensive than budgeted and revenues being less than budgeted in charges for services and intergovernmental revenues.

3. Other Postemployment Benefits

The employer contributions of \$199,715 represent the current amount paid by the County for the current year cost of the benefits, which were entirely paid out or on behalf of retirees. Accordingly, as disclosed on the Schedule of Funding Progress - Other Postemployment Benefits, no assets have been placed in an irrevocable trust to advance fund the employer's obligation.

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SUPPLEMENTARY INFORMATION

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MAJOR FUND

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT B-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 311,215	\$ 311,215	\$ 314,031	\$ 2,816
Intergovernmental	4,605	4,605	213,225	208,620
Charges for services	-	-	82,731	82,731
Miscellaneous	-	-	7,500	7,500
Total Revenues	<u>\$ 315,820</u>	<u>\$ 315,820</u>	<u>\$ 617,487</u>	<u>\$ 301,667</u>
Expenditures				
Current				
General government	\$ 424,000	\$ 424,000	\$ 368,940	\$ 55,060
Public safety	127,000	127,000	868,120	(741,120)
Highways and streets	1,098,000	1,098,000	530,076	567,924
Human services	-	-	568,895	(568,895)
Health	-	-	165,000	(165,000)
Sanitation	22,000	22,000	-	22,000
Total Expenditures	<u>\$ 1,671,000</u>	<u>\$ 1,671,000</u>	<u>\$ 2,501,031</u>	<u>\$ (830,031)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (1,355,180)</u>	<u>\$ (1,355,180)</u>	<u>\$ (1,883,544)</u>	<u>\$ (528,364)</u>
Other Financing Sources (Uses)				
Transfers in	1,355,180	1,355,180	-	(1,355,180)
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,883,544)</u>	<u>\$ (1,883,544)</u>
Fund Balance - January 1	<u>7,244,621</u>	<u>7,244,621</u>	<u>7,244,621</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 7,244,621</u></u>	<u><u>\$ 7,244,621</u></u>	<u><u>\$ 5,361,077</u></u>	<u><u>\$ (1,883,544)</u></u>

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**WINONA COUNTY
WINONA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUND

The Debt Service Fund is used to account for financial resources for the repayment of bonds.

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT C-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,219,003	\$ 1,219,003	\$ 1,219,775	\$ 772
Special assessments	-	-	8,725	8,725
Intergovernmental	20,387	20,387	20,548	161
Total Revenues	\$ 1,239,390	\$ 1,239,390	\$ 1,249,048	\$ 9,658
Expenditures				
Current				
Principal	\$ 980,000	\$ 980,000	\$ 986,921	\$ (6,921)
Interest	213,938	213,938	215,011	(1,073)
Administrative (fiscal) charges	8,000	8,000	5,731	2,269
Total Expenditures	\$ 1,201,938	\$ 1,201,938	\$ 1,207,663	\$ (5,725)
Change in Fund Balance	\$ 37,452	\$ 37,452	\$ 41,385	\$ 3,933
Fund Balance - January 1	1,157,328	1,157,328	1,157,328	-
Fund Balance - December 31	\$ 1,194,780	\$ 1,194,780	\$ 1,198,713	\$ 3,933

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FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

AGENCY FUNDS

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

The Employee Benefit Plans - Liabilities Fund accounts for employee payroll liabilities due as of the end of the year but not disburse 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, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EMPLOYEE BENEFIT PLANS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 145,020	\$ 1,013,613	\$ 1,020,003	\$ 138,630
<u>Liabilities</u>				
Accounts payable	\$ 145,020	\$ 1,013,613	\$ 1,020,003	\$ 138,630
 <u>EMPLOYEE BENEFIT PLANS - LIABILITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 372,446	\$ 423,122	374,588	\$ 420,980
<u>Liabilities</u>				
Accounts payable	\$ 372,446	\$ 423,122	\$ 374,588	\$ 420,980
 <u>SETTLEMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 482,494	\$ 50,414,747	\$ 50,325,083	\$ 572,158
<u>Liabilities</u>				
Due to other governments	\$ 482,494	\$ 50,414,747	\$ 50,325,083	\$ 572,158

**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, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 154,667	\$ 1,447,693	\$ 1,492,566	\$ 109,794
<u>Liabilities</u>				
Due to other governments	\$ 154,667	\$ 1,447,693	\$ 1,492,566	\$ 109,794
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 163,418	\$ 132,549	\$ 251,491	\$ 44,476
<u>Liabilities</u>				
Due to other governments	\$ 163,418	\$ 132,549	\$ 251,491	\$ 44,476
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,318,045	\$ 53,431,724	\$ 53,463,731	\$ 1,286,038
<u>Liabilities</u>				
Accounts payable	\$ 517,466	\$ 1,436,735	\$ 1,394,591	\$ 559,610
Due to other governments	800,579	51,994,989	52,069,140	726,428
Total Liabilities	\$ 1,318,045	\$ 53,431,724	\$ 53,463,731	\$ 1,286,038

OTHER SCHEDULES

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT E-1

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

Shared Revenue

State

Highway users tax	\$ 4,414,773
PERA rate reimbursement	54,309
Disparity reduction aid	40,774
Police aid	144,769
County program aid	2,026,373
Agricultural conservation credit	38,401
Market value credit	165,436
Enhanced 911	134,607
Performance aid credit	7,219

Total shared revenue **\$ 7,026,661**

Reimbursement for Services

State

Minnesota Department of Human Services	<u>\$ 836,216</u>
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Payments

Local

Local contributions	\$ 6,842
Payments in lieu of taxes	<u>305,753</u>

Total payments **\$ 312,595**

Grants

State

Minnesota Department/Board of	
Public Safety	\$ 169,756
Health	177,057
Natural Resources	81,497
Human Services	2,598,250
Corrections	116,890
Transportation	2,507,011
Water and Soil Resources	20,228
Veterans Affairs	6,498
Peace Officer Standards and Training Board	7,519
Pollution Control Agency	<u>151,723</u>

Total state **\$ 5,836,429**

**WINONA COUNTY
WINONA, MINNESOTA**

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

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

Grants (Continued)

Federal

Department of	
Agriculture	\$ 340,011
Interior	7,932
Justice	282,317
Transportation	139,075
Health and Human Services	2,413,075
Homeland Security	81,648
Education	1,000

Total federal **\$ 3,265,058**

Total state and federal grants **\$ 9,101,487**

Total Intergovernmental Revenue **\$ 17,276,959**

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT E-2

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

Federal Grantor Pass-Through Agency Grant Program Title	State Pass-Through Grantor's Number	Federal CFDA Number	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	12-700-00102	10.557	\$ 138,273
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	NA	10.561	<u>272,787</u>
Total U.S. Department of Agriculture			<u>\$ 411,060</u>
U.S. Department of the Interior			
Direct Fish and Wildlife Management Assistance	NA	15.608	<u>\$ 7,932</u>
U.S. Department of Justice			
Direct Supervised Visitation, Safe Havens for Children	NA	16.527	\$ 18,079
Drug Court Discretionary Grant Program	NA	16.585	71,642
State Criminal Alien Assistance Program	NA	16.606	13,792
Bulletproof Vest Partnership Program	NA	16.607	1,819
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grants	NA	16.588	11,725
Edward Byrne Memorial Justice Assistance Grant Program	NA	16.738	<u>162,023</u>
Total U.S. Department of Justice			<u>\$ 279,080</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	NA	20.205	\$ 138,246
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	NA	20.600	30,792
State Traffic Safety Information System Improvement Grants	NA	20.610	5,000
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	NA	20.608	<u>8,281</u>
Total U.S. Department of Transportation			<u>\$ 182,319</u>

**WINONA COUNTY
WINONA, MINNESOTA**

**EXHIBIT E-2
(Continued)**

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

Federal Grantor Pass-Through Agency Grant Program Title	State Pass-Through Grantor's Number	Federal CFDA Number	Expenditures
U.S. Department of Education			
Passed Through Zumbro Education District Special Education - Grants for Infants and Families	12-700-00102	84.181	\$ 1,000
U.S. Department of Health and Human Services			
Passed Through the National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	12-700-0102	93.008	\$ 4,000
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Centers for Disease Control and Prevention - Investigations and Technical Assistance	12-700-00102 NA	93.069 93.283	31,769 75
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$473,342)	NA	93.558	11,203
Maternal and Child Health Services Block Grant to the States	12-700-00102	93.994	50,279
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	NA	93.556	19,858
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$473,342)	NA	93.558	462,139
Child Support Enforcement	NA	93.563	767,964
Refugee and Entrant Assistance - State-Administered Programs	NA	93.566	693
Child Care and Development Block Grant	NA	93.575	22,675
Stephanie Tubbs Jones Child Welfare Services Program	NA	93.645	12,556
Foster Care Title IV-E	NA	93.658	110,879
Social Services Block Grant	NA	93.667	282,359
Child Abuse and Neglect State Grants	NA	93.669	3,069
Chafee Foster Care Independence Program	NA	93.674	3,036
Children's Health Insurance Program	NA	93.767	757
Medical Assistance Program	NA	93.778	980,979
Block Grants for Community Mental Health Services	NA	93.958	<u>12,825</u>
Total U.S. Department of Health and Human Services			\$ <u>2,777,115</u>

**WINONA COUNTY
WINONA, MINNESOTA**

*EXHIBIT E-2
(Continued)*

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

Federal Grantor Pass-Through Agency Grant Program Title	State Pass-Through Grantor's Number	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	NA	97.012	\$ 17,799
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	NA	97.042	57,598
Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$35,778)	NA	97.067	2,132
Passed Through Southeastern Minnesota Regional Emergency Communications Board Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$35,778)	NA	97.067	<u>33,646</u>
Total U.S. Department of Homeland Security			<u>\$ 111,175</u>
Total Federal Awards			<u>\$ 3,769,681</u>

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**WINONA COUNTY
WINONA, MINNESOTA**

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

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by 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, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of 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	\$ 3,265,058
2012 grant revenue received in 2013	
Medical Assistance Program (CFDA #93.778)	(81,747)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	(401,183)
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)	(1)
Foster Care Title IV-E (CFDA #93.658)	(17,460)
Public Health Emergency Preparedness (CFDA #93.069)	(10,747)
Child Care and Development Block Grant (CFDA #93.575)	(1,304)
Temporary Assistance for Needy Families (CFDA #93.558)	(9,219)
Homeland Security Grant Program (CFDA #97.067)	(249)
Drug Court Discretionary Grant Program (CFDA #16.585)	(1,137)
Supervised Visitation, Safe Havens for Children (CFDA #16.527)	(2,100)

**WINONA COUNTY
WINONA, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Grants received more than 60 days after year-end, unavailable in 2013	
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 I-VE (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
Expenditures per Schedule of Expenditures of Federal Awards	\$ 3,769,681

5. Clusters

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

Highway Safety Cluster	\$ 35,792
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6. Passed Through to Subrecipients

During 2013, 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 2011 THROUGH 2013**

	<u>Tax Year 2011</u>		<u>Tax Year 2012</u>		<u>Tax Year 2013</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>
Tax Capacity						
Real property	\$ 41,085,282		\$ 38,054,058		\$ 37,787,095	
Personal property	554,673		597,591		685,504	
Tax increment financing	(146,516)		(40,170)		(38,874)	
Net Tax Capacity	\$ 41,493,439		\$ 38,611,479		\$ 38,433,725	
Tax Levied for County						
County Revenue	\$ 10,486,155	25.93	\$ 9,799,929	26.05	\$ 9,825,369	26.23
Road and Bridge	2,065,778	5.00	1,949,866	5.07	1,904,093	4.97
Human Services	2,950,878	7.14	-	0.00	-	0.00
Community Health	219,467	0.53	-	0.00	-	0.00
Community Services	-	0.00	3,232,119	8.40	2,672,060	6.98
CIP	476,758	1.15	453,115	1.17	477,937	1.24
2010A Bond Debt	96,863	0.23	311,866	0.81	307,163	0.80
CIP Bond 2007	479,970	1.16	451,596	1.17	451,872	1.18
Building/Capital Improvement	904,000	2.19	774,183	2.01	315,820	0.83
Net Tax Levy	\$ 17,679,869	43.318	\$ 16,972,674	44.684	\$ 15,954,314	42.221
	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>
Taxable Valuations						
Light and power tax						
Transmission lines	\$ 33,432	\$ 1,709,100	\$ 34,044	\$ 1,739,700	\$ 40,320	\$ 2,053,500
Distribution lines	15,358	805,400	17,400	907,500	19,196	997,300
Total Taxable Valuations - Light and Power Tax	\$ 48,790	\$ 2,514,500	\$ 51,444	\$ 2,647,200	\$ 59,516	\$ 3,050,800
Light and Power Tax Levy						
Transmission lines	\$ 30,452	\$ 4,354	\$ 32,326	\$ 4,530	\$ 37,235	\$ 5,143
Distribution lines	13,989	2,052	16,522	2,363	17,727	2,498
Total Light and Power Tax Levy	\$ 44,441	\$ 6,406	\$ 48,848	\$ 6,893	\$ 54,962	\$ 7,641
Percentage of Tax Collections for All Purposes	98.34%		98.39%		98.66%	

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**WINONA COUNTY
WINONA, MINNESOTA**

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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 ITEM NOT RESOLVED

Finding 2012-001

Segregation of Duties/Vendor Setup

Criteria: Controls in place over operations should be designed to monitor new vendors entered into the accounting system. Procedures should include someone independent of the vendor payment process reviewing, verifying, and approving new vendors on a timely basis.

Condition: Personnel responsible for adding a new vendor or changing existing vendor files to the accounting system are also responsible for processing payments to vendors. Procedures were established to have personnel independent of the vendor payment process review a listing of new, or changes to, vendors quarterly. Our review of the procedures established disclosed this independent review was not performed for 2013.

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

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

Cause: The County indicated the individual assigned to the review of the vendor listing was unable to perform the review due to an increase in assigned duties.

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

Client's Response:

Winona County has developed a process to have the vendor entering done by a person independent of the payment process. This process has been implemented in 2014.

ITEM ARISING THIS YEAR

Finding 2013-001

Segregation of Duties/Disbursement

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: County procedures indicate vendor invoices are to be approved at the departmental level prior to payment. Approved vendor invoices are sent to the Finance Department to be paid. Personnel within the Finance Department enter the information from these approved invoices into the accounting system and issue warrants to vendors.

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.

Recommendation: We recommend the County have an employee independent of the vendor payment process review the warrant register to original invoices to ensure the disbursement is 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. Their process is to review invoices and to scan them. This process has been implemented in 2014.

PREVIOUSLY REPORTED ITEMS RESOLVED

Audit Adjustments (2006-002)

During our previous audit, we identified material audit adjustments which were reviewed and approved by the appropriate staff and were reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the County's internal controls.

Resolution

Winona County designed and implemented procedures to improve internal controls over financial reporting which prevented, or detected and corrected, significant misstatements in the financial statements.

Segregation of Duties - County Departments (2008-001)

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

Resolution

Winona County implemented oversight procedures to ensure the internal control policies and procedures are being implemented by staff.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-002

Activities Allowed and Unallowed, Allowable Costs/Cost Principles

Programs: U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (CFDA No. 93.558) and 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 programs.

Condition: Based on our testing of internal controls, 8 of the 60 Temporary Assistance for Needy Families invoices tested did not include evidence to indicate they are being reviewed and approved by a supervisor who has oversight responsibility. Of the 60 Medical Assistance Program invoices tested, 2 did not include evidence to indicate they are being reviewed and approved by a supervisor who has oversight responsibility.

Questioned Costs: None.

Context: Proper approval by a supervisor who has oversight responsibility is an important function to ensuring amounts charged to federal programs are accurate and proper.

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

Cause: The County indicated controls were not applied consistently due to changes in staff for 2013.

Recommendation: We recommend that internal controls be implemented to ensure all invoices submitted for federal reimbursement contain proper approval by a supervisor who has oversight responsibility.

Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

Karen Moore, Financial Supervisor III

Corrective Action Planned:

Supervisor worked with Finance staff and wrote detailed processes for staff to follow when approving medical mileage or cost effective insurance reimbursement claims including the importance of using a signature.

Winona County contracted with Fillmore County for one year to process our MA mileage. We have since taken those processes back in house. IMU and Finance staff worked closely together to determine the correct processes and documentation needed to pay these types of claims. All staff have been educated about the process and documentation. An electronic signature was enabled for the CEI Memos to facility the required signature.

Anticipated Completion Date:

This was completed May 1, 2014.

ITEMS ARISING THIS YEAR

Finding 2013-002

Reporting

Program: U.S. Department of Health and Human Services' Child Support Enforcement (CFDA No. 93.563).

Pass-Through Agency: Minnesota Department of Human Services.

Criteria: The Minnesota Department of Human Services issues instructions (DHS Bulletin #13-32-01) for preparing the Income Maintenance quarterly expense reports (Form DHS-2550). These instruction indicate expenditures reported in Section B (Child Support Expenditures) must either be 100 percent attributed to the Child Support Program and have documented salary certifications on file for the quarter, or direct charges determined and documented with daily activity reporting.

Condition: The County reported salaries and fringe expenditures on Form DHS-2550 Section B for an employee who was not listed on the documented salary certifications and did not have documented daily activity reports.

Questioned Costs: Cannot be determined.

Context: Form DHS-2550 is used by the State of Minnesota to reimburse the County federal awards, including Child Support.

Effect: The County incorrectly reported \$56,454 of salaries and fringe expenditures on Form DHS-2550, Section B.

Cause: The County indicated there were several new employees in the Finance Department in 2013, which resulted in errors being reported.

Recommendation: We recommend the County only report employees which have required documented salary certifications or documented daily activity reports in Form DHS-2550, Section B.

Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

Pat Moga, Finance Director

Corrective Action Planned:

Winona County will implement procedures to ensure that the correct information is submitted on the reports. The Payroll staff is running a report to indicate who should be on the time study. Also a copy of the random moments report will be sent to Finance. When Pat Moga, Finance Director, completes the quarterly report this information will be compared. This will be completed by June 30, 2014.

Anticipated Completion Date:

This was completed June 2014.

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 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. In 2 of the 68 case files tested, the asset information in the MAXIS system did not match the supporting documentation provided by the client.

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 sometimes forget to update 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 Correction Action:

Karen Moore, Financial 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:

We completed this education/reminder as soon as the case reviews were completed with the auditor. (Done as of July 2014)



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

Independent Auditor's Report

Board of County Commissioners
Winona County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 12, 2014.

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 and 2013-001, 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 that we did not test for compliance with the provisions for tax increment financing because the County has no tax increment financing.

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

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 12, 2014

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

Independent Auditor's Report

Board of County Commissioners
Winona County

Report on Compliance for Each Major Federal Program

We have audited Winona County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. 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, 2013.

Other Matters

The results of our auditing procedures disclosed 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 2012-002 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 12, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR