

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WINONA COUNTY
WINONA, MINNESOTA

YEAR ENDED DECEMBER 31, 2007

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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**WINONA COUNTY
WINONA, MINNESOTA**

Year Ended December 31, 2007



**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, 2007**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
First District	Jim Pomeroy	January 2011
Second District	Dwayne Voegeli	January 2011
Third District	Jerry Heim	January 2009
Fourth District	David Stoltman	January 2009
Fifth District	Marcia Ward	January 2011
Officers		
Elected		
Attorney	Charles E. MacLean	January 2011
Auditor	Cherie MacLennan	January 2011
Recorder	Robert Bambenek	January 2011
Sheriff	Dave Brand	January 2011
Treasurer	Suzanne Rivers	January 2011
Appointed		
Administrator	Robert Reinert	Indefinite
Community Health Director	Lynn Theurer	Indefinite
County Assessor	Steven Hacken	December 2008
Environmental Services Director	Jill Johnson	Indefinite
Facility Manager	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2011
Human Services Director	W. Craig Brooks	Indefinite
Information Technology Director	Mark Anderson	Indefinite
Personnel Director	Maureen Holte	Indefinite
Planning Director	Brian Bender	Indefinite
Veterans Service Officer	Steven Johnson	June 2011

**WINONA COUNTY
WINONA, MINNESOTA**

ORGANIZATION OF THE COUNTY

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

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

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Winona County

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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winona County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information in Schedules 1 through 3 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2008, 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* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 18, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WINONA COUNTY
WINONA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(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, 2007. 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 2007, Winona County's assets exceeded liabilities by \$81.1 million (net assets). Of that amount, \$28.5 million is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$52.6 million is invested in capital assets or restricted by law.
- At the close of the current year, the ending fund balances for all governmental funds were \$30.1 million. This is an increase of \$1.7 million from the previous year. Of the combined ending fund balances, \$3.7 million is unreserved, undesignated fund balance available for spending by the County.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$0.
- Total bonded debt increased by \$2.9 million, or 30 percent, during the year. There was a refinancing debt issued for \$3,435,000 for the 2001A debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three main sections of this report are: introduction, financial, and supplementary. The introduction 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 funds. Other supplementary information is included to enhance reader understanding of County financial activity. An example is information about federal grant programs.

Government-Wide Financial Statements

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

The Statement of Activities presents information on the change in net assets 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,
- roads and bridges,
- 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, except for the Flood Special Revenue Fund. A budgetary comparison statement has been provided for the General Fund and special revenue funds, except the Flood Special Revenue Fund, which was a new fund created in 2007.

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 assets may be a useful indicator of a government's financial position over time. As of December 31, 2007, assets exceeded liabilities by \$81.1 million. The following table provides a summary of Winona County's governmental net assets.

	Governmental Activities		Percent
	2007	2006	Change (%)
Assets			
Current and other assets	\$ 37,202,958	\$ 32,207,719	15
Capital assets	59,284,219	57,906,650	2
Total Assets	\$ 96,487,177	\$ 90,114,369	7
Liabilities			
Current and other liabilities	\$ 2,364,319	\$ 2,195,574	8
Long-term liabilities	12,973,641	9,471,078	37
Total Liabilities	\$ 15,337,960	\$ 11,666,652	31
Net Assets			
Invested in capital assets, net of related debt	\$ 51,452,574	\$ 49,374,790	4
Restricted	1,220,427	1,346,074	(9)
Unrestricted	28,476,216	27,726,853	3
Total Net Assets	\$ 81,149,217	\$ 78,447,717	3

The largest portion of Winona County's net assets, 63 percent, or \$51.5 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 \$1.2 million of the County's net assets, or two 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 \$28.4 million of net assets, or 35 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2007, Winona County had positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Change in net assets--In 2007, government-wide revenue exceeded expenses by \$2.7 million, thereby increasing net assets. Net assets changed as follows:

	Changes in Net Assets		Percent Change (%)
	2007	2006	
Revenues			
Program revenues			
Charges for services	\$ 4,958,228	\$ 4,434,790	12
Operating grants and contributions	15,691,260	10,952,803	43
Capital grants and contributions	985,393	2,589,028	(62)
General revenues			
Property taxes	14,561,592	13,733,368	6
Unrestricted grants	4,342,145	4,306,402	1
Investment income	1,568,087	1,347,004	16
Other	886,793	644,067	38
Total Revenues	<u>\$ 42,993,498</u>	<u>\$ 38,007,462</u>	13
Expenses			
General government	\$ 8,696,702	\$ 6,905,846	26
Public safety	5,993,033	5,440,363	10
Highways and streets	9,380,338	8,287,346	13
Sanitation	845,362	900,035	(6)
Human services	10,330,583	9,050,078	14
Health	3,251,271	2,542,267	28
Interest on long-term debt	384,521	385,752	-
Other	1,410,188	1,180,071	20
Total Expenses	<u>\$ 40,291,998</u>	<u>\$ 34,691,758</u>	16
Increase in Net Assets	\$ 2,701,500	\$ 3,315,704	(19)
Net Assets - January 1	<u>78,447,717</u>	<u>75,132,013</u>	4
Net Assets - December 31	<u>\$ 81,149,217</u>	<u>\$ 78,447,717</u>	3

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 36 percent of the total revenue for the County.
- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$14.6 million are leveraged to provide \$40.3 million in services.

Governmental activities increased Winona County's net assets by \$2.7 million, which is 6.2 percent of current year revenues, 6.7 percent of current expenses, or 3.4 percent of beginning net assets. Following are the major components of this portion of the growth:

- Capital grants decreased by 62 percent due to less federal grants available, such as voting equipment and funding.
- Property taxes increased 6 percent.
- Investment income increased by 16 percent due to higher interest rates for investments. This area is expected to decrease in future years because of interest rates.

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, 2007, the combined ending fund balances of governmental funds were \$30 million. Approximately 80 percent, or \$23.9 million, of the combined ending fund balances consists of unreserved fund balances. Unreserved 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 reserved to indicate that it is not available for new spending because it is committed 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) Social Services Special Revenue Fund, (4) Flood Special Revenue Fund, and (5) Debt Service Fund.

The General Fund is the primary operating fund of the Winona County government. The General Fund balance was \$9.7 million at the end of 2007. Of that amount, \$1.4 million is reserved for acquisition of assets, forfeited property, donations, and loans receivable. In addition, the Board of Commissioners has designated \$8.3 million for cash flow, compensated absences, recycling, and future expenditures. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unreserved, undesignated fund balance is zero percent of 2007 expenditures, while total fund balance is 66 percent of the same amount. The second purpose is to compare the unreserved 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 unreserved fund balance is sufficient to cover seven months of expenditures.

In 2007, the General Fund transferred out \$5,128,361 to the Flood Special Revenue Fund for expenditures incurred in the 2007 flood. The County should receive reimbursement from the federal and state governments.

When compared to 2006, the ending General Fund balance decreased by \$3.0 million. The change is due to several factors; most significant was a transfer from the General Fund to the Flood Special Revenue Fund.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$5.4 million fund balance at the end of 2007 that represented a \$22,259, or 0.4 percent, increase from 2006. The increase was due to an increase in fund balance and a decrease in inventory. It will be expected that costs will be higher due to higher fuel costs, increased cost for materials that are petroleum-based, and transportation costs to deliver materials.

The Social Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$4.8 million fund balance at the end of 2007 that represented an \$800 decrease from 2006 of the restated fund balance.

The Flood Special Revenue Fund exists to account for resources expended to repair for damages that were incurred during the 2007 flood. The fund balance at the end of 2007 was \$827,804. This fund will be closed as soon as all the work is completed for the 2007 flood.

The Debt Service Fund exists to account for resources for the repayment of bonds. The fund balance at the end of 2007 was \$4,590,803. The County refinanced a bond in 2007.

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. There was no budget set up for the Flood Special Revenue Fund, which was a new fund for 2007. Approval is done by resolution. The most significant budgeted fund is the General Fund.

For 2007, the Board of Commissioners adopted the following budget:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources</u>
Board-adopted	\$ 15,657,599	\$ 16,414,952	\$ 757,353

The adopted General Fund budget anticipated using \$757,353 of fund balance. There was \$970,320 in budget adjustments for the General Fund approved during the year. General Fund actual expenditures were \$629,771 below budget, and actual revenues were \$2,200,383 above budget. There were transfers made of \$5,152,311. These positive and negative variances combined for a budget to actual variance in fund balance of (\$2.9 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Winona County's investment in capital assets for its governmental activities as of December 31, 2007, was \$59.3 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

Additional information about capital assets can be found in Note 2.

	Changes in Capital Assets		Percent Change (%)
	2007	2006	
Capital assets not depreciated			
Land			
General	\$ 1,446,960	\$ 1,476,635	(2)
Highway	50,085	50,085	-
Highway right-of-way	3,029,581	3,029,581	-
Construction in progress	2,664,716	1,767,543	51
Total capital assets not depreciated	\$ 7,191,342	\$ 6,323,844	14
Capital assets depreciated			
Buildings	\$ 18,728,863	\$ 18,744,433	-
Improvements other than buildings	448,368	448,368	-
Machinery, furniture, and equipment	7,880,953	7,228,027	9
Infrastructure	42,832,432	41,462,963	3
Total capital assets depreciated	\$ 69,890,616	\$ 67,883,791	3
Less: accumulated depreciation for			
Buildings	\$ 2,337,619	\$ 2,144,182	9
Improvements other than buildings	140,162	128,154	9
Machinery, furniture, and equipment	4,177,758	3,670,666	14
Infrastructure	11,142,200	10,357,983	8
Total accumulated depreciation	\$ 17,797,739	\$ 16,300,985	9
Total capital assets depreciated, net	\$ 52,092,877	\$ 51,582,806	1
Governmental Activities Capital Assets, Net	\$ 59,284,219	\$ 57,906,650	2

Capital Lease Agreement and Outstanding Bonds

At the end of the current year, Winona County had two general obligation bond issues, a refinancing issue, a project note, and five capital purchase lease agreements outstanding. The refinance issue will pay off the 2001A bond.

Outstanding Long-Term Debt

	Governmental Activities	
	2007	2006
Capital leases/installment purchases	\$ 54,125	\$ 181,861
Notes	15,185	-
General obligation bonds	11,210,000	8,350,000
Total	\$ 11,279,310	\$ 8,531,861

The outstanding debt, listed above, of Winona County increased by \$2.7 million during 2007. The increase was due to the timing of the refinancing issue.

The most recent bond rating the County has received is Aa3.

Additional information about Winona County's long-term debt can be found in Note 2 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment

The 12-month average for unemployment in 2006 for the U.S., Minnesota, and Winona County was 2.9 percent, 4.5 percent, and 4.2 percent, respectively. This compared to 2006 of 4.6 percent, 4.0 percent, and 3.6 percent.

New Construction

New construction was valued at \$45.1 million in 2007. A decrease of 19.7 percent was experienced from the previous year.

State Financial Position

The Governor vetoed the Omnibus Tax Bill presented by the Legislature based in part on a provision to reinstate an inflation estimate to expenditures. Current thought is that the 2008 Legislature will pass the bill early in the 2008 session without the inflation provision in anticipation of the Governor signing the bill.

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 2009.

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 for additional financial information, should be addressed to Patrick Moga, Finance Director, 177 Main Street, Winona, Minnesota 55987, 507-457-6459.

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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 ASSETS
DECEMBER 31, 2007**

Assets

Cash and pooled investments	\$ 12,956,842
Petty cash and change funds	3,195
Investments	15,872,179
Taxes receivable	
Current	204,780
Prior	90,288
Special assessments receivable	
Current	5,843
Prior	4,526
Accounts receivable - net	1,452,360
Accrued interest receivable	297,344
Loan receivable	252,211
Due from other governments	5,931,193
Inventories	132,197
Capital assets	
Non-depreciable	7,191,342
Depreciable - net of accumulated depreciation	52,092,877
Total Assets	\$ 96,487,177

Liabilities

Accounts payable	\$ 1,079,984
Salaries payable	641,439
Accrued payroll taxes	2,330
Contracts payable	220,998
Due to other governments	263,478
Accrued interest payable	156,090
Long-term liabilities	
Due within one year	4,180,444
Due in more than one year	8,793,197
Total Liabilities	\$ 15,337,960

Net Assets

Invested in capital assets - net of related debt	\$ 51,452,574
Restricted for	
General government	629,504
Public safety	452,104
Highways and streets	118,819
Conservation of natural resources	20,000
Unrestricted	28,476,216
Total Net Assets	\$ 81,149,217

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
<u>Functions/Programs</u>					
Primary government					
Governmental activities					
General government	\$ 8,696,702	\$ 1,380,542	\$ 1,291,064	\$ 9,449	\$ (6,015,647)
Public safety	5,993,033	353,115	602,940	-	(5,036,978)
Highways and streets	9,380,338	8,202	6,568,571	975,944	(1,827,621)
Sanitation	845,362	680,654	-	-	(164,708)
Human services	10,330,583	593,183	6,019,507	-	(3,717,893)
Health	3,251,271	1,909,758	673,280	-	(668,233)
Culture and recreation	258,721	-	-	-	(258,721)
Conservation of natural resources	817,228	31,329	266,350	-	(519,549)
Economic development	334,239	1,445	269,548	-	(63,246)
Interest	384,521	-	-	-	(384,521)
Total Governmental Activities	\$ 40,291,998	\$ 4,958,228	\$ 15,691,260	\$ 985,393	\$ (18,657,117)
General Revenues					
Property taxes					\$ 14,561,592
Mortgage registry and deed tax					35,208
Payments in lieu of tax					325,766
Grants and contributions not restricted to specific programs					4,342,145
Unrestricted investment earnings					1,568,087
Miscellaneous					462,787
Gain on sale of capital assets					63,032
Total general revenues					\$ 21,358,617
Change in net assets					\$ 2,701,500
Net Assets - Beginning					78,447,717
Net Assets - Ending					\$ 81,149,217

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WINONA COUNTY
WINONA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 9,903,972	\$ 251,519
Petty cash and change funds	3,020	75
Investments	-	5,235,924
Taxes receivable		
Current	121,874	27,297
Prior	50,483	12,875
Special assessments		
Current	5,843	-
Prior	4,526	-
Accounts receivable	21,470	9,303
Accrued interest receivable	207,867	31,642
Loans receivable	252,211	-
Due from other funds	-	9,076
Due from other governments	86,688	587,167
Inventories	-	132,197
Total Assets	<u><u>\$ 10,657,954</u></u>	<u><u>\$ 6,297,075</u></u>

EXHIBIT 3

Social Services	Flood	Debt Service	Other Governmental Funds	Total
\$ 301,331	\$ -	\$ 1,084,800	\$ 1,415,220	\$ 12,956,842
-	-	-	100	3,195
4,155,263	-	3,498,855	2,982,137	15,872,179
38,374	-	12,423	4,812	204,780
18,137	-	5,255	3,538	90,288
-	-	-	-	5,843
-	-	-	-	4,526
953,014	-	-	468,573	1,452,360
41,539	-	-	16,296	297,344
-	-	-	-	252,211
-	-	-	27,232	36,308
1,125,265	4,064,911	-	67,162	5,931,193
-	-	-	-	132,197
\$ 6,632,923	\$ 4,064,911	\$ 4,601,333	\$ 4,985,070	\$ 37,239,266

**WINONA COUNTY
WINONA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 388,655	\$ 250,495
Salaries payable	345,285	63,130
Accrued payroll taxes payable	-	2,330
Contracts payable	-	159,250
Due to other funds	17,843	-
Due to other governments	68,835	12,459
Deferred revenue - unavailable	112,769	353,091
	<hr/>	<hr/>
Total Liabilities	\$ 933,387	\$ 840,755
	<hr/>	<hr/>
Fund Balances		
Reserved for		
Debt service	\$ 42,353	\$ 2,815
Apple Blossom Drive	20,000	-
Inventories	-	132,197
Loans receivable	252,211	-
Well decontamination	21,838	-
Recorder's unallocated land based	258,525	-
Recorder's equipment purchases	267,628	-
Enhanced 911	365,418	-
DARE	15,214	-
Sheriff's forfeited property	17,750	-
Attorney's forfeited property	79,781	-
Sheriff's posse	3,099	-
Explorer post	332	-
Police dog donations	11,630	-
Permits to carry	38,993	-
Veterans' van	1,400	-
Unreserved		
Designated for future expenditures	1,755,820	92,000
Designated for cash flows	4,917,541	1,218,870
Designated for capital improvements	-	2,000,000
Designated for compensated absences	867,248	182,418
Designated for recycling	697,991	-
Designated for equipment	-	412,700
Designated for retired employees' insurance	-	7,494
Designated for employee wellness	18,296	-
Designated for tobacco settlement	71,499	-
Undesignated	-	1,407,826
Unreserved, reported in nonmajor		
Special revenue fund	-	-
	<hr/>	<hr/>
Total Fund Balances	\$ 9,724,567	\$ 5,456,320
	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 10,657,954	\$ 6,297,075
	<hr/>	<hr/>

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

EXHIBIT 3
(Continued)

<u>Social Services</u>	<u>Flood</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 402,961	\$ 24,580	\$ -	\$ 13,293	\$ 1,079,984
139,667	-	-	93,357	641,439
-	-	-	-	2,330
-	61,748	-	-	220,998
18,465	-	-	-	36,308
177,455	4,155	-	574	263,478
1,122,854	3,146,724	10,530	163,165	4,909,133
<u>\$ 1,861,402</u>	<u>\$ 3,237,207</u>	<u>\$ 10,530</u>	<u>\$ 270,389</u>	<u>\$ 7,153,670</u>
\$ 4,877	\$ -	\$ 4,590,803	\$ 4,080	\$ 4,644,928
-	-	-	-	20,000
-	-	-	-	132,197
-	-	-	-	252,211
-	-	-	-	21,838
-	-	-	-	258,525
-	-	-	-	267,628
-	-	-	-	365,418
-	-	-	-	15,214
-	-	-	-	17,750
-	-	-	-	79,781
-	-	-	-	3,099
-	-	-	-	332
-	-	-	-	11,630
-	-	-	-	38,993
-	-	-	-	1,400
2,323,465	-	-	130,000	4,301,285
1,727,026	-	-	287,935	8,151,372
-	-	-	3,015,997	5,015,997
273,817	-	-	288,299	1,611,782
-	-	-	-	697,991
-	-	-	-	412,700
12,016	-	-	-	19,510
-	-	-	-	18,296
-	-	-	-	71,499
430,320	827,704	-	-	2,665,850
-	-	-	988,370	988,370
<u>\$ 4,771,521</u>	<u>\$ 827,704</u>	<u>\$ 4,590,803</u>	<u>\$ 4,714,681</u>	<u>\$ 30,085,596</u>
<u>\$ 6,632,923</u>	<u>\$ 4,064,911</u>	<u>\$ 4,601,333</u>	<u>\$ 4,985,070</u>	<u>\$ 37,239,266</u>

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balances - total governmental funds (Exhibit 3)	\$	30,085,596
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		59,284,219
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,909,133
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bonds	\$ (11,210,000)	
Capital leases payable	(54,125)	
Notes payable	(15,185)	
Bond discount	9,824	
Bond premium	(72,863)	
Accrued interest payable	(156,090)	
Compensated absences	(1,611,782)	
Retiree health insurance	(19,510)	(13,129,731)

Net Assets of Governmental Activities (Exhibit 1)	\$	<u>81,149,217</u>
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**WINONA COUNTY
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 8,726,010	\$ 1,935,347
Special assessments	234,176	-
Licenses and permits	214,058	-
Intergovernmental	4,383,215	5,237,409
Charges for services	1,966,670	2,069
Fines and forfeits	35,473	-
Gifts and contributions	31,663	-
Investment earnings	998,014	259,508
Miscellaneous	298,383	224,992
	<u>16,887,662</u>	<u>7,659,325</u>
Total Revenues	\$ 16,887,662	\$ 7,659,325
Expenditures		
Current		
General government	\$ 6,347,665	\$ 198,439
Public safety	5,929,746	-
Highways and streets	-	6,951,014
Sanitation	838,091	-
Human services	-	-
Health	194,859	-
Culture and recreation	258,721	-
Conservation of natural resources	781,672	-
Economic development	334,239	-
Capital outlay	-	-
Debt service		
Principal	120,776	1,951
Interest	9,092	498
Administrative (fiscal) charges	-	-
	<u>14,814,861</u>	<u>7,151,902</u>
Total Expenditures	\$ 14,814,861	\$ 7,151,902
Excess of Revenues Over (Under) Expenditures	\$ 2,072,801	\$ 507,423

EXHIBIT 5

Social Services	Flood	Debt Service	Other Governmental Funds	Total
\$ 2,721,266	\$ -	\$ 881,558	\$ 342,493	\$ 14,606,674
-	-	-	-	234,176
10,450	-	-	18,700	243,208
6,800,060	918,187	111,852	764,640	18,215,363
12,121	-	-	1,880,784	3,861,644
-	-	-	25	35,498
40	-	-	-	31,703
201,322	-	-	109,243	1,568,087
441,260	30,187	-	17,359	1,012,181
\$ 10,186,519	\$ 948,374	\$ 993,410	\$ 3,133,244	\$ 39,808,534
\$ -	\$ 1,755,249	\$ -	\$ -	\$ 8,301,353
-	-	-	-	5,929,746
-	3,493,782	-	-	10,444,796
-	-	-	-	838,091
10,184,403	-	-	-	10,184,403
-	-	-	2,907,204	3,102,063
-	-	-	-	258,721
-	-	-	-	781,672
-	-	-	-	334,239
-	-	-	4,153	4,153
2,601	-	575,000	2,407	702,735
315	-	347,971	1,481	359,357
-	-	22,983	-	22,983
\$ 10,187,319	\$ 5,249,031	\$ 945,954	\$ 2,915,245	\$ 41,264,312
\$ (800)	\$ (4,300,657)	\$ 47,456	\$ 217,999	\$ (1,455,778)

**WINONA COUNTY
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(5,152,311)	-
Proceeds from loans	15,185	-
Refunding bonds issued	-	-
Premium on bonds issued	-	-
Discount on bonds issued	-	-
Proceeds from sale of capital assets	9,281	3,800
Compensation for loss of general capital assets	39,867	-
	<u>39,867</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ (5,087,978)</u>	<u>\$ 3,800</u>
Change in Fund Balance	<u>\$ (3,015,177)</u>	<u>\$ 511,223</u>
Fund Balance - January 1, as previously reported	\$ 12,739,744	\$ 5,434,061
Prior period adjustment (See Note 1.E.)	<u>-</u>	<u>-</u>
Fund Balance - January 1, as restated	<u>\$ 12,739,744</u>	<u>\$ 5,434,061</u>
Increase (decrease) in reserved for inventories	<u>\$ -</u>	<u>\$ (488,964)</u>
Fund Balance - December 31	<u><u>\$ 9,724,567</u></u>	<u><u>\$ 5,456,320</u></u>

EXHIBIT 5
(Continued)

Social Services	Flood	Debt Service	Other Governmental Funds	Total
\$ -	\$ 5,128,361	\$ 23,950	\$ 431,555	\$ 5,583,866
-	-	(431,555)	-	(5,583,866)
-	-	-	-	15,185
-	-	3,435,000	-	3,435,000
-	-	72,863	-	72,863
-	-	(9,824)	-	(9,824)
-	-	-	85,313	98,394
-	-	-	-	39,867
\$ -	\$ 5,128,361	\$ 3,090,434	\$ 516,868	\$ 3,651,485
\$ (800)	\$ 827,704	\$ 3,137,890	\$ 734,867	\$ 2,195,707
\$ 5,505,160	\$ -	\$ 1,452,913	\$ 4,254,696	\$ 29,386,574
(732,839)	-	-	(274,882)	(1,007,721)
\$ 4,772,321	\$ -	\$ 1,452,913	\$ 3,979,814	\$ 28,378,853
\$ -	\$ -	\$ -	\$ -	\$ (488,964)
\$ 4,771,521	\$ 827,704	\$ 4,590,803	\$ 4,714,681	\$ 30,085,596

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ 2,195,707**

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

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

Deferred revenue - December 31	\$ 4,909,133	
Deferred revenue - January 1	<u>(779,480)</u>	4,129,653

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

Expenditures for general capital assets and infrastructure	\$ 3,116,849	
Net book value of assets disposed of	(92,476)	
Current year depreciation	<u>(1,646,804)</u>	1,377,569

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

Proceeds of new debt		
General obligation refunding bonds issued	\$ (3,435,000)	
Premium on bonds	(72,863)	
Discount on bonds issued	9,824	
Note issued	<u>(15,185)</u>	(3,513,224)

Principal repayments		
General obligation bonds	\$ 575,000	
Capital lease	<u>127,736</u>	702,736

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

Change in accrued interest payable	\$ (2,181)	
Change in retiree health insurance payable	38,395	
Change in compensated absences	(730,470)	
Change in inventories	<u>(488,964)</u>	(1,183,220)

Prior period adjustments effect fund statements but not government-wide statements.		<u>(1,007,721)</u>
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Change in Net Assets of Governmental Activities (Exhibit 2) **\$ 2,701,500**

FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	HC Garvin Private-Purpose Trusts	Agency Funds
	<hr/>	<hr/>
<u>Assets</u>		
Cash and pooled investments	\$ 314	\$ 736,750
Investments	47,715	-
Accrued interest receivable	2,168	-
	<hr/>	<hr/>
Total Assets	\$ 50,197	\$ 736,750
	<hr/>	<hr/>
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 70,076
Due to other governments	-	666,674
	<hr/>	<hr/>
Total Liabilities	\$ -	\$ 736,750
	<hr/>	<hr/>
<u>Net Assets</u>		
Net assets, held in trust	\$ 50,197	
	<hr/>	

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	HC Garvin Private-Purpose Trusts
	<hr/>
<u>Additions</u>	
Interest on investments	\$ 2,314
<u>Deductions</u>	
Payments in accordance with trust agreements	<hr/> 1,258
Change in net assets	\$ 1,056
Net Assets - January 1	<hr/> 49,141
Net Assets - December 31	<hr/> \$ 50,197 <hr/>

**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007**

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, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Component Units

The Regional Railroad Authority (RRA) was created to monitor the preservation or improvement of rail transportation within the County. The County Commissioners are the members of the RRA Board. The RRA does not prepare financial statements because currently the RRA is for informational purposes only and had no financial transactions in 2007.

Joint Ventures

The County participates in joint ventures described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets 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.

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. 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.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

The Flood Special Revenue Fund is used to account for the revenues and expenditures related to the flood that happened in 2007.

The Debt Service Fund is used to account for the accumulation of resources for the payment of principal, interest, and related costs of long-term bonded debt.

Additionally, the County reports the following fund types:

Capital project funds are used to account for financial resources used for the construction of major capital expenditures.

Private-purpose trust funds are used to account 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 they are 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, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, 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 2007 were \$977,054.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets 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, the fair value of the County's position in the pool is the same as the value of the pool shares.

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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve 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, and Net Assets 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 market value at the date of donation.

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

Property, plant, and equipment of the County is 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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated 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. Deferred Revenue

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

7. Long-Term Obligations

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

In the fund financial statements, governmental 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, and Net Assets or Equity (Continued)

8. Fund Equity

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

9. Use of Estimates

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

E. Prior Period Adjustment

At December 31, 2006, receivables of \$732,839 in the Social Services Special Revenue Fund and \$274,882 in the Health Service Special Revenue Fund should have been deferred as unavailable, but were not. The January 1, 2007, fund balances have been restated to defer revenue recognition on those receivables.

	<u>Social Services Special Revenue Fund</u>	<u>Health Service Special Revenue Fund</u>
Fund balance, December 31, 2006, as previously reported	\$ 5,505,160	\$ 1,870,106
Adjustment to deferred revenue	<u>(732,839)</u>	<u>(274,882)</u>
Fund balance, January 1, 2007, restated	<u>\$ 4,772,321</u>	<u>\$ 1,595,224</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. 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 assets	
Governmental activities	
Cash and pooled investments	\$ 12,956,842
Petty cash and change funds	3,195
Investments	15,872,179
Statement of fiduciary net assets	
Private-purpose trust	
Cash and pooled investments	314
Investments	47,715
Agency	736,750
Total Cash and Investments	
	<u>\$ 29,616,995</u>
Deposits	\$ 7,959,017
Petty cash and change funds	3,195
Investments	15,809,618
Mutual funds	5,845,165
Total Deposits, Cash on Hand, and Investments	
	<u>\$ 29,616,995</u>

a. Deposits

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

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better, revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is 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 investment policy limits the dollar amount of securities in custodial category #3 to no more than ten percent at any time during the year. As of December 31, 2007, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

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

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2007, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 3 Years</u>
U.S. Treasuries	\$ 904,503	\$ -	\$ 904,503
Commercial paper	10,030,115	10,030,115	-
Negotiable certificates	4,875,000	3,830,000	1,045,000
Total Investments	<u>\$ 15,809,618</u>	<u>\$ 13,860,115</u>	<u>\$ 1,949,503</u>

Credit Risk

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

The County's exposure to credit risk as of December 31, 2007, is as follows:

<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
AAA	\$ 904,503
A-1+/P-1	10,030,115
Not rated	4,875,000
Total	<u>\$ 15,809,618</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy limits the dollar amount of repurchase agreements to no more than ten percent at any time during the year.

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. Investments by any one issuer that represent five percent or more of the County's investments are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
Federal Home Loan Bank	\$ 900,000
American General	1,780,000
American Express	1,750,000
GE	1,900,000
Goldman Sachs Group	1,000,000
Intesa Funding LLC	1,000,000
Merrill Lynch & Co.	1,000,000
New Ctr Asset TR	1,000,000

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2007, for Winona County's governmental activities, including the applicable allowances for uncollectible (Social Services and Health Service Special Revenue Funds) accounts, are as follows:

Accounts receivable	\$ 4,088,403
Less: allowance for uncollectible	<u>(2,636,043)</u>
Net Accounts Receivable	<u>\$ 1,452,360</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
General	\$ 1,476,635	\$ -	\$ 29,675	\$ 1,446,960
Highway	50,085	-	-	50,085
Highway right-of-way	3,029,581	-	-	3,029,581
Construction in progress				
General	53,809	44,964	-	98,773
Highway	1,713,734	1,828,511	976,302	2,565,943
Total capital assets not depreciated	<u>\$ 6,323,844</u>	<u>\$ 1,873,475</u>	<u>\$ 1,005,977</u>	<u>\$ 7,191,342</u>
Capital assets depreciated				
Buildings	\$ 18,744,433	\$ 8,647	\$ 24,217	\$ 18,728,863
Improvements other than buildings	448,368	-	-	448,368
Machinery, furniture, and equipment	7,228,027	841,560	188,634	7,880,953
Infrastructure	41,462,963	1,369,469	-	42,832,432
Total capital assets depreciated	<u>\$ 67,883,791</u>	<u>\$ 2,219,676</u>	<u>\$ 212,851</u>	<u>\$ 69,890,616</u>
Less: accumulated depreciation for				
Buildings	\$ 2,144,182	\$ 200,407	\$ 6,970	\$ 2,337,619
Improvements other than buildings	128,154	12,008	-	140,162
Machinery, furniture, and equipment	3,670,666	650,172	143,080	4,177,758
Infrastructure	10,357,983	784,217	-	11,142,200
Total accumulated depreciation	<u>\$ 16,300,985</u>	<u>\$ 1,646,804</u>	<u>\$ 150,050</u>	<u>\$ 17,797,739</u>
Total capital assets depreciated, net	<u>\$ 51,582,806</u>	<u>\$ 572,872</u>	<u>\$ 62,801</u>	<u>\$ 52,092,877</u>
Governmental Activities Capital Assets, Net	<u>\$ 57,906,650</u>	<u>\$ 2,446,347</u>	<u>\$ 1,068,778</u>	<u>\$ 59,284,219</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 323,305
Public safety	196,902
Highways and streets, including depreciation of infrastructure assets	1,098,946
Human services	2,916
Health	5,287
Sanitation	7,271
Conservation	12,177
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,646,804</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Description</u>	<u>Amount</u>
Road and Bridge Special Revenue	General	Fuel purchases	<u>\$ 9,076</u>
Health Service Special Revenue	Social Services Special Revenue	Preadmission screening	\$ 18,465
	General	Staffing coverage	<u>8,767</u>
Total due to other governmental funds			<u>\$ 27,232</u>
Total Due To/From Other Funds			<u>\$ 36,308</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers to Flood Special Revenue Fund from General Fund	\$ 5,128,361	Flood-related expenditures
Transfers to Courthouse Capital Project Fund from Debt Service Fund	431,555	Some bond issues finalized
Transfers to Debt Service Fund from General Fund	<u>23,950</u>	Debt service expenditures
Total Transfers to Other Governmental Funds	<u>\$ 5,583,866</u>	

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2007. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and bridges	\$ 3,270,969	\$ 150,059
Flood - highway department	686,238	36,118

2. Other Postemployment Benefits

Retirees or Terminating Employees

Employees who leave in good standing with more than ten years of service, 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 unused sick leave equals one-month paid-up insurance for employees only.

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

2. Other Postemployment Benefits

Retirees or Terminating Employees (Continued)

As of year-end, the County has seven participants. The County finances the plan on a pay-as-you-go basis. During 2007, the County expended \$30,398 for these benefits.

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 one participant in 2007 for \$6,050.

3. Capital Leases/Installment Purchases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2007:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
Sheriff's cars	2008	Semi-annually	\$ 18,161	\$ 103,264	\$ 27,585
Copier	2009	Monthly	736	38,997	14,769
Copier	2009	Monthly	204	9,012	2,815
Copier	2009	Monthly	324	10,560	4,080
Copier	2009	Monthly	243	12,877	4,876
Total Governmental Activities Capital Leases					<u>\$ 54,125</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

3. Capital Leases/Installment Purchases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007, were as follows:

Year Ending December 31	Governmental Activities
2008	\$ 46,986
2009	10,394
Total minimum lease payments	\$ 57,380
Less: amount representing interest	(3,255)
Present Value of Minimum Lease Payments	<u>\$ 54,125</u>

4. Bonded Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General obligation bonds					
2001A G.O. Capital Improvement Plan Bonds	2017	\$135,000 - \$465,000	3.20 - 5.00	\$ 5,000,000	\$ 3,765,000
2002A G.O. Capital Improvement Plan Bonds	2018	\$160,000 - \$450,000	3.00 - 4.60	5,000,000	4,010,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	\$430,000 - \$460,000	1.70 - 2.30	<u>3,435,000</u>	<u>3,435,000</u>
Total general obligation bonds				\$ 13,435,000	\$ 11,210,000
Note					
South Branch Whitewater River Watershed Bacteria Reduction Project Note Payable	2018		2.00	<u>15,185</u>	<u>15,185</u>
Total General Obligation Bonds and Notes				<u>\$ 13,450,185</u>	<u>\$ 11,225,185</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

4. Bonded Debt (Continued)

In 2007, the County issued General Obligation Capital Improvement Plan Refunding Bonds, Series 2007A, to refund the February 1, 2009 through 2017, maturities of the General Obligation Capital Improvement Plan Bonds, Series 2001A, on February 1, 2008.

The refunding took advantage of lower interest rates, and the present value of the future savings over the life of the bonds is \$147,502.

Since the refunding took place in February 2008, both the refunded bonds and the refunding bonds are reported as liabilities on the Statement of Net Assets at December 31, 2007.

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2008	\$ 4,060,000	\$ 425,455
2009	605,000	281,420
2010	670,000	256,850
2011	670,000	230,370
2012	705,000	202,870
2013 - 2017	4,050,000	543,745
2018	450,000	10,350
Total	<u>\$ 11,210,000</u>	<u>\$ 1,951,060</u>

**WINONA COUNTY
WINONA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 8,350,000	\$ 3,435,000	\$ 575,000	\$ 11,210,000	\$ 4,060,000
Premium on bonds	-	72,863	-	72,863	-
Less: deferred amount for issuance discounts	-	(9,824)	-	(9,824)	-
Total bonds payable	\$ 8,350,000	\$ 3,498,039	\$ 575,000	\$ 11,273,039	\$ 4,060,000
Notes	-	15,185	-	15,185	-
Capital leases	181,861	-	127,736	54,125	43,967
Compensated absences	881,312	730,470	-	1,611,782	58,991
Retiree health insurance	57,905	-	38,395	19,510	17,486
Governmental Activities Long-Term Liabilities	\$ 9,471,078	\$ 4,243,694	\$ 741,131	\$ 12,973,641	\$ 4,180,444

3. Pension Plans

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 Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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

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

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased for 2008 to 6.00 percent. Public Employees Police and Fire Fund members are required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. 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 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2007	\$ 599,188	\$ 82,696	\$ 62,925
2006	586,847	105,975	87,219
2005	513,110	93,124	72,751

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

B. Defined Contribution Plan

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

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Winona County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,516	\$ 3,516
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

4. 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. 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 \$400,000 per claim in 2007 and \$410,000 per claim in 2008. 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.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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.

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.

**WINONA COUNTY
WINONA, MINNESOTA**

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

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 2007. However, the Board of 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; 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 two. The Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. Winona County is the fiscal agent for the Collaborative. The Collaborative had \$540,115 of expenditures in 2007 for the benefit of County services.

D. Jointly-Governed Organizations

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

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to several counties. During the year, the County did not make any disbursements to the Board.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeast Minnesota Emergency Management Services

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

Southeastern Minnesota Narcotics Task Force

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During the year, Winona County paid \$5,000 to the Task Force.

Southeastern Libraries Cooperative

The Southeastern Libraries Cooperative provides library services within the County. The County contributed \$13,811 during the year.

Southeastern Community Action Council

The Southeastern Community Action Council provides services for various social programs. 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 \$76,641 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 \$6,235 payment to the Joint Powers Board.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeastern Minnesota Recyclers' Exchange

The Southeastern Minnesota Recyclers' Exchange provides recycling services. During the year, Winona County did not make any payments to the Exchange.

E. Related Organizations

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2007, the County settled with the Watershed for property taxes collected in the amount of \$3,465.

REQUIRED SUPPLEMENTARY INFORMATION

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 9,720,798	\$ 7,687,379	\$ 8,726,010	\$ 1,038,631
Special assessments	235,000	235,000	234,176	(824)
Licenses and permits	206,471	206,471	214,058	7,587
Intergovernmental	2,704,262	3,767,161	4,383,215	616,054
Charges for services	2,019,965	2,019,965	1,966,670	(53,295)
Fines and forfeits	28,680	28,680	35,473	6,793
Gifts and contributions	5,000	5,200	31,663	26,463
Investment earnings	450,000	450,000	998,014	548,014
Miscellaneous	287,423	287,423	298,383	10,960
Total Revenues	\$ 15,657,599	\$ 14,687,279	\$ 16,887,662	\$ 2,200,383
Expenditures				
Current				
General government				
Commissioners	\$ 183,038	\$ 194,542	\$ 181,930	\$ 12,612
Courts	71,850	71,850	126,103	(54,253)
Court services	-	-	231	(231)
Law library	34,150	34,150	40,996	(6,846)
County administration	376,833	383,706	260,692	123,014
County auditor	323,311	359,054	232,877	126,177
License bureau	212,623	223,634	210,091	13,543
County treasurer	-	-	131,341	(131,341)
County assessor	408,780	455,887	422,869	33,018
Elections	2,000	2,000	12,310	(10,310)
Accounting and auditing	301,766	299,481	225,296	74,185
Data processing	650,393	652,661	533,070	119,591
Personnel	546,686	585,277	312,800	272,477
Attorney	929,611	1,033,371	1,028,749	4,622
Recorder	249,741	268,525	271,130	(2,605)
Vital statistics	70,084	75,691	76,697	(1,006)
Planning and zoning	778,719	916,607	356,159	560,448
Telecommunications	194,765	274,390	210,634	63,756
Maintenance	1,005,155	1,100,569	946,054	154,515
Veterans service officer	131,698	140,970	142,023	(1,053)
Other general government	3,109,030	1,075,298	625,613	449,685
Total general government	\$ 9,580,233	\$ 8,147,663	\$ 6,347,665	\$ 1,799,998

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,871,769	\$ 1,981,268	\$ 2,164,841	\$ (183,573)
Boat and water safety	40,063	41,689	58,723	(17,034)
Emergency services	168,354	172,428	108,433	63,995
E-911 system	-	-	5,138	(5,138)
County jail	1,808,546	1,983,258	2,147,822	(164,564)
Law enforcement center	902,557	943,572	767,450	176,122
Probation and parole	703,325	740,421	660,028	80,393
DARE program	-	-	17,311	(17,311)
Other	6,500	6,500	-	6,500
Total public safety	\$ 5,501,114	\$ 5,869,136	\$ 5,929,746	\$ (60,610)
Sanitation				
Recycling	\$ 929,138	\$ 1,018,165	\$ 838,091	\$ 180,074
Health				
Environmental health	\$ -	\$ -	\$ 194,859	\$ (194,859)
Culture and recreation				
Historical society	\$ -	\$ -	\$ 55,000	\$ (55,000)
Parks	-	-	15,456	(15,456)
Regional library	246,416	246,416	188,265	58,151
Total culture and recreation	\$ 246,416	\$ 246,416	\$ 258,721	\$ (12,305)
Conservation of natural resources				
County extension	\$ 158,051	\$ 163,252	\$ 204,526	\$ (41,274)
Soil and water conservation	-	-	128,623	(128,623)
Feedlot	-	-	129,405	(129,405)
Agricultural inspection	-	-	12,908	(12,908)
Wetland challenge	-	-	65,884	(65,884)
Environmental services	-	-	59,332	(59,332)
Land use	-	-	53,549	(53,549)
Other	-	-	127,445	(127,445)
Total conservation of natural resources	\$ 158,051	\$ 163,252	\$ 781,672	\$ (618,420)
Economic development				
Other	\$ -	\$ -	\$ 334,239	\$ (334,239)

The notes to the required supplementary information are an integral part of this schedule.

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**WINONA COUNTY
WINONA, MINNESOTA**

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	\$ -	\$ -	\$ 120,776	\$ (120,776)
Interest	-	-	9,092	(9,092)
Total debt service	\$ -	\$ -	\$ 129,868	\$ (129,868)
Total Expenditures	\$ 16,414,952	\$ 15,444,632	\$ 14,814,861	\$ 629,771
Excess of Revenues Over (Under)				
Expenditures	\$ (757,353)	\$ (757,353)	\$ 2,072,801	\$ 2,830,154
Other Financing Sources (Uses)				
Transfers in	\$ 711,257	\$ 711,257	\$ -	\$ (711,257)
Transfers out	-	-	(5,152,311)	(5,152,311)
Proceeds from loan	-	-	15,185	15,185
Proceeds from sale of capital assets	-	-	9,281	9,281
Compensation for loss of general capital assets	-	-	39,867	39,867
Total Other Financing Sources (Uses)	\$ 711,257	\$ 711,257	\$ (5,087,978)	\$ (5,799,235)
Change in Fund Balance	\$ (46,096)	\$ (46,096)	\$ (3,015,177)	\$ (2,969,081)
Fund Balance - January 1	12,739,744	12,739,744	12,739,744	-
Fund Balance - December 31	\$ 12,693,648	\$ 12,693,648	\$ 9,724,567	\$ (2,969,081)

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,164,722	\$ 2,140,688	\$ 1,935,347	\$ (205,341)
Intergovernmental	5,281,038	5,518,681	5,237,409	(281,272)
Charges for services	5,000	5,000	2,069	(2,931)
Investment earnings	80,000	80,000	259,508	179,508
Miscellaneous	293,500	293,500	224,992	(68,508)
Total Revenues	\$ 7,824,260	\$ 8,037,869	\$ 7,659,325	\$ (378,544)
Expenditures				
Current				
General government				
Surveyor	\$ 191,415	\$ 255,866	\$ 198,439	\$ 57,427
Highways and streets				
Administration	\$ 443,723	\$ 444,680	\$ 410,522	\$ 34,158
Maintenance	1,636,204	1,741,862	1,803,064	(61,202)
Construction	4,506,596	4,518,818	3,635,591	883,227
Equipment maintenance and shop	464,727	495,048	427,597	67,451
Materials and services for resale	821,595	821,595	674,240	147,355
Total highways and streets	\$ 7,872,845	\$ 8,022,003	\$ 6,951,014	\$ 1,070,989
Debt service				
Principal	\$ -	\$ -	\$ 1,951	\$ (1,951)
Interest	-	-	498	(498)
Total debt service	\$ -	\$ -	\$ 2,449	\$ (2,449)
Total Expenditures	\$ 8,064,260	\$ 8,277,869	\$ 7,151,902	\$ 1,125,967
Excess of Revenues Over (Under) Expenditures	\$ (240,000)	\$ (240,000)	\$ 507,423	\$ 747,423
Other Financing Sources (Uses)				
Transfers in	\$ 240,000	\$ 240,000	\$ -	\$ (240,000)
Proceeds from sale of capital assets	-	-	3,800	3,800
Total Other Financing Sources (Uses)	\$ 240,000	\$ 240,000	\$ 3,800	\$ (236,200)
Change in Fund Balance	\$ -	\$ -	\$ 511,223	\$ 511,223
Fund Balance - January 1	5,434,061	5,434,061	5,434,061	-
Increase (decrease) in reserved for inventories	-	-	(488,964)	(488,964)
Fund Balance - December 31	\$ 5,434,061	\$ 5,434,061	\$ 5,456,320	\$ 22,259

The notes to the required supplementary information are an integral part of this schedule.

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,043,593	\$ 3,134,428	\$ 2,721,266	\$ (413,162)
Licenses and permits	12,500	12,500	10,450	(2,050)
Intergovernmental	6,117,294	6,418,912	6,800,060	381,148
Charges for services	11,900	11,900	12,121	221
Gifts and contributions	-	-	40	40
Interest on investments	100,000	100,000	201,322	101,322
Miscellaneous	485,044	485,044	441,260	(43,784)
Total Revenues	\$ 9,770,331	\$ 10,162,784	\$ 10,186,519	\$ 23,735
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,854,556	\$ 3,113,852	\$ 3,064,943	\$ 48,909
Social services	7,415,763	7,548,920	7,119,460	429,460
Total human services	\$ 10,270,319	\$ 10,662,772	\$ 10,184,403	\$ 478,369
Debt service				
Principal	\$ 2,601	\$ 2,601	\$ 2,601	\$ -
Interest	315	315	315	-
Total debt service	\$ 2,916	\$ 2,916	\$ 2,916	\$ -
Total Expenditures	\$ 10,273,235	\$ 10,665,688	\$ 10,187,319	\$ 478,369
Excess of Revenues Over (Under)				
Expenditures	\$ (502,904)	\$ (502,904)	\$ (800)	\$ 502,104
Other Financing Sources (Uses)				
Transfers in	\$ 606,000	\$ 606,000	\$ -	\$ (606,000)
Transfers out	(103,096)	(103,096)	-	103,096
Total Other Financing Sources (Uses)	\$ 502,904	\$ 502,904	\$ -	\$ (502,904)
Change in Fund Balance	\$ -	\$ -	\$ (800)	\$ (800)
Fund Balance - January 1	\$ 5,505,160	\$ 5,505,160	\$ 5,505,160	\$ -
Prior period adjustment	-	-	(732,839)	(732,839)
Fund Balance - January 1, as restated	\$ 5,505,160	\$ 5,505,160	\$ 4,772,321	\$ (732,839)
Fund Balance - December 31	\$ 5,505,160	\$ 5,505,160	\$ 4,771,521	\$ (733,639)

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**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Flood Special Revenue Fund, which was not budgeted. 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 affect 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. During the year, the Board made supplemental budgetary appropriations for the General Fund.

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations in the Debt Service Fund by \$5,928. These over-expenditures were funded by taxes and intergovernmental revenues received in excess of budget.

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SUPPLEMENTARY INFORMATION

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**WINONA COUNTY
WINONA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

The Health Service Fund accounts for the activities of the County Health Department.

Capital Projects Fund

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities and equipment.

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**WINONA COUNTY
WINONA, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>Health Service Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,397,656	\$ 17,564	\$ 1,415,220
Petty cash and change funds	100	-	100
Investments	-	2,982,137	2,982,137
Taxes receivable			
Current	4,812	-	4,812
Prior	3,538	-	3,538
Accounts receivable	468,573	-	468,573
Accrued interest receivable	-	16,296	16,296
Due from other funds	27,232	-	27,232
Due from other governments	67,162	-	67,162
Total Assets	<u>\$ 1,969,073</u>	<u>\$ 3,015,997</u>	<u>\$ 4,985,070</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 13,293	\$ -	\$ 13,293
Salaries payable	93,357	-	93,357
Due to other governments	574	-	574
Deferred revenue - unavailable	163,165	-	163,165
Total Liabilities	<u>\$ 270,389</u>	<u>\$ -</u>	<u>\$ 270,389</u>
Fund Balances			
Reserved for debt service	\$ 4,080	\$ -	\$ 4,080
Unreserved			
Designated for future expenditures	130,000	-	130,000
Designated for cash flows	287,935	-	287,935
Designated for capital improvements	-	3,015,997	3,015,997
Designated for compensated absences	288,299	-	288,299
Undesignated	988,370	-	988,370
Total Fund Balances	<u>\$ 1,698,684</u>	<u>\$ 3,015,997</u>	<u>\$ 4,714,681</u>
Total Liabilities and Fund Balances	<u>\$ 1,969,073</u>	<u>\$ 3,015,997</u>	<u>\$ 4,985,070</u>

**WINONA COUNTY
WINONA, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Health Service Special Revenue	Capital Projects	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	\$ 342,493	\$ -	\$ 342,493
Licenses and permits	18,700	-	18,700
Intergovernmental	755,191	9,449	764,640
Charges for services	1,880,784	-	1,880,784
Fines and forfeits	25	-	25
Investment earnings	-	109,243	109,243
Miscellaneous	17,359	-	17,359
Total Revenues	\$ 3,014,552	\$ 118,692	\$ 3,133,244
Expenditures			
Current			
Health	\$ 2,907,204	\$ -	\$ 2,907,204
Capital outlay	-	4,153	4,153
Debt service			
Principal	2,407	-	2,407
Interest	1,481	-	1,481
Total Expenditures	\$ 2,911,092	\$ 4,153	\$ 2,915,245
Excess of Revenues Over (Under)			
Expenditures	\$ 103,460	\$ 114,539	\$ 217,999
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 431,555	\$ 431,555
Proceeds from sale of assets	-	85,313	85,313
Total Other Financing Sources (Uses)	\$ -	\$ 516,868	\$ 516,868
Net Change in Fund Balance	\$ 103,460	\$ 631,407	\$ 734,867
Fund Balance - January 1	\$ 1,870,106	\$ 2,384,590	\$ 4,254,696
Prior period adjustment	(274,882)	-	(274,882)
Fund Balance - January 1, as restated	\$ 1,595,224	\$ 2,384,590	\$ 3,979,814
Fund Balance - December 31	\$ 1,698,684	\$ 3,015,997	\$ 4,714,681

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 381,405	\$ 703,777	\$ 342,493	\$ (361,284)
Licenses and permits	-	-	18,700	18,700
Intergovernmental	724,148	766,034	755,191	(10,843)
Charges for services	1,567,775	1,567,775	1,880,784	313,009
Fines and forfeits	-	-	25	25
Miscellaneous	-	-	17,359	17,359
Total Revenues	\$ 2,673,328	\$ 3,037,586	\$ 3,014,552	\$ (23,034)
Expenditures				
Current				
Health				
Nursing service	\$ 818,114	\$ 739,000	\$ 607,838	\$ 131,162
Maternal and child health	547,848	589,373	483,691	105,682
County health officer	309,267	323,596	293,723	29,873
Health center	1,098,099	1,485,617	1,521,952	(36,335)
Total health	\$ 2,773,328	\$ 3,137,586	\$ 2,907,204	\$ 230,382
Debt service				
Principal	\$ -	\$ -	\$ 2,407	\$ (2,407)
Interest	-	-	1,481	(1,481)
Total debt service	\$ -	\$ -	\$ 3,888	\$ (3,888)
Total Expenditures	\$ 2,773,328	\$ 3,137,586	\$ 2,911,092	\$ 226,494
Excess of Revenues Over (Under)				
Expenditures	\$ (100,000)	\$ (100,000)	\$ 103,460	\$ 203,460
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	-	(100,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 103,460	\$ 103,460
Fund Balance - January 1	\$ 1,870,106	\$ 1,870,106	\$ 1,870,106	\$ -
Prior period adjustment	-	-	(274,882)	(274,882)
Fund Balance - January 1, as restated	\$ 1,870,106	\$ 1,870,106	\$ 1,595,224	\$ (274,882)
Fund Balance - December 31	\$ 1,870,106	\$ 1,870,106	\$ 1,698,684	\$ (171,422)

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 877,979	\$ 877,979	\$ 881,558	\$ 3,579
Intergovernmental	108,143	108,143	111,852	3,709
Total Revenues	\$ 986,122	\$ 986,122	\$ 993,410	\$ 7,288
Expenditures				
Debt service				
Principal	\$ 600,000	\$ 600,000	\$ 575,000	\$ 25,000
Interest	339,164	339,164	347,971	(8,807)
Administrative - fiscal charges	862	862	22,983	(22,121)
Total Expenditures	\$ 940,026	\$ 940,026	\$ 945,954	\$ (5,928)
Excess of Revenues Over (Under)				
Expenditures	\$ 46,096	\$ 46,096	\$ 47,456	\$ 1,360
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 23,950	\$ 23,950
Transfers out	-	-	(431,555)	(431,555)
Proceeds from sale of refunding bonds	-	-	3,435,000	3,435,000
Premiums on bonds issued	-	-	72,863	72,863
Discounts on bonds issued	-	-	(9,824)	(9,824)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 3,090,434	\$ 3,090,434
Change in Fund Balance	\$ 46,096	\$ 46,096	\$ 3,137,890	\$ 3,091,794
Fund Balance - January 1	1,452,913	1,452,913	1,452,913	-
Fund Balance - December 31	\$ 1,499,009	\$ 1,499,009	\$ 4,590,803	\$ 3,091,794

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 Winona County Family Collaborative Fund accounts for the Collaborative's funds on deposit with the County.

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**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>EMPLOYEE BENEFIT PLANS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 43,251	\$ 687,634	\$ 660,809	\$ 70,076
<u>Liabilities</u>				
Accounts payable	\$ 43,251	\$ 687,634	\$ 660,809	\$ 70,076
 <u>WINONA COUNTY FAMILY COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 424,826	\$ 296,088	\$ 540,115	\$ 180,799
<u>Liabilities</u>				
Due to other governments	\$ 424,826	\$ 296,088	\$ 540,115	\$ 180,799
 <u>SETTLEMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 338,383	\$ 43,018,869	\$ 42,965,389	\$ 391,863
<u>Liabilities</u>				
Due to other governments	\$ 338,383	\$ 43,018,869	\$ 42,965,389	\$ 391,863

**WINONA COUNTY
WINONA, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>86,172</u>	\$ <u>1,495,849</u>	\$ <u>1,510,149</u>	\$ <u>71,872</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>86,172</u>	\$ <u>1,495,849</u>	\$ <u>1,510,149</u>	\$ <u>71,872</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>7,303</u>	\$ <u>45,625</u>	\$ <u>30,788</u>	\$ <u>22,140</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>7,303</u>	\$ <u>45,625</u>	\$ <u>30,788</u>	\$ <u>22,140</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>899,935</u>	\$ <u>45,544,065</u>	\$ <u>45,707,250</u>	\$ <u>736,750</u>
<u>Liabilities</u>				
Accounts payable	\$ 43,251	\$ 687,634	\$ 660,809	\$ 70,076
Due to other governments	<u>856,684</u>	<u>44,856,431</u>	<u>45,046,441</u>	<u>666,674</u>
Total Liabilities	<u>\$ 899,935</u>	<u>\$ 45,544,065</u>	<u>\$ 45,707,250</u>	<u>\$ 736,750</u>

OTHER SCHEDULES

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

Shared Revenue

State

Highway users tax	\$ 4,755,417
PERA rate reimbursement	54,309
Disparity reduction aid	48,858
Police aid	105,975
County program aid	2,478,002
Agricultural conservation credit	38,564
Market value credit	1,722,412
Enhanced 911	137,737

Total Shared Revenue	\$ 9,341,274
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Reimbursement for Services

State

Minnesota Department of Human Services	\$ 2,802,126
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Payments

Local

Local contributions	\$ 73,631
Payments in lieu of taxes	325,766

Total Payments	\$ 399,397
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Grants

State

Minnesota Department/Board of	
Public Safety	\$ 366,037
Health	258,860
Natural Resources	134,556
Human Services	2,435,539
Water and Soil Resources	110,742
Veterans Affairs	2,500
Corrections	129,647
Pollution Control Agency	146,081

Total State	\$ 3,583,962
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**WINONA COUNTY
WINONA, MINNESOTA**

**Schedule 6
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 150,247
Housing and Urban Development	269,548
Justice	11,018
Transportation	45,826
Health and Human Services	906,726
Homeland Security	692,855
Environmental Protection Agency	2,935
Election Assistance Commission	9,449
	<hr/>

Total Federal	<u>\$ 2,088,604</u>
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Total State and Federal Grants	<u>\$ 5,672,566</u>
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Total Intergovernmental Revenue	<u><u>\$ 18,215,363</u></u>
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**WINONA COUNTY
WINONA, MINNESOTA**

**SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>December 31, 2007</u>	<u>30 Days</u>
Financial institution investments		
Certificates of deposit	\$ 5,279,109	\$ 900,000
Negotiable certificates of deposit	<u>4,875,000</u>	<u>-</u>
Total financial institution investments	<u>\$ 10,154,109</u>	<u>\$ 900,000</u>
Other investments		
U.S. government securities	\$ 902,220	\$ -
Commercial paper	10,030,115	9,038,143
Mutual funds	<u>5,845,165</u>	<u>5,845,165</u>
Total other investments	<u>\$ 16,777,500</u>	<u>\$ 14,883,308</u>
Total all investments	<u>\$ 26,931,609</u>	<u>\$ 15,783,308</u>
Deposits	2,679,908	2,679,908
Petty cash	<u>3,195</u>	<u>3,195</u>
Totals	<u><u>\$ 29,614,712</u></u>	<u><u>\$ 18,466,411</u></u>

Schedule 7

Mature Within				
60 Days	90 Days	180 Days	One Year	More Than One Year
\$ 1,600,000	\$ 2,097,715	\$ -	\$ 665,000	\$ 16,394
1,536,000	2,111,000	378,000	850,000	-
<u>\$ 3,136,000</u>	<u>\$ 4,208,715</u>	<u>\$ 378,000</u>	<u>\$ 1,515,000</u>	<u>\$ 16,394</u>
\$ -	\$ -	\$ -	\$ -	\$ 902,220
-	991,972	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 991,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 902,220</u>
<u>\$ 3,136,000</u>	<u>\$ 5,200,687</u>	<u>\$ 378,000</u>	<u>\$ 1,515,000</u>	<u>\$ 918,614</u>
<u>\$ 3,136,000</u>	<u>\$ 5,200,687</u>	<u>\$ 378,000</u>	<u>\$ 1,515,000</u>	<u>\$ 918,614</u>

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 8

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS
FOR CALENDAR YEARS 2006 THROUGH 2008**

	Tax Year 2006		Tax Year 2007		Tax Year 2008	
	Net Tax Capacity	Tax Capacity Rate Percent (%)	Net Tax Capacity	Tax Capacity Rate Percent (%)	Net Tax Capacity	Tax Capacity Rate Percent (%)
Tax Capacity						
Real property	\$ 34,030,799		\$ 37,924,515		\$ 38,712,201	
Personal property	441,082		460,003		505,811	
Tax increment financing	(303,456)		(293,097)		(261,781)	
Net Tax Capacity	\$ 34,168,425		\$ 38,091,421		\$ 38,956,231	
Tax Levied for County						
County Revenue	\$ 8,977,104	27.093	\$ 9,664,998	27.089	\$ 9,221,969	24.361
Road and Bridge	2,045,930	5.988	2,164,722	5.889	2,437,739	6.263
Human Services	2,879,625	8.428	3,043,593	8.279	3,454,052	8.874
Community Health	551,450	1.614	381,405	1.038	575,869	1.479
Capital Improvement Bond	-	-	-	-	-	-
Internal Services	-	-	-	-	-	-
Honeywell Bond G.O.	-	-	-	-	-	-
Chse Bond 2001	498,523	1.458	502,245	1.365	-	-
Chse Bond 2002	483,851	1.415	483,877	1.315	875,349	2.247
Building	-	-	-	-	455,422	1.17
Net Tax Levy	\$ 15,436,483	45.996	\$ 16,240,840	44.975	\$ 17,020,400	44.394
	<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	\$ 32,952	\$ 1,685,100	\$ 35,110	\$ 1,793,000	\$ 33,108	\$ 1,692,900
Distribution lines	11,148	594,900	11,896	632,300	12,126	643,800
Total Taxable Valuations - Light and Power	\$ 44,100	\$ 2,280,000	\$ 47,006	\$ 2,425,300	\$ 45,234	\$ 2,336,700
Light and Power Tax Levy						
Transmission lines	\$ 46,232	\$ 4,278	\$ 47,570	\$ 4,797	\$ 44,980	\$ 4,254
Distribution lines	15,640	1,510	16,110	1,691	16,500	1,618
Total Light and Power Tax Levy	\$ 61,872	\$ 5,788	\$ 63,680	\$ 6,488	\$ 61,480	\$ 5,872
Percentage of Tax Collections for All Purposes	98.65%		98.41%			

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 9

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Winona County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Winona County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." We consider some of the deficiencies to be material weaknesses.
- C. No instances of noncompliance material to the financial statements of Winona County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Winona County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
 - Public Assistance (Presidentially Declared Disasters) CFDA #97.036
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Winona County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

Adjustments were made to the General Fund for the following:

- reclassify intergovernmental revenues between state, federal, and reimbursement for services;
- reclassify various revenues and expenditures;
- reclassify fund balance reserves and designations; and
- adjust receivables

Adjustments were made to the Road and Bridge Special Revenue Fund for the following:

- reclassify various revenues and expenditures,
- eliminate intra county fees, and
- reclassify fund balance reserves and designations.

Adjustments were made to the Social Services Special Revenue Fund for the following:

- reclassify intergovernmental revenues between state, federal, and reimbursement for services;
- reclassify various revenues and expenditures;
- reclassify fund balance reserves and designations;
- adjust receivables; and
- adjust deferred revenue.

Adjustments were made to the Health Service Special Revenue Fund for the following:

- reclassify intergovernmental revenues between state, federal, and reimbursement for services;
- reclassify various revenues and expenditures;
- reclassify fund balance reserves and designations;
- adjust receivables; and
- adjust deferred revenue.

Adjustments were made to the Flood Special Revenue Fund for the following:

- reclassify intergovernmental revenues between state and federal,
- reclassify various revenues and expenditures,
- adjust receivables, and
- adjust deferred revenue.

Adjustments were made to the Capital Projects Fund for the following:

- reclassify various revenues and expenditures and
- reclassify fund balance designations.

Adjustments were made to the Debt Service Fund for the following:

- reclassify various revenues and expenditures and
- reclassify fund balance designations.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County establish internal procedures to ensure the financial statements are correct.

Client's Response:

County staff will have fund accountants prepare the trial balances and the Finance Director will review the data.

ITEMS ARISING THIS YEAR

07-1 Disbursement Internal Controls

While reviewing internal controls over the disbursement system, we noted the following control deficiencies in a representative sample of 40:

- Twenty-three of the claims did not contain evidence of review and cancellation.
- Twelve of the claims did not contain evidence of the authorized signer's approval.
- For three of the claims, the account number (fund, department, unit, and object) did not agree to the general ledger coding.
- Two of the claims were not paid within a timely manner from the date of service or date received in accordance with Minn. Stat. § 471.25.
- One of the claims did not have supporting documentation from the vendor.

We recommend the County adhere to their internal control procedures for disbursements to ensure that only properly authorized and documented claims are paid. We also recommend that the County cancel invoices once paid to prevent duplicate payments.

Client's Response:

The County staff have set up procedures in the disbursement system. Claims are being reviewed for signature, w-9, sales tax, account codes, supporting documentation and to make sure that they are paid in a timely manner. Once bills are received in Finance they are normally paid within the next week unless there are problems with the voucher.

07-2 New Vendors

New vendors can be added by the same employee who records the disbursements and prints the checks. New vendors added to the vendor master file are not monitored or reviewed by an employee independent of the disbursements process for validity of the vendor. The disbursement internal controls are not properly segregated to prevent and detect errors in the disbursements process.

We recommend the County implement proper segregation of duties to prevent and detect errors in the disbursement process or implement other compensating controls.

Client's Response:

County staff are setting up a procedure that all new vendors or changes will need a vendor form completed. The Finance Director or designee will review the vendors quarterly.

07-3 Segregation of Duties in Treasurer's Office

In the County Treasurer's Office, the collection of funds, recording of receipts, preparation of the bank deposits, and taking the bank deposits to the bank can be performed by the same employee. There are no compensating controls or monitoring activities documented or being performed to ensure accurate reporting.

We recommend the duties in the County Treasurer's Office be segregated between employees. If this is not feasible, the County should consider other compensating controls, including review procedures.

Client's Response:

There is limited staff in the Treasurer's Office. There is balancing with the Finance and Auditor's department. Finance writes the receipts and takes the receipts to the Treasurer's Office. The Treasurer's Office will interface each day from the cash register to IFS. Finance will compare the receipts and process them from the pink copy of the receipts. The Finance Department and Treasurer's Office will balance twice a month. If there are any differences, the difference will be found before going forward.

The Treasurer's Office receives the tax payments. The tax payments are entered into the cash register system. The Treasurer and Auditor balance 3 times a year. Any error is corrected at this time. The Auditor will provide a journal entry for the Finance Department to process. The Finance and Treasurer Department will balance cash to make sure all funds were moved in accordance to the journal entry. Winona County has limited staff and has implemented segregation of duties to the best of its ability with the limited staff.

07-4 Electronic Fund Transfer Policy

The County does not have a clearly documented and updated policy on Electronic Fund Transfers (EFTs). The current policy was adopted in 1989 and states that electronic transfers can be used for the purpose of investing monies only. The transfers are to be handled by Winona National & Savings Bank. The policy does not address the use of electronic transfers for disbursements, receipts of state monies, or tax monies received

which are being performed by the County. The policy also does not address that transfers can be performed through the use of other financial institutions which the County is currently practicing.

We recommend the County update their EFT policy to reflect current practices and designate who is authorized to make EFTs and what type of payments can be made this way.

Client's Response:

An Electronic Funds Transfer Policy has been adopted by the County Board.

07-5 Preparation of Financial Statements

Winona County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Winona County has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the government lacks internal control over the preparation of financial statements in accordance with GAAP.

We recommend Winona County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Winona County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, the County must identify and train individuals to obtain the expertise to review,

understand, and approve the County's financial statements, including notes. As an alternative, the County could consider hiring an outside consultant to assist in preparing its basic financial statements.

Client's Response:

The County plans to prepare the basic financial statements for the 2008 audit. County staff will get the training required to accomplish this task.

07-6 Prior Period Adjustment

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the financial statements on a timely basis. One indication of a control deficiency that typically is considered significant is restatement of previously issued financial statements to reflect the corrections of a misstatement. The January 1, 2007, fund balances of the Social Services and Health Service Special Revenue Funds were restated to recognize deferred revenue not previously reported.

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

Client's Response:

County staff will have fund accountants prepare the trial balances and the Finance Director will review the data.

PREVIOUSLY REPORTED ITEM RESOLVED

Investment Oversight (06-1)

The Winona County Treasurer purchases, sells, and exchanges investments for the County. Investments were not reviewed or approved by anyone other than the County Treasurer.

Resolution

The County Administrator and Finance Director are receiving a schedule of the investments each month and reviewing them. The schedule also includes investments that are maturing in the following month.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

07-7 Assessor's Property Valuation

The County Assessor's Office was unable to demonstrate that the County was in compliance with Minn. Stat. § 273.08 for real property listed for taxation, or with Minn. Stat. § 273.18 for property listed as exempt from taxation. Minn. Stat. § 273.08 states: "The assessor shall actually view, and determine the market value of each tract or lot of real property listed for taxation, including the value of all improvements and structures thereon, at maximum intervals of five years and shall enter the value opposite each description." Minn. Stat. § 273.18 states: "In every sixth year after the year 1926, the county auditor shall enter, in a separate place in the real estate assessment books, the description of each tract of real property exempt by law from taxation, with the name of the owner, if known, and the assessor shall value and assess the same in the same manner that other real property is valued and assessed, and shall designate in each case the purpose for which the property is used." A random sample of three districts was taken in Winona County, and several properties were not viewed for up to nine years.

We recommend the County Assessor's Office follow Minn. Stat. § 273.08 by having each parcel of real property viewed at least every five years, except for those that are exempt, and those should be viewed at least every six years. The Assessor's Office should also have supporting documentation demonstrating that they actually viewed each property within the guidelines of the statute.

Client's Response:

The County Assessor discovered many of these issues prior to the State Auditor's review. In March 2008, an assessment work plan was drafted. That work plan set out the statutory requirements for the appraisers and set up a methodology to insure that all parcels would be viewed each five years. Vacant or unimproved parcels were included in

the work plan. Each appraiser in the office was also required to file with the Assistant County Assessor detailed maps showing the quintile was going to be accomplished in a timely manner.

It appears that part of the problem is that appraisers were not maintaining dates of viewing on the parcel screen in the CAMA (Computer Assisted Mass Appraisal) system even though they were actually viewing properties. This deals with documentation issues. The Assistant County Assessor now runs weekly reports documenting the number of properties viewed by each appraiser. The Assessor believes that dated documentation in the CAMA system meets the documentation requirement.

Much effort has been put into attempting to identify parcels and having them viewed and revalued. The County has hired a contract appraiser to help rectify this issue. It may take one or two assessments to totally get this problem rectified but significant effort is being put into the project.

OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

This year, the Legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both irrevocable and revocable OPEB trusts;

Schedule 9
(Continued)

- it authorizes the use of a different list of permissible investments for both irrevocable and revocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Some of the issues that the Winona County Board of Commissioners will need to address in order to comply with the statement are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the Winona County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the Winona County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, the Winona County Board will have to decide whether to establish an irrevocable or a revocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the Winona County Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to Winona County for the year ended December 31, 2008.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Winona County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 06-2 and 07-1 through 07-6 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-2 and 07-5 to be material weaknesses.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Winona County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 07-7.

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 18, 2008

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Winona County

Compliance

We have audited the compliance of Winona County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. Winona County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Winona County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 18, 2008. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 18, 2008

/s/Greg Hierlinger

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 10

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 131,893
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	11,300
Total U.S. Department of Agriculture		\$ 143,193
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant/State's Program	14.228	\$ 226,048
Lead Hazard Reduction Demonstration Grant Program	14.905	43,500
Total U.S. Department of Housing and Urban Development		\$ 269,548
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grant	16.588	\$ 9,116
Enforcing Underage Drinking Laws Program	16.727	1,902
Total U.S. Department of Justice		\$ 11,018
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 696,259
Grant-in-aid for Railroad Safety - State Participation	20.303	10,232
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	35,594
Total U.S. Department of Transportation		\$ 742,085
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Pollution Control State Indoor Radon Grant	66.032	\$ 2,935
U.S. Election Assistance Commission		
Passed Through Minnesota Office of Secretary of State Help America Vote Act Requirements Payments	90.401	\$ 9,449

**WINONA COUNTY
WINONA, MINNESOTA**

**Schedule 10
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	\$ 200
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	79,783
Temporary Assistance for Needy Families (TANF)	93.558	44,631
Maternal and Child Health Services Block Grant	93.994	51,577
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	10,888
Temporary Assistance for Needy Families (TANF)	93.558	351,162
Block Grant - Child Care and Development	93.575	16,027
Child Care Cluster		
Child Care Mandatory and Matching Funds	93.596	15,454
Child Welfare Services - State Grants	93.645	7,386
Foster Care Title IV-E	93.658	126,993
Social Services Block Grant Title XX	93.667	271,417
Child Abuse and Neglect State Grants	93.669	1,529
Chafee Foster Care Independence Program	93.674	1,701
Block Grants for Community Mental Health Services	93.958	19,238
Total U.S. Department of Health and Human Services		\$ 997,986
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	\$ 36,224
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	2,431,852
Hazard Mitigation Grant	97.039	21,840
Homeland Security Grant Program	97.067	20,941
Total U.S. Department of Homeland Security		\$ 2,510,857
Total Federal Awards		\$ 4,687,071

**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

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 accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual--when both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Winona County considers all revenues to be available if they are collected within 60 days of the current period. Expenditures are recorded when the liability is incurred.

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

3. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 2,088,604
Special Supplemental Nutrition Program for Women, Infants, and Children grant deferred in 2006 and recognized in 2007 (CFDA #10.557)	(7,054)
Chafee Foster Care Independent Living grant deferred in 2006 and recognized in 2007 (CFDA #93.674)	(2,271)
Highway Planning and Construction grant deferred in 2007 (CFDA #20.205)	696,259
Promoting Safe and Stable Families grant deferred in 2007 (CFDA #93.556)	8,511
Temporary Assistance for Needy Families (TANF) grant deferred in 2007 (CFDA #93.558)	85,020
Disaster grant deferred in 2007 (CFDA #97.036)	<u>1,818,002</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,687,071</u>

**WINONA COUNTY
WINONA, MINNESOTA**

4. Passed Through to Subrecipients

During 2007, Winona County did not pass any federal money to subrecipients.

5. Pass-Through Grant Numbers

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