

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WABASHA COUNTY
WABASHA, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

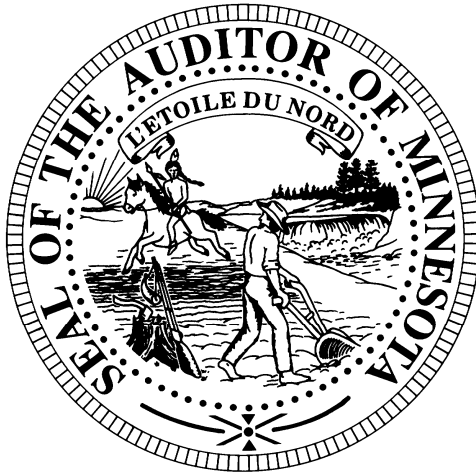
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Year Ended December 31, 2016



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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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WABASHA, MINNESOTA**

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WABASHA, MINNESOTA**

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**WABASHA COUNTY
WABASHA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2016

			<u>Term Expires</u>
Elected			
Commissioners			
Chair	Richard H. Hall	District 1	January 2017
Board Member	Brian Goihl	District 2	January 2019
Board Member	Donald Springer	District 3	January 2017
Board Member	Michael Wobbe	District 4	January 2019
Vice Chair	Cheryl Key	District 5	January 2019
Attorney	Karrie Kelly		January 2019
Auditor/Treasurer	Denise Anderson		January 2019
County Recorder	Jeffery Aitken		January 2019
County Sheriff	Rodney Bartsh		January 2019
Appointed			
Administrator	Michael Plante		Indefinite
Assessor	Penny Schmit		December 2016
Highway Engineer	Dietrich Flesch		May 2019
Finance Director	Deb Koenig		Indefinite
Social Services Director	John Dahlstrom		Indefinite
Public Health Director	Tammy Fiedler		Indefinite
Court Services Director	Traci Green		Indefinite
Surveyor	David Johnson		January 2017
Veterans Service Officer	Nathan Pelz		June 2017
Zoning Administrator	Kevin Krause		Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wabasha County
Wabasha, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2016, in which Wabasha County has an equity interest. The SCHA is a joint venture discussed in Note 6.B. to the financial statements. The County's investment in the SCHA, \$1,020,425, represents 0.8 percent and 1.2 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included

as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. 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 from material misstatement. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated July 28, 2017, on our consideration of Wabasha County's and Reads Landing Water and Sanitary District's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wabasha County's and Reads Landing Water and Sanitary District's internal control over financial reporting and compliance. They do not include the South Country Health Alliance, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wabasha County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

July 28, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(Unaudited)**

INTRODUCTION

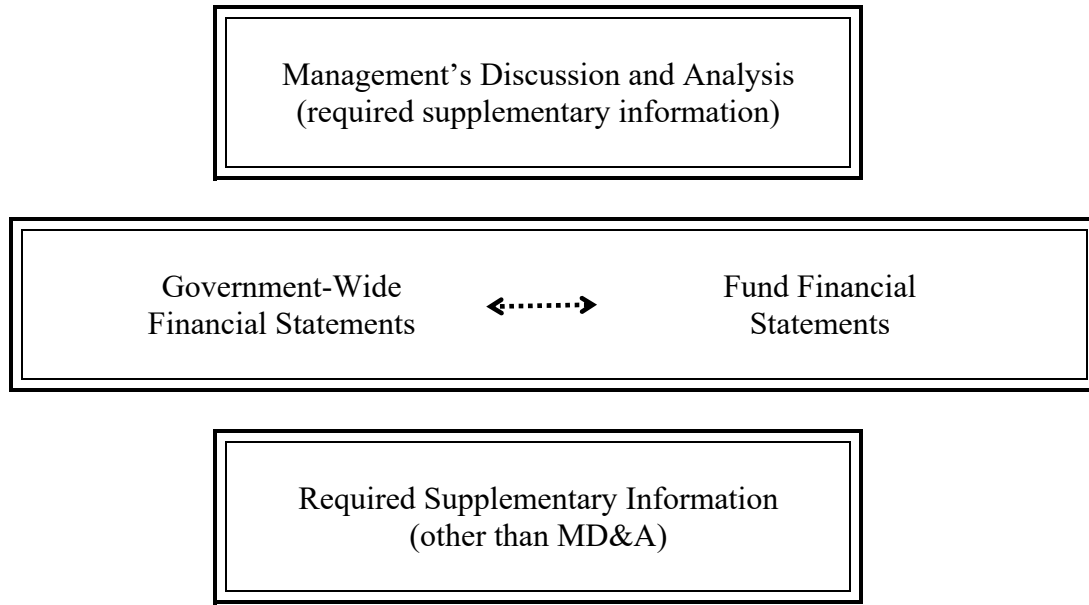
Wabasha County's Management's Discussion and Analysis (MD&A) provides the readers of Wabasha County's financial statements with a narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information in the financial statements, including the information in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position as of the end of the year is \$83,280,821, of which \$75,087,387 is net investment in capital assets. Other restrictions for specific purposes equaled \$12,924,837, resulting in a negative unrestricted balance of \$4,731,403.
- The County's net position decreased \$1,771,162 for the year ended December 31, 2016.
- At the end of the fiscal year, Wabasha County's governmental funds reported a combined ending fund balance of \$26,534,748.
- Wabasha County's total long-term liabilities increased by \$16,971,789 during the fiscal year. The key factors in this increase is attributed to an increase in the net pension liability and crossover refunding of the General Obligation Jail Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

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

In the Statement of Net Position and the Statement of Activities, we divide the County into two kinds of activities:

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

Fund Financial Statements

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

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

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

The County as a Whole

The County's combined net position is \$83,280,821 as of December 31, 2016. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

**Table 1
Net Position**

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 31,347,593	\$ 23,234,829
Capital assets	90,295,796	89,641,400
Total Assets	<u>\$ 121,643,389</u>	<u>\$ 112,876,229</u>
Deferred Outflows of Resources		
Deferred pension outflows	\$ 8,619,435	\$ 1,303,946
Liabilities		
Long-term liabilities outstanding	\$ 42,340,708	\$ 25,368,919
Other liabilities	2,157,302	2,197,713
Total Liabilities	<u>\$ 44,498,010</u>	<u>\$ 27,566,632</u>
Deferred Inflows of Resources		
Advance allotments	\$ 807,360	\$ 657,786
Deferred pension inflows	1,676,633	903,774
Total Deferred Inflows of Resources	<u>\$ 2,483,993</u>	<u>\$ 1,561,560</u>
Net position		
Net investment in capital assets	\$ 75,087,387	\$ 73,496,937
Restricted	12,924,837	4,300,929
Unrestricted	<u>(4,731,403)</u>	<u>7,254,117</u>
Total Net Position, as reported	<u><u>\$ 83,280,821</u></u>	<u><u>\$ 85,051,983</u></u>

Net position of the County's governmental activities decreased 2.08 percent (\$83,280,821 compared to \$85,051,983). Unrestricted net position changed from \$7,254,117 at December 31, 2015, to (\$4,731,403) at the end of 2016.

Table 2
Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 1,867,380	\$ 1,918,578
Operating grants and contributions	10,009,714	9,009,442
Capital grants and contributions	2,086,302	1,316,924
General revenues		
Property taxes	13,578,216	12,958,367
Other taxes	781,315	259,914
Grants and contributions	1,197,555	1,213,048
Other general revenues	569,293	594,182
Total Revenues	\$ 30,089,775	\$ 27,270,455
Program expenses		
General government	\$ 5,301,218	\$ 3,530,686
Public safety	7,720,321	6,367,531
Highways and streets	9,795,141	5,787,164
Sanitation	181,383	177,601
Human services	5,738,728	4,665,337
Health	1,431,421	1,418,556
Culture and recreation	281,425	410,614
Conservation of natural resources	422,308	458,896
Economic development	120,310	124,641
Interest	868,682	678,930
Total Program Expenses	\$ 31,860,937	\$ 23,619,956
Increase (Decrease) in Net Position	\$ (1,771,162)	\$ 3,650,499
Net Position - January 1	85,051,983	81,401,484
Net Position - December 31	\$ 83,280,821	\$ 85,051,983

Governmental Activities

Revenues for the County's governmental activities were \$30,089,775, while expenses were \$31,860,937. This resulted in a \$1,771,162 decrease in net position for the year ended December 31, 2016.

The cost of all governmental activities in 2016 was \$31,860,937, compared to \$23,619,956 in 2015. However, as shown in the Statement of Activities, Exhibit 2, the amount that taxpayers ultimately financed for these activities through County taxes and other general revenues was only \$17,897,541 because some of the cost was paid by those who directly benefited from the programs (\$1,867,380) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12,096,016). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, increased from \$12,244,944 in 2015 to \$13,963,396 in 2016, primarily caused by an increase in grants and contributions. The County paid for the remaining “public benefit” portion of governmental activities with \$16,126,379 in general revenues, primarily taxes.

Table 3 presents the cost of each of the County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2016	2015	2016	2015
Highways and streets	\$ 9,795,141	\$ 5,787,164	\$ 2,460,373	\$ (354,841)
Public safety	7,720,321	6,367,531	6,677,413	5,337,686
Human services	5,738,728	4,665,337	2,242,209	1,900,623
General government	5,301,218	3,530,686	4,718,695	3,015,923
Health	1,431,421	1,418,556	291,941	114,495
All others	1,874,108	1,850,682	1,506,910	1,361,126
Totals	<u>\$ 31,860,937</u>	<u>\$ 23,619,956</u>	<u>\$ 17,897,541</u>	<u>\$ 11,375,012</u>

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Wabasha County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$83,280,821 at the end of 2016, a decrease of \$1,771,162.

The County’s \$75,087,387 net investment in capital assets is 90 percent of total net position. Wabasha County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wabasha County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate liabilities.

Sixteen percent of Wabasha County’s net position (\$12,924,837) is subject to restrictions on how it may be used. This leaves a negative unrestricted balance of \$4,731,403.

Wabasha County’s total liabilities (\$44,498,010) are 37 percent of total assets and 142 percent of current assets.

Financial Analysis of the Government's Funds

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

As of the end of 2016, Wabasha County's governmental funds report combined fund balances of \$26,534,748. This is an increase of \$8,412,767 from the prior year. Approximately 37 percent of this amount (\$9,729,740) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned for specific purposes.

The General Fund is the chief operating fund of Wabasha County. At the end of 2016, the unassigned fund balance was \$10,057,724, while the total fund balance was \$10,903,000. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 81 percent of total General Fund expenditures, while total fund balance represents approximately 88 percent of the same amount.

The Road and Bridge Special Revenue Fund ended the year with a fund balance of \$560,645. This was a decrease of \$1,258,335. There was an increase in the Social Service Special Revenue Fund balance of \$696,858, with a total fund balance of \$3,003,766. The fund balance in the Criminal Justice Center Debt Service Fund increased by \$8,714,608, with an ending fund balance of \$11,163,870. This large increase is attributed to the County issuing crossover refunding bonds in the amount of \$8,515,000 to refund the General Obligation Jail Bonds on February 1, 2018.

General Fund Budgetary Highlights

Wabasha County did not make revisions to the General Fund budget during 2016. The General Fund's actual revenues were \$156,603 above budget, and expenditures exceeded the budget by \$1,099,427. This can be attributed to expenditures to upgrade HVAC systems that were not accounted for in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wabasha County's investment in capital assets as of December 31, 2016, amounts to \$90,295,796 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and software. (See Table 4.)

The net increase in Wabasha County's investment in capital assets for the current year was \$654,396. More detailed information about the County's capital assets is presented in Note 3.A. to the financial statements.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2016	2015
Land (not depreciated)	\$ 5,783,441	\$ 5,760,196
Construction in process (not depreciated)	-	1,325,911
Buildings and improvements	18,251,109	18,715,821
Machinery, vehicles, furniture, and equipment	1,532,570	1,579,033
Infrastructure	64,574,439	62,260,439
Software	154,237	-
Total	<u>\$ 90,295,796</u>	<u>\$ 89,641,400</u>

Debt

At the end of 2016, the County had total debt outstanding in the amount of \$24,709,362 as shown in Table 5. More detailed information about the County's long-term liabilities is presented in Note 3.C. to the financial statements.

Table 5
Outstanding Debt

	Governmental Activities	
	2016	2015
General obligation jail bonds (net of unamortized discount)	\$ 9,820,026	\$ 10,448,779
General obligation jail bonds refunding bonds (plus unamortized premium)	8,759,323	-
Certificates of participation (net of unamortized discount)	5,175,296	5,504,488
Facilities agreement	954,717	-
Capital leases	-	21,288
Total	<u>\$ 24,709,362</u>	<u>\$ 15,974,555</u>

The County's general obligation bond rating was upgraded to "AA+" in 2016. The rating is assigned by national rating agencies to the County's debt. Minnesota Statute § 475.53 limits the amount of general obligation debt a county can incur to no more than three percent of the estimated taxable market value without the approval of the majority of the voters of the county voting on the questions of issuing the obligation at an election. The County's outstanding net debt is significantly below the state-imposed limit of \$91,946,913 based on the 2015/16 estimated market value of \$3,064,897,100.

Other obligations include compensated absences, pension benefits, and other postemployment benefits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged.

- The Wabasha County Board of Commissioners uses a conservative approach to budgeting. Expenditures are reduced where possible, and new revenue sources are explored. All capital expenditures are thoroughly reviewed initially by the budget committee and again by the Board of Commissioners.
- The unemployment rate in Wabasha County decreased from 3.8 percent at the end of 2015 to 3.7 percent at the end of 2016. At the end of 2016, the Minnesota rate was 4.1 percent, and the U.S. rate was 4.5 percent. Unemployment rates can have a direct bearing on what services are requested by County residents.
- The 2017 County budget was adopted on December 27, 2016. The budgeted expenditures increased by 5.80 percent (\$1,669,328), and revenues increased by 6.73 percent (\$1,945,990). The County's Road and Bridge Fund expenditures for 2017 are budgeted to increase by \$1,272,047 and General Fund expenditures are expected to decrease by \$21,494 over the 2016 original budget. Income received from intergovernmental revenues is projected to increase in 2017 by \$1,103,186, and income received through taxes is increasing by \$544,665.
- The property tax levy increased 4.0 percent (\$541,265) from 2016. The County tax rate increased from 53.910 percent to 54.085 percent.

County Tax Rate and Levy History

	<u>Tax Rate</u>	<u>Levy</u>
2017	54.085%	\$ 14,072,898
2016	53.910	13,531,633
2015	52.558	13,011,186
2014	49.620	11,882,362
2013	50.112	11,316,535

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Wabasha County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or additional financial information, should be addressed to the Finance Director, Wabasha County, 625 Jefferson Street, Wabasha, Minnesota 55981.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Primary Government Governmental Activities	Reads Landing Water and Sanitary District Component Unit
<u>Assets</u>		
Cash and pooled investments	\$ 19,479,454	\$ 35,764
Petty cash and change funds	3,225	-
Cash with escrow agent	8,577,566	-
Investment in joint venture	1,020,425	-
Taxes receivable		
Delinquent	277,240	-
Special assessments receivable	-	12,238
Accounts receivable - net	184,109	7,472
Accrued interest receivable	54,688	-
Due from other governments	1,610,751	-
Inventories	140,135	-
Capital assets		
Non-depreciable	5,783,441	-
Depreciable - net of accumulated depreciation	84,512,355	879,992
Total Assets	\$ 121,643,389	\$ 935,466
<u>Deferred Outflows of Resources</u>		
Deferred pension outflows	\$ 8,619,435	\$ -
<u>Liabilities</u>		
Accounts payable	\$ 523,934	\$ 232
Salaries payable	596,386	-
Contracts payable	456,100	-
Due to other governments	123,534	3,662
Accrued interest payable	337,033	-
Unearned revenue	120,315	90
Long-term liabilities		
Net other postemployment benefits obligation	692,778	-
Net pension liability	15,607,709	-
Due within one year	1,276,724	1,697
Due in more than one year	24,763,497	82,750
Total Liabilities	\$ 44,498,010	\$ 88,431

**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Primary Government Governmental Activities	Reads Landing Water and Sanitary District Component Unit
<u>Deferred Inflows of Resources</u>		
Advance allotments	\$ 807,360	\$ -
Deferred pension inflows	1,676,633	-
Total Deferred Inflows of Resources	\$ 2,483,993	\$ -
<u>Net Position</u>		
Net investment in capital assets	\$ 75,087,387	\$ 795,545
Restricted for		
General government	252,299	-
Public safety	171,618	-
Highways and streets	1,288,084	-
Human services	28,747	-
Health	20,219	-
Debt service	11,163,870	33,057
Equipment replacement	-	2,708
Unrestricted	(4,731,403)	15,725
Total Net Position	\$ 83,280,821	\$ 847,035

**WABASHA COUNTY
WABASHA, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 5,301,218	\$ 479,147
Public safety	7,720,321	457,147
Highways and streets	9,795,141	78,376
Sanitation	181,383	40,045
Human services	5,738,728	444,078
Health	1,431,421	367,265
Culture and recreation	281,425	1,212
Conservation of natural resources	422,308	110
Economic development	120,310	-
Interest	868,682	-
Total Governmental Activities	<u>\$ 31,860,937</u>	<u>\$ 1,867,380</u>
Component unit		
Reads Landing Water and Sanitary District	<u>\$ 86,804</u>	<u>\$ 66,882</u>

General Revenues

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

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Grants and Contributions	Primary Government Governmental Activities	Reads Landing Water and Sanitary District Component Unit
\$ 103,376	\$ -	\$ (4,718,695)	
585,761	-	(6,677,413)	
5,170,090	2,086,302	(2,460,373)	
70,255	-	(71,083)	
3,052,441	-	(2,242,209)	
772,215	-	(291,941)	
46,872	-	(233,341)	
208,704	-	(213,494)	
-	-	(120,310)	
-	-	(868,682)	
\$ 10,009,714	\$ 2,086,302	\$ (17,897,541)	
\$ -	\$ -		\$ (19,922)
		\$ 13,578,216	\$ -
		18,307	-
		243,937	-
		519,071	-
		257,546	-
		1,197,555	-
		118,173	14
		192,143	-
		1,431	-
		\$ 16,126,379	\$ 14
		\$ (1,771,162)	\$ (19,908)
		85,051,983	866,943
		\$ 83,280,821	\$ 847,035

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WABASHA COUNTY
WABASHA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Road and Bridge Special Revenue
<u>Assets</u>		
Cash and pooled investments	\$ 11,361,899	\$ 1,602,437
Petty cash and change funds	3,225	-
Cash with escrow agent	-	-
Taxes receivable		
Delinquent	163,301	30,343
Accounts receivable - net	8,651	-
Accrued interest receivable	21,558	-
Due from other governments	151,947	1,003,330
Inventories	-	140,135
	\$ 11,710,581	\$ 2,776,245
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 261,795	\$ 44,741
Salaries payable	352,654	74,889
Contracts payable	-	456,100
Due to other governments	26,704	20,451
Unearned revenue	40,677	-
	\$ 681,830	\$ 596,181
Deferred Inflows of Resources (Note 3.D.)		
Unavailable revenue	\$ 125,751	\$ 812,059
Advance allotments	-	807,360
	\$ 125,751	\$ 1,619,419

EXHIBIT 3

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 3,137,229	\$ 2,545,566	\$ 832,323	\$ 19,479,454
-	-	-	3,225
-	8,577,566	-	8,577,566
42,151	36,100	5,345	277,240
112,058	-	63,400	184,109
-	33,130	-	54,688
356,068	-	99,406	1,610,751
-	-	-	140,135
<u>\$ 3,647,506</u>	<u>\$ 11,192,362</u>	<u>\$ 1,000,474</u>	<u>\$ 30,327,168</u>
\$ 212,696	\$ 2,300	\$ 2,402	\$ 523,934
110,116	-	58,727	596,386
-	-	-	456,100
76,013	-	366	123,534
79,638	-	-	120,315
<u>\$ 478,463</u>	<u>\$ 2,300</u>	<u>\$ 61,495</u>	<u>\$ 1,820,269</u>
\$ 165,277	\$ 26,192	\$ 35,512	\$ 1,164,791
-	-	-	807,360
<u>\$ 165,277</u>	<u>\$ 26,192</u>	<u>\$ 35,512</u>	<u>\$ 1,972,151</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Road and Bridge Special Revenue
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 140,135
Restricted for		
Law library	87,308	-
Recorder's unallocated fund	63,652	-
Recorder's technology fund	37,426	-
Veteran's programs	3,016	-
Missing heir	250	-
E-911	79,316	-
K-9	18,341	-
Sheriff's contingency	2,155	-
Sheriff's forfeited property	11,029	-
Attorney's forfeited property	52,918	-
Jail stone preservation	200	-
County state-aid highway system	-	444,184
Local option sales tax projects	-	304,310
Sheriff's permit to carry	60,777	-
Health	-	-
Tobacco settlement	7,529	-
Human services/health care	-	-
Debt service	-	-
Assigned to		
Human services	-	-
Public health	-	-
Regional Railroad Authority	-	-
Public safety	50,037	-
Equipment purchases	17,500	-
Building projects	21,000	-
Data processing projects	332,822	-
Unassigned	10,057,724	(327,984)
Total Fund Balances	\$ 10,903,000	\$ 560,645
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,710,581	\$ 2,776,245

EXHIBIT 3
(Continued)

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 140,135
-	-	-	87,308
-	-	-	63,652
-	-	-	37,426
-	-	-	3,016
-	-	-	250
-	-	-	79,316
-	-	-	18,341
-	-	-	2,155
-	-	-	11,029
-	-	-	52,918
-	-	-	200
-	-	-	444,184
-	-	-	304,310
-	-	-	60,777
-	-	20,219	20,219
-	-	-	7,529
28,747	-	-	28,747
-	11,163,870	-	11,163,870
2,975,019	-	-	2,975,019
-	-	859,800	859,800
-	-	23,448	23,448
-	-	-	50,037
-	-	-	17,500
-	-	-	21,000
-	-	-	332,822
-	-	-	9,729,740
<u>\$ 3,003,766</u>	<u>\$ 11,163,870</u>	<u>\$ 903,467</u>	<u>\$ 26,534,748</u>
<u>\$ 3,647,506</u>	<u>\$ 11,192,362</u>	<u>\$ 1,000,474</u>	<u>\$ 30,327,168</u>

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Fund balances - total governmental funds (Exhibit 3)		\$ 26,534,748
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		90,295,796
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		1,020,425
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,164,791
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		8,619,435
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	\$ (18,350,000)	
Certificates of participation	(5,245,000)	
Loans payable	(954,717)	
Bond discount	84,678	
Bond premium	(244,323)	
Accrued interest payable	(337,033)	
Net other postemployment benefits obligation	(692,778)	
Net pension liability	(15,607,709)	
Compensated absences	(1,330,859)	(42,677,741)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(1,676,633)
Net Position of Governmental Activities (Exhibit 1)		\$ 83,280,821

**WABASHA COUNTY
WABASHA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Road and Bridge Special Revenue
Revenues		
Taxes	\$ 8,145,908	\$ 2,168,575
Licenses and permits	139,543	-
Intergovernmental	1,991,583	7,280,887
Charges for services	716,089	36,102
Fines and forfeits	27,819	-
Gifts and contributions	38,114	-
Investment earnings	117,689	-
Miscellaneous	260,530	44,278
	\$ 11,437,275	\$ 9,529,842
Expenditures		
Current		
General government	\$ 5,259,886	\$ -
Public safety	5,954,578	-
Highways and streets	-	10,611,343
Sanitation	175,965	-
Human services	-	-
Health	-	-
Culture and recreation	249,188	-
Conservation of natural resources	435,675	-
Economic development	120,310	-
Intergovernmental		
Highways and streets	-	206,076
Debt service		
Principal	185,534	-
Interest	2,638	-
Bond issuance costs	-	-
Administrative (fiscal) charges	-	-
	\$ 12,383,774	\$ 10,817,419
Excess of Revenues Over (Under) Expenditures	\$ (946,499)	\$ (1,287,577)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(2,925)	-
Refunding bonds issued	-	-
Premium on refunding bonds issued	-	-
Proceeds from loan issued	1,124,209	-
Proceeds from sale of capital assets	-	1,431
	\$ 1,121,284	\$ 1,431
Change in Fund Balance	\$ 174,785	\$ (1,286,146)
Fund Balance - January 1	10,728,215	1,818,980
Increase (decrease) in inventories	-	27,811
Fund Balance - December 31	\$ 10,903,000	\$ 560,645

EXHIBIT 5

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 2,136,760	\$ 1,676,699	\$ 234,185	\$ 14,362,127
10,500	-	100	150,143
3,343,576	38,063	788,589	13,442,698
206,282	-	421,858	1,380,331
-	-	-	27,819
4,321	-	1,843	44,278
-	484	-	118,173
157,532	-	1,251	463,591
\$ 5,858,971	\$ 1,715,246	\$ 1,447,826	\$ 29,989,160
\$ -	\$ -	\$ -	\$ 5,259,886
-	-	-	5,954,578
-	-	-	10,611,343
-	-	-	175,965
5,162,113	-	-	5,162,113
-	-	1,359,922	1,359,922
-	-	5,978	255,166
-	-	-	435,675
-	-	-	120,310
-	-	-	206,076
-	965,000	-	1,150,534
-	693,365	-	696,003
-	112,836	-	112,836
-	9,120	-	9,120
\$ 5,162,113	\$ 1,780,321	\$ 1,365,900	\$ 31,509,527
\$ 696,858	\$ (65,075)	\$ 81,926	\$ (1,520,367)
\$ -	\$ -	\$ 2,925	\$ 2,925
-	-	-	(2,925)
-	8,515,000	-	8,515,000
-	264,683	-	264,683
-	-	-	1,124,209
-	-	-	1,431
\$ -	\$ 8,779,683	\$ 2,925	\$ 9,905,323
\$ 696,858	\$ 8,714,608	\$ 84,851	\$ 8,384,956
2,306,908	2,449,262	818,616	18,121,981
-	-	-	27,811
\$ 3,003,766	\$ 11,163,870	\$ 903,467	\$ 26,534,748

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 8,384,956

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 inflows of resources - December 31	\$ 1,164,791	
Deferred inflows of resources - January 1	<u>(1,114,856)</u>	49,935

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 position differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 4,055,080	
Net book value of assets sold	(258,248)	
Current year depreciation	<u>(3,142,436)</u>	654,396

In the statement of net position, an asset is reported for the equity interest in joint ventures. The change in net position differs from the change in fund balance by the increase or decrease in the investment in joint venture. (395,073)

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

Proceeds of new debt		
General obligation bonds issued	\$ (8,515,000)	
Loan issued	(1,124,209)	
Premium on bonds issued	<u>(264,683)</u>	(9,903,892)
Principal repayments		
General obligation bonds	\$ 630,000	
Certificates of participation	335,000	
Loan	169,492	
Capital lease	<u>21,288</u>	1,155,780

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

***EXHIBIT 6
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	\$	(64,028)	
Amortization of discounts		(7,055)	
Amortization of premium		20,360	
Change in compensated absences		23,078	
Change in net other postemployment benefits obligation		(33,297)	
Change in net pension liability		(8,226,763)	
Change in deferred outflows of resources		7,315,489	
Change in deferred inflows of resources		(772,859)	
Change in inventories		27,811	
		(1,717,264)	
Change in Net Position of Governmental Activities (Exhibit 2)			\$ (1,771,162)

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FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2016**

<u>Assets</u>	
Cash and pooled investments	\$ <u>900,313</u>
 <u>Liabilities</u>	
Accounts payable	\$ 93,793
Due to other governments	<u>806,520</u>
Total Liabilities	\$ <u>900,313</u>

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**WABASHA COUNTY
WABASHA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Reads Landing Water and Sanitary District formed under Minn. Stat. § 115.18-.37 (<i>See now Minn. Stat. ch. 442A</i>).	The Reads Landing Water and Sanitary District is a financial burden.	Separate financial statements are not prepared.

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, Wabasha County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full 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. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. 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 2016 were \$122,453.

2. Receivables and Payables

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

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

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

3. Inventories

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

Assets	Years
Buildings and building improvements	15 - 50
Personal property	3 - 12
Infrastructure	10 - 50
Software - purchased and licensed	5
Software - internally generated	10
Easements	15
Land use rights	15
Trademarks and copyrights	15
Patents	20

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, compensatory, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion is calculated using a trend analysis of annual balances paid out for terminations. The resulting percentage is then used to determine the current portion for vacation, vested sick leave, and compensatory time. The noncurrent portion consists of the remaining amount of vacation, vested sick leave, and compensatory time. Compensated absences are generally liquidated by the General Fund, Road and Bridge Special Revenue Fund, Social Service Special Revenue Fund, and Public Health Special Revenue Fund.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Unearned/Unavailable Revenue

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligations and certificates of participation are liquidated by the Debt Service Fund. The capital lease and loan are paid by the General Fund.

9. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. Pension liability is liquidated from member and employer contributions by each fund and income from the investment of fund assets as administered by PERA.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, the differences between expected and actual economic experience, projected and actual earnings of pension plan investments, changes in actuarial assumptions, and pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reports three types of items, unavailable revenue, advance allotments, and deferred pension inflows, that qualify for reporting in this category. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension inflows arise only under an accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience and pension plan changes in proportionate share. The County reports advance allotments for state aid received by the County not yet appropriated by the State of Minnesota. Advance allotments are reported in the governmental funds balance sheet and on the government-wide statement of net position.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Net Position

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

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

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

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

12. Classifications of Fund Balances

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classifications of Fund Balances (Continued)

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

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

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

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

13. Minimum Fund Balance

Wabasha County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund and special revenue funds, which are heavily reliant on property tax revenues to fund current operations. However, property tax revenues are not available for distribution until June. Therefore, the County Board has determined the need to maintain a minimum unassigned fund balance in the General Fund and an unrestricted fund balance in the special revenue funds until the tax revenues are distributed.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Minimum Fund Balance (Continued)

The County Board has determined this amount to be approximately 35 to 50 percent of fund operating revenues, or no less than five months of operating expenses. This amount will provide adequate funds until the next property tax revenues are received. In the event the unassigned fund balance in the General Fund or the special revenue funds falls below these levels, the County Board is to develop a plan and time frame to replenish the fund balance to the recommended level.

14. Stabilization Arrangement

Wabasha County has determined that a stabilization arrangement is needed for sound financial management and fiscal accountability. Stabilization funds are to be set aside for the purpose of providing funds for a non-routine, urgent event that affects the safety of the employees or the general public. The recognition of the urgent event must be established by the County Board at its next meeting following the event. The minimum level has been established at five percent of the General Fund year-end fund balance, not to exceed \$500,000. In the event the balance drops below this level, the County Board is to develop a plan and a time frame to replenish the fund. As of December 31, 2016, the County has not committed any funds for a stabilization arrangement.

15. 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, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

Expenditures exceeded final budgets in the following nonmajor and debt service funds:

Fund	Expenditures	Budget	Excess
Criminal Justice Center Debt Service Fund	\$ 1,780,321	\$ 1,612,576	\$ 167,745
Regional Railroad Special Revenue Fund	5,978	4,713	1,265

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 19,479,454
Cash with escrow agent	8,577,566
Petty cash and change funds	3,225
Reads Landing Water and Sanitary District component unit	
Cash and pooled investments	35,764
Fiduciary funds	
Cash and pooled investments - agency funds	<u>900,313</u>
Total Cash and Investments	<u>\$ 28,996,322</u>

a. Deposits

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. 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 and revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2016, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. 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. In establishing specific diversification strategies, the County policy states portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy states the Chief Financial Officer or appointed person shall, after careful study of potential additional costs to the County, attempt to structure all investments and deposits so that the custodial risk is in accordance with GASB Statement 3 and only to the extent there is sufficient Security Investor Protection Corporation (SIPC) and excess SIPC coverage available. At December 31, 2016, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2016, and information relating to potential investment risk.

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Treasury Note	Aaa	Moody's		01/31/2017	\$ 48,030
Treasury Note	Aaa	Moody's		07/31/2017	46,448
Treasury Note	Aaa	Moody's		01/31/2018	8,476,942
Total Treasury Notes			61.5%		\$ 8,571,420

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities (Continued)					
Federal National Mortgage Association	AA+	S&P	<5%	08/24/2021	\$ 492,365
Federal Home Loan Mortgage Corporation	AA+	S&P		10/27/2023	\$ 368,314
Federal Home Loan Mortgage Corporation	AA+	S&P		10/27/2023	243,845
Total Federal Home Loan Mortgage Corporation			<5%		\$ 612,159
Federal Home Loan Bank	AA+	S&P	<5%	11/17/2022	\$ 368,182
Total U.S. government agency securities					\$ 10,044,126
Negotiable certificates of deposit with brokers	N/A	N/A	N/A	Various	3,885,000
Wells Fargo Advantage Government Money Market Fund	Aaa	Moody's	N/A	N/A	10,458
Total investments					\$ 13,939,584
Deposits					15,053,513
Petty cash and change funds					3,225
Total Cash and Investments					\$ 28,996,322

<5% - Concentration is less than 5% of investments

N/A - Not Applicable

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2016, the County had the following recurring fair value measurements:

	Fair Value Measurements Using			
	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 8,571,420	\$ 48,030	\$ 8,523,390	\$ -
U.S. agencies	1,472,706	-	1,472,706	-
Negotiable certificates of deposit	3,885,000	-	3,885,000	-
Total Investments Included in the Fair Value Hierarchy	\$ 13,929,126	\$ 48,030	\$ 13,881,096	\$ -
Investments measured at the net asset value (NAV)				
Money Market Mutual Funds	\$ 10,458			

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Debt securities classified in Level 1 are valued using a market approach quoted in active markets for those securities. Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries and U.S. agencies: a market approach by utilizing quoted prices for identical securities in markets that are not active;
- Negotiable certificates of deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

Wells Fargo Money Market value is the published net asset value per share. The County invests in this money market to diversify investments to increase investment earnings while maintaining a high level of liquidity. There are no redemption limits.

2. Receivables

Receivables as of December 31, 2016, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 885,772
Less: allowance for uncollectible accounts	<u>(701,663)</u>
Net Accounts Receivable	<u>\$ 184,109</u>

Net receivables for governmental activities are collectible within the year.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,750,712	\$ -	\$ -	\$ 1,750,712
Land highway right-of-way	4,009,484	80,510	57,265	4,032,729
Construction in process	1,325,911	-	1,325,911	-
 Total capital assets not depreciated	 \$ 7,086,107	 \$ 80,510	 \$ 1,383,176	 \$ 5,783,441
Capital assets depreciated				
Buildings	\$ 21,042,299	\$ -	\$ -	\$ 21,042,299
Improvements other than buildings	1,324,183	-	-	1,324,183
Machinery, furniture, and equipment	6,875,955	363,126	176,950	7,062,131
Software	277,500	159,555	-	437,055
Infrastructure - trails	525,178	-	-	525,178
Infrastructure - highways	117,201,446	4,777,800	1,003,000	120,976,246
 Total capital assets depreciated	 \$ 147,246,561	 \$ 5,300,481	 \$ 1,179,950	 \$ 151,367,092
Less: accumulated depreciation for				
Buildings	\$ 3,352,230	\$ 423,859	\$ -	\$ 3,776,089
Improvements other than buildings	298,431	40,853	-	339,284
Machinery, furniture, and equipment	5,296,922	409,589	176,950	5,529,561
Software	277,500	5,318	-	282,818
Infrastructure - trails	393,883	26,259	-	420,142
Infrastructure - highways	55,072,302	2,236,558	802,017	56,506,843
 Total accumulated depreciation	 \$ 64,691,268	 \$ 3,142,436	 \$ 978,967	 \$ 66,854,737
 Total capital assets depreciated, net	 \$ 82,555,293	 \$ 2,158,045	 \$ 200,983	 \$ 84,512,355
 Governmental Activities Capital Assets, Net	 \$ 89,641,400	 \$ 2,238,555	 \$ 1,584,159	 \$ 90,295,796

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental activities		
General government	\$	43,228
Public safety		612,746
Highways and streets, including depreciation of infrastructure assets		2,425,095
Human services		34,095
Culture and recreation		26,259
Health		1,013
Total Depreciation Expense - Governmental Activities	\$	3,142,436

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfer to Regional Railroad Special Revenue Fund from General Fund	\$	2,925	Minnesota High-Speed Rail Commission membership
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C. Liabilities

1. Loans Payable

In 2016, the County entered into a facilities agreement with Honeywell International, Inc., to finance equipment and upgrades to the County's mechanical systems.

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Facilities Agreement	2022	\$171,571/ Annually	2.25	\$ 1,124,209	\$ 954,717

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Loans Payable (Continued)

Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	Loan	
	Principal	Interest
2017	\$ 151,856	\$ 19,716
2018	153,507	18,064
2019	156,961	14,610
2020	160,493	11,079
2021	164,104	7,468
2022	167,796	3,775
Total	<u>\$ 954,717</u>	<u>\$ 74,712</u>

2. Bonded Debt and Certificates of Participation

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General obligation bonds					
2007A G.O. Jail Bonds	2028	\$200,000 - \$725,000	4.00 - 4.10	\$ 10,000,000	\$ 7,025,000
Less: unamortized discount				-	(1,024)
2008A G.O. Jail Bonds	2028	\$80,000 - \$190,000	3.00 - 4.10	2,255,000	1,455,000
Less: unamortized discount				-	(12,507)
2009A G.O. Jail Bonds	2028	\$60,000 - \$135,000	2.00 - 4.15	1,915,000	1,355,000
Less: unamortized discount				-	(1,443)
2016A G.O. Jail Refunding Bonds	2028	\$775,000 - \$935,000	2.00	8,515,000	8,515,000
Plus: unamortized premium				-	244,323
General Obligation Bonds, Net				<u>\$ 22,685,000</u>	<u>\$ 18,579,349</u>
2008B Certificates of Participation	2028	\$280,000 - \$545,000	4.00 - 4.75	<u>\$ 7,745,000</u>	\$ 5,245,000
Less: unamortized discount					(69,704)
Certificates of Participation, Net					<u>\$ 5,175,296</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Bonded Debt and Certificates of Participation (Continued)

Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	General Obligation Jail Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2017	\$ 655,000	\$ 547,320	\$ 350,000	\$ 227,073
2018	9,180,000	352,561	365,000	212,590
2019	775,000	162,550	375,000	197,232
2020	795,000	146,850	390,000	181,070
2021	805,000	130,850	410,000	163,968
2022 - 2026	4,295,000	402,850	2,290,000	526,462
2027 - 2028	1,845,000	37,150	1,065,000	51,181
Total	<u>\$ 18,350,000</u>	<u>\$ 1,780,131</u>	<u>\$ 5,245,000</u>	<u>\$ 1,559,576</u>

On April 13, 2016, the County issued \$8,515,000 of General Obligation Jail Refunding Bonds, Series 2016A (the “2016 Bonds”) with an interest rate of 2.00 percent. The 2016 Bonds were issued to provide funds to crossover refund \$6,100,000 of General Obligation Jail Bonds, Series 2007A; \$1,265,000 of General Obligation Bonds, Series 2008A; and \$1,135,000 of General Obligation Jail Bonds, Series 2009A, the “Refunded Bonds.” The proceeds were placed with an escrow agent to purchase U.S. Treasury Notes. The earnings in the escrow account will provide sufficient funds to pay interest that becomes due on the 2016 Bonds to, and including, the crossover date. Principal and interest payments will continue to be made on the Refunded Bonds through the call date of February 1, 2018. The purpose of refunding the Refunded Bonds is to enable the County to achieve a debt service savings of \$1,016,157.50 (\$937,858.96 on a present value basis).

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation jail bonds	\$ 10,465,000	\$ 8,515,000	\$ 630,000	\$ 18,350,000	\$ 655,000
Certificates of participation	5,580,000	-	335,000	5,245,000	350,000
Plus: premium on bonds	-	264,683	20,360	244,323	-
Less: discount on bonds	(91,733)	-	(7,055)	(84,678)	-
Total bonds payable	\$ 15,953,267	\$ 8,779,683	\$ 978,305	\$ 23,754,645	\$ 1,005,000
Capital lease	21,288	-	21,288	-	-
Loan	-	1,124,209	169,492	954,717	151,856
Compensated absences	1,353,937	124,446	147,524	1,330,859	119,868
Governmental Activities Long-Term Liabilities	<u>\$ 17,328,492</u>	<u>\$ 10,028,338</u>	<u>\$ 1,316,609</u>	<u>\$ 26,040,221</u>	<u>\$ 1,276,724</u>

4. Construction Commitments

The County has active road construction projects and commitments as of December 31, 2016.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities Road and bridge projects	\$ -	\$ 6,355,438

Road and bridge projects are being financed by intergovernmental revenue from the state and federal governments and by County taxes.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Deferred Outflows/Inflows of Resources

Governmental funds did not report deferred outflows of resources for the year ended December 31, 2016. Two types of deferred inflows of resources are reported in the governmental funds as of December 31, 2016.

As of December 31, 2016, there were various components of unavailable revenue as follows:

Taxes	\$ 198,146
Intergovernmental	851,085
Charges for services	26,326
Miscellaneous	86,350
Other	<u>2,884</u>
Total Unavailable Revenue	<u>\$ 1,164,791</u>

As of December 31, 2016, all of the unearned revenue was for intergovernmental revenue.

Advance allotments consist of state aid received by the County but not yet appropriated by the State of Minnesota. Total advance allotments at December 31, 2016, are \$807,360.

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Wabasha County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic Plan members, Coordinated Plan members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	\$ 514,894
Public Employees Police and Fire Plan	184,989
Public Employees Correctional Plan	80,170

The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$9,085,725 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.1119 percent. It was 0.1144 percent measured as of June 30, 2015. The County recognized pension expense of \$1,178,859 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$35,394 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

County's proportionate share of the net pension liability	\$	9,085,725
State of Minnesota's proportionate share of the net pension liability associated with the County		118,703
Total	\$	9,204,428

The County reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 742,434
Changes in actuarial assumptions	1,778,993	-
Difference between projected and actual investment earnings	1,733,708	-
Changes in proportion	-	332,046
Contributions paid to PERA subsequent to the measurement date	257,004	-
Total	\$ 3,769,705	\$ 1,074,480

The \$257,004 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

Year Ended December 31	Pension Expense Amount
2017	\$ 630,984
2018	630,984
2019	848,059
2020	328,194

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$4,695,414 for its proportionate share of the Public Employees Police and Fire Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2016, the County’s proportion was 0.117 percent. It was 0.121 percent measured as of June 30, 2015. The County recognized pension expense of \$815,214 for its proportionate share of the Public Employees Police and Fire Plan’s pension expense.

The County also recognized \$10,530 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota’s on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The County reported its proportionate share of the Public Employees Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 544,549
Changes in actuarial assumptions	2,584,091	-
Difference between projected and actual investment earnings	722,492	-
Changes in proportion	36,002	37,874
Contributions paid to PERA subsequent to the measurement date	97,698	-
Total	\$ 3,440,283	\$ 582,423

The \$97,698 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 596,010
2018	596,010
2019	596,010
2020	536,124
2021	436,008

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of \$1,826,570 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.50 percent. It was 0.50 percent measured as of June 30, 2015. The County recognized pension expense of \$516,037 for its proportionate share of the Public Employees Correctional Plan's pension expense.

The County reported its proportionate share of the Public Employees Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 1,430	\$ 19,730
Changes in actuarial assumptions	1,163,745	-
Difference between projected and actual investment earnings	205,221	-
Contributions paid to PERA subsequent to the measurement date	<u>39,051</u>	<u>-</u>
Total	<u>\$ 1,409,447</u>	<u>\$ 19,730</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The \$39,051 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 433,860
2018	433,860
2019	443,724
2020	39,222

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was \$2,510,110.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan and Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.5 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 12,904,422	4.60%	\$ 6,572,956	4.31%	\$ 2,750,250
Current	7.50	9,085,725	5.60	4,695,414	5.31	1,826,570
1% Increase	8.50	5,940,158	6.60	3,161,319	6.31	1,105,460

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits
(Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2016, were:

	Employee	Employer
Contribution amount	\$ 4,061	\$ 4,061
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

The County provides health insurance benefits for certain retired employees under a single-employer, self-insured health care plan, financed and administered by the Southeast Service Cooperative and Wabasha County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the Southeast Service Cooperative, is the Claims Administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy (Continued)

to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate subsidy. As of January 1, 2016, seven retirees were receiving health benefits from the County's health plan. The postemployment benefit is funded on a pay-as-you go basis.

During 2016, the County paid 80 percent (\$1,546) of the monthly single medical premium for a police officer pursuant to Minn. Stat. § 299A.465, subd. 1(d). The State of Minnesota reimbursed the County 28 percent of this cost.

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2016, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$	95,437
Interest on net OPEB obligation		23,082
Adjustment to ARC		(35,245)

Annual OPEB cost	\$	83,274
Contributions during the year		(49,977)

Increase in net OPEB obligation	\$	33,297
Net OPEB - Beginning of Year		659,481

Net OPEB - End of Year	\$	692,778

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2014, 2015, and 2016, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2014	\$ 115,600	\$ 51,955	44.94%	\$ 594,021
December 31, 2015	116,144	50,684	43.64	659,481
December 31, 2016	83,274	49,977	60.02	692,778

OPEB obligations are generally liquidated by the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and Public Health Special Revenue Fund.

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2016	\$ -	\$ 709,094	\$ 709,094	0.00%	\$ 8,632,361	8.21%

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2016, actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 3.5 percent discount rate (net of investment expenses) and an annual medical trend rate of 6.75 percent in 2016, reduced incrementally to an ultimate rate of 5.0 percent over 5 years. The unfunded actuarial accrued liability is being amortized on a closed basis not to exceed 30 years.

D. MSRS Health Care Savings Plan

County employees participate in a Health Care Savings Plan (HCSP) administered by the Minnesota State Retirement System (MSRS). The plan is authorized under Minn. Stat. § 352.98 and through an Internal Revenue Service (IRS) private letter ruling establishing the HCSP as a tax-exempt benefit as of July 29, 2002. The plan is open to active public employees in Minnesota if they are covered under certain public service plans. Under the terms of the HCSP, employees are allowed to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. The IRS private letter ruling requires mandatory participation of all employees in each bargaining unit in order to gain tax-free benefits. Allowable amounts deposited into individual accounts must be negotiated by each individual bargaining unit and the employer. The plan must be written into the collective bargaining agreement or a Memorandum of Understanding.

For those employees not covered by a bargaining unit, amounts to be deposited into individual accounts must be agreed to by the employer and included in a written policy.

Under Wabasha County's plan, participating employees shall include all non-bargaining personnel eligible to receive severance pay. Upon termination, employees' severance payouts with a minimum value of a least \$500 will be paid into the Post Retirement Health Insurance Plan.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Employee Retirement Systems, Pension Plans, and Other Postemployment Benefits

D. MSRS Health Care Savings Plan (Continued)

Wabasha County has negotiated with AFSCME Council 65 and Minnesota Teamsters Public and Law Enforcement Employees Union, Local 320, to allow employees covered by bargaining agreements to deposit severance payouts into a HCSP. Severance payouts for members of Minnesota Teamsters Public and Law Enforcement Union, Local 320, that have at least a minimum value of \$500 will be paid into a HCSP. Employees who are members of AFSCME Council 65, Local 3533, upon termination who have completed 25 or more years of service that receive a severance payout in excess of \$500 in value will be deposited into a HCSP. Severance payouts for employees who are members of AFSCME Council 65, Local 3541, shall be deposited into a HCSP. Employees who are members of AFSCME Council 65, Local 3542, who have completed 10 or more years of service whose severance exceeds \$500 will be deposited into a HCSP.

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 for 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

Wabasha County and other regional counties have formed the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) for the purpose of providing housing and redevelopment services to Southeastern Minnesota counties.

The governing body consists of a Board of Commissioners. Each member county appoints two Commissioners. The HRA adopts its own budget.

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

Family Services Collaborative

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Family Services Collaborative (Continued)

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

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

South Country Health Alliance

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

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. Wabasha County's equity interest in the SCHA at December 31, 2016, was \$1,020,425. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as Human Services.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Southeast Minnesota Regional Emergency Communications Board

The Southeast Minnesota Regional Emergency Communications Board (formerly known as Southeast Minnesota Regional Radio Board) was formed in 2008 under the authority of Minn. Stat. §§ 471.59 and 403.39. It is governed by a membership of 11 counties and 1 city. The Board consists of one County Commissioner from each member county and one City Council member from the member city. The Board was formulated to provide for the regional administration of enhancements to the Allied Radio Matrix Emergency Response (ARMER) system owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

The financial activities of the Board are accounted for by Olmsted County as the fiscal agent. During 2016, Wabasha County paid \$1,000 for an annual membership to the Board.

Southeast Minnesota Violent Crime Enforcement Team

Wabasha County and other regional counties and cities have formed the Southeast Minnesota Violent Crime and Enforcement Team (SEMV CET) under the authority of Minn. Stat. § 471.59 to work cooperatively in the enforcement of controlled substance laws and violent crime-related offenses. The SEMV CET is governed by a governing board made up of members known as “Directors.” The Chief Law Enforcement Officer from each member county and member city shall serve as a Director.

Olmsted County has been appointed as the fiscal agent for SEMV CET. During 2016, Wabasha County paid \$6,000 to the SEMV CET.

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

C. Jointly-Governed Organizations

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

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative provides computer programming services to several counties. During 2016, Wabasha County paid \$147,231 for dues, membership, and services.

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs to members. During 2016, Wabasha County paid \$175 for an annual membership fee to the Cooperative.

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to member counties. During 2016, Wabasha County made no payments to the Board.

Region One--Southeast Minnesota Homeland Security Emergency Management Organization

The Region One--Southeast Minnesota Homeland Security Emergency Management Organization was established to regionally coordinate efforts to better respond to emergencies and natural or other disasters within the region. During 2016, Wabasha County paid \$1,000 for an annual membership to the Organization.

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. During 2016, Wabasha County paid \$144,500 to the Library.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During 2016, Wabasha County paid \$4,888 to the Project.

Three Rivers Community Action

Three Rivers Community Action provides various programs to several counties. During 2016, Wabasha County paid \$33,966 to Three Rivers.

Minnesota Workforce Development, Inc.

Minnesota Workforce Development, Inc., provides various job training services to several counties. During 2016, Wabasha County paid \$219,167 to this organization.

Olmsted-Wabasha Lake Zumbro Joint Powers Board

The Olmsted-Wabasha Lake Zumbro Joint Powers Board was established to develop, adopt, and enforce ordinances regulating the use and to oversee funding for the restoration of Lake Zumbro. During 2016, Wabasha County paid \$20,000 to this organization.

Southeastern Minnesota Emergency Medical Services Joint Powers Board

Southeastern Minnesota Emergency Medical Services provides various health services to several counties. During 2016, Wabasha County made no payments to the Board.

Zumbro Watershed Partnership

The Zumbro Watershed Partnership was formed to promote the protection and improvement of the Zumbro River Watershed. During 2016, Wabasha County did not provide any funding to the Partnership.

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

D. Related Organization

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2016, Wabasha County paid \$5,861 to the Bear Valley Watershed.

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

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

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

Cash and Pooled Investments

All cash of the District is on deposit with Wabasha County and included within its pooled cash and investments. The fair value of the investment is the fair value per share of the underlying portfolio. The District invests in this pool for the purpose of joint investment with the County in order to enhance investment earnings. There are no

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies

Cash and Pooled Investments (Continued)

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

Receivables

Receivables are shown net of an allowance for uncollectibles.

Special assessments receivable consist of uncollected sewer bills collected through property taxes. No provision has been made for an estimated uncollectible amount.

Restricted Assets

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

Capital Assets

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Unearned Revenue

Unearned revenue is made up of prepaid sewer usage fees.

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

1. Capital Assets

Component unit capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	<u>(452,811)</u>	<u>(34,175)</u>	<u>-</u>	<u>(486,986)</u>
Total Capital Assets, Net	<u>\$ 914,167</u>	<u>\$ (34,175)</u>	<u>\$ -</u>	<u>\$ 879,992</u>

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

2. Long-Term Debt

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

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Principal Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2016</u>
General obligation bonds	2043	\$972 - \$5,166	4.375	\$ 101,000	<u>\$ 84,447</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

B. Detailed Notes - Assets, Liabilities, and Net Position (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,697	\$ 3,694
2018	1,771	3,620
2019	1,848	3,543
2020	1,929	3,462
2021	2,014	3,378
2022 - 2026	11,470	15,487
2027 - 2031	14,206	12,748
2032 - 2036	17,597	9,357
2037 - 2041	21,800	5,155
2042 - 2043	10,115	669
Total	<u>\$ 84,447</u>	<u>\$ 61,113</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 86,072	\$ -	\$ 1,625	\$ 84,447	\$ 1,697

REQUIRED SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,077,919	\$ 8,077,919	\$ 8,145,908	\$ 67,989
Licenses and permits	136,809	136,809	139,543	2,734
Intergovernmental	1,885,077	1,885,077	1,991,583	106,506
Charges for services	869,079	869,079	716,089	(152,990)
Fines and forfeits	6,000	6,000	27,819	21,819
Gifts and contributions	1,620	1,620	38,114	36,494
Investment earnings	95,000	95,000	117,689	22,689
Miscellaneous	209,168	209,168	260,530	51,362
Total Revenues	\$ 11,280,672	\$ 11,280,672	\$ 11,437,275	\$ 156,603
Expenditures				
Current				
General government				
Commissioners	\$ 180,960	\$ 180,960	\$ 214,950	\$ (33,990)
Courts	66,100	66,100	70,951	(4,851)
Other courts	7,605	7,605	2,221	5,384
County administrator	475,541	475,541	459,833	15,708
County auditor/treasurer	318,017	318,017	312,720	5,297
County assessor	396,393	396,393	332,878	63,515
Elections	69,916	69,916	59,764	10,152
Data processing	464,055	464,055	367,415	96,640
Attorney	489,346	489,346	442,632	46,714
Law library	6,800	6,800	9,210	(2,410)
Recorder	526,937	526,937	515,372	11,565
Surveyor	30,000	30,000	31,737	(1,737)
Planning and zoning	310,094	310,094	216,744	93,350
Geographic information systems (GIS)	99,886	99,886	98,715	1,171
Buildings and plant	495,346	495,346	1,615,940	(1,120,594)
Veterans service officer	232,108	232,108	259,998	(27,890)
Other general government	315,353	315,353	248,806	66,547
Total general government	\$ 4,484,457	\$ 4,484,457	\$ 5,259,886	\$ (775,429)
Public safety				
Sheriff	\$ 2,983,325	\$ 2,983,325	\$ 3,215,910	\$ (232,585)
Boat and water safety	14,963	14,963	18,927	(3,964)
Emergency services	142,703	142,703	130,423	12,280
Coroner	70,000	70,000	60,681	9,319
E-911 system	60,500	60,500	77,508	(17,008)
County jail	1,919,121	1,919,121	1,803,772	115,349
Community corrections	647,640	647,640	647,357	283
Total public safety	\$ 5,838,252	\$ 5,838,252	\$ 5,954,578	\$ (116,326)

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Hazardous waste	\$ 17,100	\$ 17,100	\$ 12,594	\$ 4,506
SCORE	71,500	71,500	96,209	(24,709)
Environmental services	68,667	68,667	67,162	1,505
Total sanitation	\$ 157,267	\$ 157,267	\$ 175,965	\$ (18,698)
Culture and recreation				
Historical society	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Snowmobile	85,000	85,000	96,688	(11,688)
Senior citizens	2,000	2,000	2,000	-
County/regional library	144,500	144,500	144,500	-
Total culture and recreation	\$ 237,500	\$ 237,500	\$ 249,188	\$ (11,688)
Conservation of natural resources				
County extension	\$ 126,769	\$ 126,769	\$ 94,652	\$ 32,117
Soil and water conservation	133,000	133,000	133,928	(928)
Agricultural inspections	250	250	750	(500)
Agricultural society/County fair	20,120	20,120	20,116	4
Water planning	6,240	6,240	20,417	(14,177)
Wetland challenge	5,000	5,000	17,503	(12,503)
Other	146,792	146,792	148,309	(1,517)
Total conservation of natural resources	\$ 438,171	\$ 438,171	\$ 435,675	\$ 2,496
Economic development				
Housing development	\$ 106,000	\$ 106,000	\$ 117,210	\$ (11,210)
Tourism	3,100	3,100	3,100	-
Total economic development	\$ 109,100	\$ 109,100	\$ 120,310	\$ (11,210)
Debt service				
Principal	\$ 19,026	\$ 19,026	\$ 185,534	\$ (166,508)
Interest	574	574	2,638	(2,064)
Total debt service	\$ 19,600	\$ 19,600	\$ 188,172	\$ (168,572)
Total Expenditures	\$ 11,284,347	\$ 11,284,347	\$ 12,383,774	\$ (1,099,427)

**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (3,675)	\$ (3,675)	\$ (946,499)	\$ (942,824)
Other Financing Sources (Uses)				
Transfers out	\$ (2,625)	\$ (2,625)	\$ (2,925)	\$ (300)
Proceeds from loan issued	-	-	1,124,209	1,124,209
Proceeds from sale of capital assets	6,300	6,300	-	(6,300)
Total Other Financing Sources (Uses)	<u>\$ 3,675</u>	<u>\$ 3,675</u>	<u>\$ 1,121,284</u>	<u>\$ 1,117,609</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 174,785	\$ 174,785
Fund Balance - January 1	<u>10,728,215</u>	<u>10,728,215</u>	<u>10,728,215</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 10,728,215</u>	<u>\$ 10,728,215</u>	<u>\$ 10,903,000</u>	<u>\$ 174,785</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,687,429	\$ 1,687,429	\$ 2,168,575	\$ 481,146
Intergovernmental	7,669,131	7,669,131	7,280,887	(388,244)
Charges for services	7,700	7,700	36,102	28,402
Miscellaneous	35,000	35,000	44,278	9,278
Total Revenues	\$ 9,399,260	\$ 9,399,260	\$ 9,529,842	\$ 130,582
Expenditures				
Current				
Highways and streets				
Administration	\$ 333,811	\$ 333,811	\$ 333,801	\$ 10
Engineering	487,825	487,825	507,007	(19,182)
Maintenance	2,297,328	2,297,328	2,161,749	135,579
Construction	5,243,000	5,243,000	6,867,650	(1,624,650)
Equipment maintenance and shop	808,653	808,653	741,136	67,517
Total highways and streets	\$ 9,170,617	\$ 9,170,617	\$ 10,611,343	\$ (1,440,726)
Intergovernmental				
Highways and streets	200,000	200,000	206,076	(6,076)
Total Expenditures	\$ 9,370,617	\$ 9,370,617	\$ 10,817,419	\$ (1,446,802)
Excess of Revenues Over (Under) Expenditures	\$ 28,643	\$ 28,643	\$ (1,287,577)	\$ (1,316,220)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	1,431	1,431
Net Change in Fund Balance	\$ 28,643	\$ 28,643	\$ (1,286,146)	\$ (1,314,789)
Fund Balance - January 1	1,818,980	1,818,980	1,818,980	-
Increase (decrease) in inventories	-	-	27,811	27,811
Fund Balance - December 31	\$ 1,847,623	\$ 1,847,623	\$ 560,645	\$ (1,286,978)

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,156,056	\$ 2,156,056	\$ 2,136,760	\$ (19,296)
Licenses and permits	7,000	7,000	10,500	3,500
Intergovernmental	2,647,270	2,647,270	3,343,576	696,306
Charges for services	190,000	190,000	206,282	16,282
Gifts and contributions	3,000	3,000	4,321	1,321
Miscellaneous	133,780	133,780	157,532	23,752
Total Revenues	\$ 5,137,106	\$ 5,137,106	\$ 5,858,971	\$ 721,865
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,545,066	\$ 1,545,066	\$ 1,641,079	\$ (96,013)
Social services	3,592,040	3,592,040	3,521,034	71,006
Total Expenditures	\$ 5,137,106	\$ 5,137,106	\$ 5,162,113	\$ (25,007)
Net Change in Fund Balance	\$ -	\$ -	\$ 696,858	\$ 696,858
Fund Balance - January 1	2,306,908	2,306,908	2,306,908	-
Fund Balance - December 31	\$ 2,306,908	\$ 2,306,908	\$ 3,003,766	\$ 696,858

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2010	\$ -	\$ 782,216	\$ 782,216	0.00%	\$ 8,017,063	9.76%
January 1, 2013	-	841,865	841,865	0.00	7,794,722	10.80
January 1, 2016	-	709,094	709,094	0.00	8,632,361	8.21

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Wabasha County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.1119%	\$ 9,085,725	\$ 118,703	\$ 9,204,428	\$ 6,845,988	132.72%	68.90%
2015	0.1144	5,928,803	N/A	5,928,803	6,696,357	88.54	78.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 514,894	\$ 514,894	\$ -	\$ 6,860,088	7.51%
2015	510,667	510,667	-	6,784,935	7.53

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.117%	\$ 4,695,414	\$ 1,127,680	416.38%	63.90%
2015	0.121	1,374,843	1,107,162	124.18	86.60

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 184,989	\$ 184,989	\$ -	\$ 1,141,907	16.20%
2015	189,120	189,120	-	1,167,410	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.50%	\$ 1,826,570	\$ 943,925	193.51%	58.20%
2015	0.50	77,300	900,618	8.58	96.90

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 80,170	\$ 80,170	\$ -	\$ 916,227	8.75%
2015	81,872	81,872	-	935,673	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WABASHA COUNTY
WABASHA, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Budgeted

Expenditures exceeded final budgets in the following funds:

Fund	Expenditures	Budget	Excess
General Fund	\$ 12,383,774	\$ 11,284,347	\$ 1,099,427
Road and Bridge Special Revenue Fund	10,817,419	9,370,617	1,446,802
Social Services Special Revenue Fund	5,162,113	5,137,106	25,007

3. Other Postemployment Benefits Funded Status

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

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MAJOR FUND

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
CRIMINAL JUSTICE CENTER DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,689,084	\$ 1,689,084	\$ 1,676,699	\$ (12,385)
Intergovernmental	38,063	38,063	38,063	-
Investment earnings	-	-	484	484
Total Revenues	\$ 1,727,147	\$ 1,727,147	\$ 1,715,246	\$ (11,901)
Expenditures				
Debt service				
Principal	\$ 965,000	\$ 965,000	\$ 965,000	\$ -
Interest	642,276	642,276	693,365	(51,089)
Administrative (fiscal) charges	5,300	5,300	9,120	(3,820)
Bond issuance costs	-	-	112,836	(112,836)
Total Expenditures	\$ 1,612,576	\$ 1,612,576	\$ 1,780,321	\$ (167,745)
Excess of Revenues Over (Under) Expenditures	\$ 114,571	\$ 114,571	\$ (65,075)	\$ (179,646)
Other Financing Sources (Uses)				
Refunding bonds issued	\$ -	\$ -	\$ 8,515,000	\$ 8,515,000
Premium on bonds issued	-	-	264,683	264,683
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 8,779,683	\$ 8,779,683
Net Change in Fund Balance	\$ 114,571	\$ 114,571	\$ 8,714,608	\$ 8,600,037
Fund Balance - January 1	2,449,262	2,449,262	2,449,262	-
Fund Balance - December 31	\$ 2,563,833	\$ 2,563,833	\$ 11,163,870	\$ 8,600,037

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**WABASHA COUNTY
WABASHA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	Special Revenue Funds		Total (Exhibit 3)
	Regional Railroad	Public Health	
<u>Assets</u>			
Cash and pooled investments	\$ 23,448	\$ 808,875	\$ 832,323
Taxes receivable			
Delinquent	-	5,345	5,345
Accounts receivable - net	-	63,400	63,400
Due from other governments	-	99,406	99,406
	\$ 23,448	\$ 977,026	\$ 1,000,474
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ -	\$ 2,402	\$ 2,402
Salaries payable	-	58,727	58,727
Due to other governments	-	366	366
	\$ -	\$ 61,495	\$ 61,495
Deferred Inflows of Resources			
Unavailable revenue (Note 3.D.)	\$ -	\$ 35,512	\$ 35,512
Fund Balances			
Restricted for			
Health	\$ -	\$ 20,219	\$ 20,219
Assigned to			
Public health	-	859,800	859,800
Regional Railroad Authority	23,448	-	23,448
	\$ 23,448	\$ 880,019	\$ 903,467
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23,448	\$ 977,026	\$ 1,000,474

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Special Revenue Funds</u>		<u>Total (Exhibit 5)</u>
	<u>Regional Railroad</u>	<u>Public Health</u>	
Revenues			
Taxes	\$ -	\$ 234,185	\$ 234,185
Licenses and permits	-	100	100
Intergovernmental	-	788,589	788,589
Charges for services	-	421,858	421,858
Gifts and contributions	-	1,843	1,843
Miscellaneous	1,211	40	1,251
Total Revenues	\$ 1,211	\$ 1,446,615	\$ 1,447,826
Expenditures			
Current			
Health	\$ -	\$ 1,359,922	\$ 1,359,922
Culture and recreation	5,978	-	5,978
Total Expenditures	\$ 5,978	\$ 1,359,922	\$ 1,365,900
Excess of Revenues Over (Under) Expenditures	\$ (4,767)	\$ 86,693	\$ 81,926
Other Financing Sources (Uses)			
Transfers in	2,925	-	2,925
Net Change in Fund Balance	\$ (1,842)	\$ 86,693	\$ 84,851
Fund Balance - January 1	25,290	793,326	818,616
Fund Balance - December 31	\$ 23,448	\$ 880,019	\$ 903,467

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
REGIONAL RAILROAD SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 2,088	\$ 2,088	\$ 1,211	\$ (877)
Expenditures				
Current				
Culture and recreation				
Trails	\$ 2,088	\$ 2,088	\$ 3,053	\$ (965)
Minnesota High Speed Rail Commission	2,625	2,625	2,925	(300)
Total Expenditures	<u>\$ 4,713</u>	<u>\$ 4,713</u>	<u>\$ 5,978</u>	<u>\$ (1,265)</u>
Excess of Revenues Over (Under) Expenditures	\$ (2,625)	\$ (2,625)	\$ (4,767)	\$ (2,142)
Other Financing Sources (Uses)				
Transfers in	2,625	2,625	2,925	300
Net Change in Fund Balance	\$ -	\$ -	\$ (1,842)	\$ (1,842)
Fund Balance - January 1	<u>25,290</u>	<u>25,290</u>	<u>25,290</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 25,290</u>	<u>\$ 25,290</u>	<u>\$ 23,448</u>	<u>\$ (1,842)</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 241,105	\$ 241,105	\$ 234,185	\$ (6,920)
Licenses and permits	100	100	100	-
Intergovernmental	822,183	822,183	788,589	(33,594)
Charges for services	393,418	393,418	421,858	28,440
Gifts and contributions	1,500	1,500	1,843	343
Miscellaneous	-	-	40	40
Total Revenues	\$ 1,458,306	\$ 1,458,306	\$ 1,446,615	\$ (11,691)
Expenditures				
Current				
Health				
Nursing service	\$ 532,606	\$ 532,606	\$ 473,092	\$ 59,514
Family health	239,202	239,202	234,958	4,244
Disease prevention	55,643	55,643	45,002	10,641
Health education	207,655	207,655	189,187	18,468
Community health services	423,200	423,200	417,683	5,517
Total Expenditures	\$ 1,458,306	\$ 1,458,306	\$ 1,359,922	\$ 98,384
Net Change in Fund Balance	\$ -	\$ -	\$ 86,693	\$ 86,693
Fund Balance - January 1	793,326	793,326	793,326	-
Fund Balance - December 31	\$ 793,326	\$ 793,326	\$ 880,019	\$ 86,693

FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>REVOLVING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>57,064</u>	\$ <u>726,028</u>	\$ <u>715,803</u>	\$ <u>67,289</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>57,064</u>	\$ <u>726,028</u>	\$ <u>715,803</u>	\$ <u>67,289</u>
 <u>FAMILY SERVICE COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>136,932</u>	\$ <u>73,395</u>	\$ <u>75,397</u>	\$ <u>134,930</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>136,932</u>	\$ <u>73,395</u>	\$ <u>75,397</u>	\$ <u>134,930</u>
 <u>PRE-TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>189,026</u>	\$ <u>2,346,804</u>	\$ <u>2,341,007</u>	\$ <u>194,823</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>189,026</u>	\$ <u>2,346,804</u>	\$ <u>2,341,007</u>	\$ <u>194,823</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 259,235	\$ 32,819,280	\$ 32,575,244	\$ 503,271
<u>Liabilities</u>				
Accounts payable	\$ 45,612	\$ 255,047	\$ 206,866	\$ 93,793
Due to other funds	-	13,834,710	13,834,710	-
Due to other governments	213,623	18,729,523	18,533,668	409,478
Total Liabilities	\$ 259,235	\$ 32,819,280	\$ 32,575,244	\$ 503,271
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 642,257	\$ 35,965,507	\$ 35,707,451	\$ 900,313
<u>Liabilities</u>				
Accounts payable	\$ 45,612	\$ 255,047	\$ 206,866	\$ 93,793
Due to other funds	-	13,834,710	13,834,710	-
Due to other governments	596,645	21,875,750	21,665,875	806,520
Total Liabilities	\$ 642,257	\$ 35,965,507	\$ 35,707,451	\$ 900,313

COMPONENT UNIT

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT E-1

**STATEMENT OF NET POSITION
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
DECEMBER 31, 2016**

Assets

Current assets

Cash and pooled investments	\$ 35,764
Special assessments receivable	
Current	12,238
Accounts receivable - net	<u>7,472</u>

Total current assets **\$ 55,474**

Noncurrent assets

Capital assets	
Depreciable - net	<u>879,992</u>

Total Assets **\$ 935,466**

Liabilities

Current liabilities

Accounts payable	\$ 232
Due to other governments	3,662
Unearned revenue	90
Revenue bonds payable - current	<u>1,697</u>

Total current liabilities **\$ 5,681**

Noncurrent liabilities

Revenue bonds payable - long-term	<u>82,750</u>
-----------------------------------	---------------

Total Liabilities **\$ 88,431**

Net Position

Net investment in capital assets	\$ 795,545
Restricted for	
Equipment replacement	2,708
Debt service	33,057
Unrestricted	<u>15,725</u>

Total Net Position **\$ 847,035**

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT E-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2016**

Operating Revenues	
Charges for services	\$ 59,962
Special assessments	<u>6,920</u>
Total Operating Revenues	<u>\$ 66,882</u>
Operating Expenses	
Contracted services	\$ 45,022
Other services and charges	70
Telephone	514
Utilities	1,379
Insurance	1,878
Depreciation	<u>34,175</u>
Total Operating Expenses	<u>\$ 83,038</u>
Operating Income (Loss)	<u>\$ (16,156)</u>
Nonoperating Revenues (Expenses)	
Interest income	\$ 14
Interest expense	<u>(3,766)</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (3,752)</u>
Change in Net Position	\$ (19,908)
Net Position - January 1	<u>866,943</u>
Net Position - December 31	<u><u>\$ 847,035</u></u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT E-3

**STATEMENT OF CASH FLOWS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2016
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 65,431
Payments to suppliers	<u>(48,825)</u>
Net cash provided by (used in) operating activities	<u>\$ 16,606</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (1,625)
Interest paid on long-term debt	<u>(3,766)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (5,391)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 14</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 11,229
Cash and Cash Equivalents at January 1	<u>24,535</u>
Cash and Cash Equivalents at December 31	<u>\$ 35,764</u>
Cash and Cash Equivalents - Exhibit E-1	
Cash and pooled investments	<u>\$ 35,764</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss) - Exhibit E-2	<u>\$ (16,156)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 34,175
(Increase) decrease in special assessments receivable	(1,595)
(Increase) decrease in accounts receivable	364
Increase (decrease) in accounts payable	38
Increase (decrease) in unearned revenue	<u>(220)</u>
Total adjustments	<u>\$ 32,762</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 16,606</u>

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SCHEDULES

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT F-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Appropriations and Shared Revenue

State

Highway users tax	\$	5,295,755
PERA rate reimbursement		22,637
Disparity reduction aid		14,807
Police aid		146,771
SCORE		68,710
County program aid		857,081
Market value credit		303,030
Enhanced 911		96,241
Aquatic invasive species aid		99,620
		99,620

Total shared revenue **\$ 6,904,652**

Reimbursement for Services

Minnesota Department of Human Services	\$	907,541
		907,541

Payments

Local

Local contributions	\$	100,728
Payments in lieu of taxes		257,546
		257,546

Total payments **\$ 358,274**

Grants

State

Minnesota Department of		
Corrections	\$	184,726
Public Safety		66,655
Health		207,475
Natural Resources		109,541
Human Services		1,158,535
Veterans Services		15,164
Transportation		500,001
Water and Soil Resources Board		46,872
Pollution Control Agency		1,545
Peace Officer Standards and Training Board		4,690
		4,690

Total state **\$ 2,295,204**

**WABASHA COUNTY
WABASHA, MINNESOTA**

***EXHIBIT F-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 344,324
Commerce	378
Justice	3,004
Transportation	1,378,362
Education	1,933
Health and Human Services	1,224,742
Homeland Security	24,284
	<hr/>

Total federal **\$ 2,977,027**

Total state and federal grants **\$ 5,272,231**

Total Intergovernmental Revenue **\$ 13,442,698**

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00099	\$ 76,134
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	252,672
Passed Through Minnesota Department of Agriculture WIC Farmer's Market Nutrition Program (FMNP)	10.572	Not provided	<u>195</u>
Total U.S. Department of Agriculture			<u>\$ 329,001</u>
U.S. Department of Commerce			
Passed Through Southeast Minnesota Regional Emergency Communications Board State and Local Implementation Grant Program	11.549	10846	<u>\$ 378</u>
U.S. Department of Justice			
Direct Bulletproof Vest Partnership Program	16.607		<u>\$ 3,059</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	99979	\$ 1,424,700
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	WABCTPH-00018	15,560
National Priority Safety Programs (Total expenditures for Highway Safety Cluster \$36,610)	20.616	Not provided	21,050
Total U.S. Department of Transportation			<u>\$ 1,461,310</u>
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	81110114221	<u>\$ 1,933</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Passed Through Southeastern Minnesota Area Agency on Aging Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	310-15-003D-043	\$ 300
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	65507	42,294
Universal Newborn Hearing Screening	93.074	Not provided	1,605
Immunization Cooperative Agreements	93.251	20705	400
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.268	52925	800
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$181,836)	93.314	Not provided	75
Maternal and Child Health Services Block Grant to the States	93.558	12-700-00099	23,744
	93.994	12-700-00099	25,976
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-1601MNFPS	5,462
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$181,836)	93.558	1601MNTANF	158,092
Child Support Enforcement	93.563	1604MNCSET	249,414
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	147
Child Care and Development Block Grant	93.575	G-1601MNCCDF	4,675
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	8,339
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1501MNCWSS	2,964
Foster Care - Title IV-E	93.658	1601MNFOST	88,884
Social Services Block Grant	93.667	16-01MNSOSR	127,789
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	3,875
Medical Assistance Program	93.778	05-1605MN5ADM	575,602
Total U.S. Department of Health and Human Services			\$ 1,320,437

**WABASHA COUNTY
WABASHA, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	43848	\$ 5,875
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	WABASHACO-00086	20,455
Passed Through Southeast Minnesota Regional Emergency Communications Board Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$3,067)	97.067	12438	567
Passed Through Region One - Southeast Minnesota Homeland Security Emergency Management Board Homeland Security Grant Program (Total Homeland Security Grant Program 97.067 \$3,067)	97.067	A-SHSP-2015- HSEM1SERJPB-0007	2,500
Total U.S. Department of Homeland Security			\$ 29,397
Total Federal Awards			\$ 3,145,515

The County did not pass through any federal awards to subrecipients during the year ended December 31, 2016.

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wabasha County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wabasha County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Wabasha County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Wabasha County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit F-1)	\$ 2,977,027
Deferred in 2015, recognized as revenue in 2016	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(15,323)
Bulletproof Vest Partnership Program	(552)
Highway Planning and Construction	(78,152)
Child Support Enforcement	(12,300)
Collaborative Grants receipted into an agency fund	
Foster Care- Title IV-E	10,093
Medical Assistance Program	63,302
Grants received more than 60 days after year-end, deferred in 2016	
Bulletproof Vest Partnership Program	607
Highway Planning and Construction	161,100
Maternal and Child Health Services Block Grant to the States	5,133
Promoting Safe and Stable Families	496
Temporary Assistance for Needy Families	27,172
Stephanie Tubbs Jones Child Welfare Services Program	327
Chaffee Foster Care Independence Program	1,472
Emergency Management Performance Grants	5,113
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Expenditures per Schedule of Expenditures of Federal Awards (Exhibit F-2)	<u>\$ 3,145,515</u>

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WABASHA COUNTY

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

Independent Auditor's Report

Board of County Commissioners
Wabasha County
Wabasha, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 28, 2017. Our report includes a reference to other auditors who audited the financial statements of the South Country Health Alliance joint venture as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance joint venture were not audited in accordance with *Government Auditing Standards*. The results of our testing of Reads Landing Water and Sanitary District component unit's internal control over financial reporting and on compliance and other matters are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Wabasha County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2015-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Wabasha County's Response to Finding

Wabasha County's response to the legal compliance finding identified in our audit is described in the Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 28, 2017

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

Independent Auditor's Report

Board of County Commissioners
Wabasha County
Wabasha, Minnesota

Report on Compliance for the Major Federal Program

We have audited Wabasha County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2016. Wabasha County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Wabasha County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wabasha County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Wabasha County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 28, 2017

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major program:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Highway Planning and Construction

CFDA No. 20.205

The threshold for distinguishing between Types A and B programs was \$750,000.

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

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-001

Insufficient Collateral

Criteria: Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution’s banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: The County had deposits at the Bank of Alma that were not adequately covered by Federal Deposit Insurance Corporation (FDIC) on December 31, 2016.

Context: Deposits in excess of FDIC were \$43,143.50 on December 31, 2016.

Effect: When a County has insufficient collateral with a bank, the County may not receive all deposits in the event of bank default.

Cause: Wabasha County was notified by the Bank of Alma there was an extra \$400,000 of coverage for public depositors under Wis. Stat. § 34.08. This statute, however, only pertains to a “public depositor,” meaning “the state or any county, city, village, town, drainage district, power district, school district, cooperative educational service agency, sewer district, or any commission, committee, board or officer of any governmental subdivision of the state or any court of this state, a corporation organized under s. 39.33 or the housing and economic development authority if the authority elects to be bound by all or part of this chapter under s. 234.32 (2), which deposits any moneys in a public depository.”

Wis. Stat. § 34.01(4). Since Wabasha County is not a “public depositor,” it does not receive the benefit of this provision of Wisconsin law.

Recommendation: We recommend the County establish procedures to monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

View of Responsible Official: Concur

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**REPRESENTATION OF WABASHA COUNTY
WABASHA, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2015-001

Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Debbie Koenig, Finance Director

Corrective Action Planned:

The current procedures in place to monitor for coverage of County deposits are adequate and no changes are anticipated. The County was provided incorrect information regarding additional security provided by the State of Wisconsin for deposits held at the Wabasha, Minnesota, branch of the Bank of Alma which is located in Alma, Wisconsin. The County was informed by the Bank, when questioned if the deposits were adequately secured, that the above additional security along with what was pledged for collateral and the federal deposit insurance coverage (FDIC) adequately covered the County deposits. Once informed by the Office of the State Auditor that the Wisconsin State Statute did not apply to deposits at the branch in Minnesota, deposits were lowered to an amount that does not require additional coverage above the FDIC threshold.

Anticipated Completion Date:

May 10, 2017 (withdrawal made to lower deposits below FDIC threshold)

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**REPRESENTATION OF WABASHA COUNTY
WABASHA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2015-001

Finding Title: Insufficient Collateral

Summary of Condition: The County had deposits at First State Bank of Wabasha that were not adequately covered by federal deposit insurance coverage (FDIC) on May 31, 2015.

Summary of Corrective Action Previously Reported: Current procedures for monitoring have been reviewed and additional procedures have been implemented with First State Bank of Wabasha to ensure that deposits are adequately secured. During tax collection time the deposits with First State Bank of Wabasha are substantially larger than normal. The bank will be notified via email how much will be deposited each day during tax time or when there are unusually large deposits to provide the bank with adequate notice should additional collateral be required to cover deposits.

Status: Not Corrected. Wabasha County was notified by the Bank of Alma there was an extra \$400,000 of coverage for public depositors under Wis. Stat. § 34.08. This statute, however, only pertains to a “public depositor,” meaning “the state or any county, city, village, town, drainage district, power district, school district, cooperative educational service agency, sewer district, or any commission, committee, board or officer of any governmental subdivision of the state or any court of this state, a corporation organized or the housing and economic development authority if the authority elects to be bound by all or part of this chapter under s. 234.32 (2), which deposits any moneys in a public depository.” Wisc. Stat. 34.01(4). Since Wabasha County is not a “public depositor,” it does not receive the benefit of this provision of Wisconsin law.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

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READS LANDING WATER AND SANITARY DISTRICT

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

Independent Auditor's Report

Board of Directors
Reads Landing Water and Sanitary District
Wabasha, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wabasha County, Minnesota, which include as supplementary information, the financial statements of Reads Landing Water and Sanitary District, a discretely presented component unit, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 28, 2017. The results of our testing of Reads Landing Water and Sanitary District component unit's internal control over financial reporting and on compliance and other matters are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 28, 2017

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**READS LANDING WATER AND SANITARY DISTRICT
WABASHA, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016**

PREVIOUSLY REPORTED ITEM RESOLVED

2015-001 Insufficient Collateral

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**REPRESENTATION OF READS LANDING WATER AND SANITARY DISTRICT
WABASHA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2015-001

Finding Title: Insufficient Collateral

Summary of Condition: Wabasha County had deposits, which includes Reads Landing Water and Sanitary District deposits, at First State Bank of Wabasha that were not adequately covered by federal deposit insurance coverage (FDIC) on May 31, 2015.

Summary of Corrective Action Previously Reported: Current procedures for monitoring have been reviewed and additional procedures have been implemented with First State Bank of Wabasha to ensure that deposits are adequately secured. During tax collection time the deposits with First State Bank of Wabasha are substantially larger than normal. The bank will be notified via email how much will be deposited each day during tax time or when there are unusually large deposits to provide the bank with adequate notice should additional collateral be required to cover deposits.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X