

# **STATE OF MINNESOTA**

## **Office of the State Auditor**



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

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

**YEAR ENDED DECEMBER 31, 2006**

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

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

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Year Ended December 31, 2006**



**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 COUNTY  
WABASHA, MINNESOTA**

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2006**

			<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Board Member	Eugene T. McNallan	District 1	January 2009
Chair	David Windhorst	District 2	January 2011
Board Member	Donald Springer	District 3	January 2009
Board Member	Peter Riester	District 4	January 2011
Vice Chair	David M. Harms	District 5	January 2007
Attorney	James C. Nordstrom		January 2011
Auditor/Treasurer	Jerry Leisen		January 2011
County Recorder	Jeffery Aitken		January 2011
County Sheriff	Rodney Bartsh		January 2011
<b>Appointed</b>			
Administrator	Peter Boyce		Indefinite
Assessor	Loren Benz		December 2008
County Engineer	Dietrich Flesch		August 2007
Coroner	Dr. Daniel Pesch		January 2007
	Dr. Thomas Peyla		January 2007
Financial Services Director	Pat Moga		Indefinite
Human Services Director	Terry Smith		Indefinite
Solid Waste Officer	Tom Mosher		Indefinite
Surveyor	David Johnson		January 2009
Veterans Service Officer	Lisa Jaegar		April 2007

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Wabasha County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Wabasha County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2007, on our consideration of Wabasha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 26, 2007



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

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006  
(Unaudited)**

**INTRODUCTION**

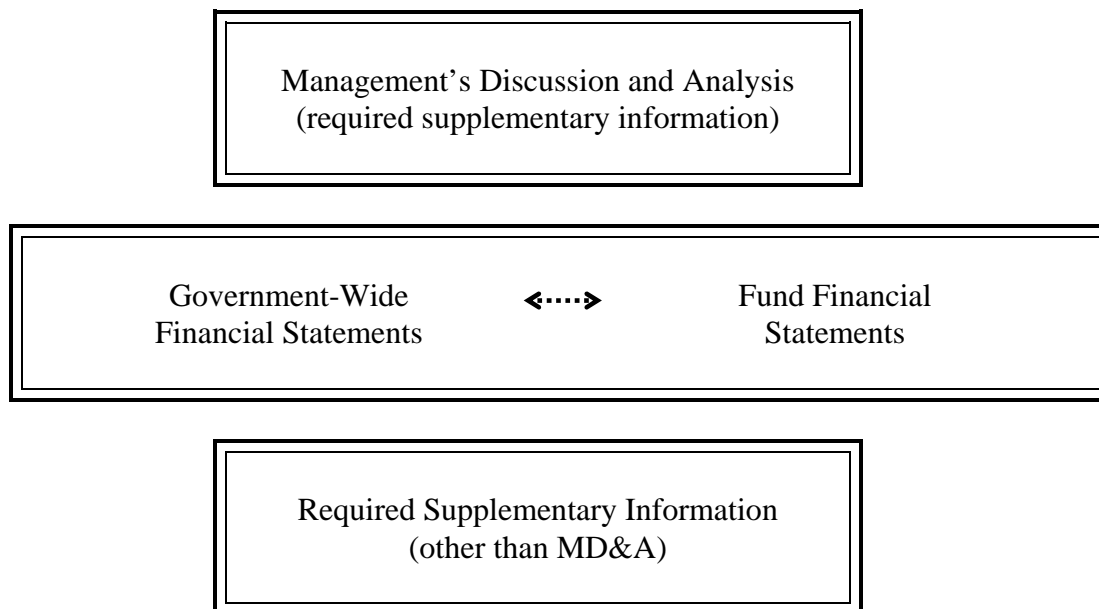
The financial management of Wabasha County offers the readers of Wabasha County's financial statements this narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- As of December 31, 2006, the assets of Wabasha County exceeded its liabilities by \$73,928,840. Of this amount, \$9,174,580 (12 percent) represents unrestricted net assets that may be used to meet the County's ongoing obligation to citizens and creditors.
- At the end of the fiscal year, Wabasha County governmental funds reported a combined ending fund balance of \$9,943,254.
- Wabasha County's total long-term liabilities increased by \$47,796 during the fiscal year. The key factor in this increase was due to increases in compensated absences.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

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

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

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

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

## **Fund Financial Statements**

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

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

### Governmental Funds

Most of the County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation in a statement following each governmental fund financial statement.

### Fiduciary Funds

Fiduciary funds (agency funds) are used to account for resources held for the benefit of parties outside County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Wabasha County's own programs.

## The County as a Whole

The County's combined net assets increased from \$73,368,125 (restated) to \$73,928,840. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

**Table 1**  
**Net Assets**

	Governmental Activities	
	2006	2005 (Restated)
<b>Assets</b>		
Current and other assets	\$ 13,320,097	\$ 11,438,937
Capital assets	62,878,715	63,973,532
<b>Total Assets</b>	<b>\$ 76,198,812</b>	<b>\$ 75,412,469</b>
<b>Liabilities</b>		
Long-term debt outstanding	\$ 1,115,164	\$ 1,067,368
Other liabilities	1,154,808	976,976
<b>Total Liabilities</b>	<b>\$ 2,269,972</b>	<b>\$ 2,044,344</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 62,791,670	\$ 63,840,062
Restricted	1,962,590	2,339,679
Unrestricted	9,174,580	7,188,384
<b>Total Net Assets</b>	<b>\$ 73,928,840</b>	<b>\$ 73,368,125</b>

Net assets of the County governmental activities increased by one percent (\$73,928,840 compared to \$73,368,125). Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from \$7,188,384 at December 31, 2005, to \$9,174,580 at the end of 2006.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2006	2005
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 2,097,790	\$ 2,147,232
Operating grants and contributions	7,653,328	8,016,239
Capital grants and contributions	601,068	37,522
General revenues		
Property taxes	7,394,831	6,533,455
Other taxes	25,595	93,681
Grants and contributions	2,010,761	2,025,095
Other general revenues	759,934	637,786
Total Revenues	<u>\$ 20,543,307</u>	<u>\$ 19,491,010</u>
Program Expenses		
General government	\$ 3,278,137	\$ 2,849,329
Public safety	3,481,412	3,378,871
Highways and streets	6,646,706	5,299,579
Human services	4,156,838	4,397,601
Health	1,360,993	1,292,598
Sanitation	235,485	240,520
Culture and recreation	251,759	864,522
Conservation of natural resources	368,172	342,495
Economic development	197,935	115,679
Interest	5,155	13,822
Total Program Expenses	<u>\$ 19,982,592</u>	<u>\$ 18,795,016</u>
Increase (Decrease) in Net Assets	<u>\$ 560,715</u>	<u>\$ 695,994</u>

### **Governmental Activities**

Revenues for the County's governmental activities increased by five percent (\$1,052,297), while total expenses increased six percent (\$1,187,576). The increase in expenses was in general government, public safety, highways and streets, health, conservation of natural resources, and economic development. The increase in net assets for 2006 was \$560,715 compared to a \$695,994 increase in net assets in the year ended December 31, 2005.

The cost of all governmental activities in 2006 was \$19,982,592 compared to \$18,795,016 in 2005. However, as shown in the Statement of Activities, Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes and other general revenues was only \$9,630,406, because some of the cost was paid by those who directly benefited from the programs (\$2,097,790) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,254,396). Overall, the County's governmental program

revenues, including intergovernmental aid and fees for services, increased in 2006 from \$10,200,993 to \$10,352,186. Decreases in intergovernmental aid and fees and charges, primarily human services, health, and highways and streets, were offset by capital grants and contributions, primarily in general government and highways and streets. The County paid for the remaining public benefits portion of governmental activities with \$10,191,121 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	
	2006	2005	2006	2005
Highways and streets	\$ 6,646,706	\$ 5,299,579	\$ 2,195,300	\$ 557,337
Human services	4,156,838	4,397,601	1,345,828	1,783,284
Public safety	3,481,412	3,378,871	2,699,111	2,625,954
General government	3,278,137	2,849,329	2,422,701	2,311,591
Health	1,360,993	1,292,598	255,113	226,112
All others	1,058,506	1,577,038	712,352	1,089,745
Totals	<u>\$ 19,982,592</u>	<u>\$ 18,795,016</u>	<u>\$ 9,630,406</u>	<u>\$ 8,594,023</u>

There was an increase in net cost of service for highways and streets, public safety, general government, and health. There was a decrease in net cost of service for human services expenses.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wabasha County, assets exceeded liabilities by \$73,928,840, an increase of \$560,715.

The County's \$62,791,670 investment in capital assets, net of related debt, is 85 percent of total net assets. Wabasha County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wabasha County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate liabilities.

Three percent of Wabasha County's net assets (\$1,962,590) are subject to restrictions on how they may be used. The remaining 12 percent (\$9,174,580 unrestricted net assets) may be used to meet Wabasha County's ongoing obligations to citizens and creditors.



Wabasha County's total liabilities (\$2,269,972) are 3 percent of total assets and 17 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 unreserved 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 2006, Wabasha County's governmental funds report combined fund balances of \$9,943,254. This is an 18 percent increase of \$1,485,046 from the prior year. The General Fund balance of \$6,051,490 represents 61 percent of this total.

The General Fund is the chief operating fund of Wabasha County. At the end of 2006, 93 percent of the General Fund fund balance was unreserved and available for future expenditures. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance (93 percent) and total fund balance as a percent of current expenditures--72 and 78 percent, respectively. During the year, the fund balance increased by \$965,537 to \$6,051,490.

The Road and Bridge Special Revenue Fund ended the year with a fund balance of \$1,101,638. This was an increase of \$306,251. During the year, the Road and Bridge Special Revenue Fund received a transfer in of \$2,247 from the General Fund.

The Social Service Special Revenue Fund fund balance increased by \$175,303 to \$2,021,278. During the year, the Social Service Special Revenue Fund transferred a net of \$3,354 to the General Fund.

### **General Fund Budgetary Highlights**

Over the course of the year, the County Board revised the County's General Fund budget several times. These budget amendments fall into three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts. There were no material budget adjustments for 2006; reported budget lines were not revised.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Wabasha County's investment in capital assets as of December 31, 2006, amounts to \$62,878,715 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. (See Table 4.)

The total decrease in Wabasha County's investment in capital assets for the current year was \$1,094,817 (two percent). If you need more information on Wabasha County's capital assets, please see the notes to the financial statements.

**Table 4**  
**Capital Assets at December 31, 2006**  
**(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 3,653,414	\$ 3,649,205
Buildings and improvements	1,366,509	1,394,860
Machinery, vehicles, furniture, and equipment	1,417,087	1,395,666
Infrastructure	56,441,705	57,533,801
Total	<u>\$ 62,878,715</u>	<u>\$ 63,973,532</u>

Buildings and infrastructure decreased in 2006. Land and equipment increased in 2006. There were no major County highway improvement projects during 2006.

## Debt

Wabasha County had total debt outstanding of \$105,631 on December 31, 2006. Capital leases totaled \$87,046, and a promissory note totaled \$18,585. The decrease in debt outstanding was due to the retirement of principal on equipment for the Highway Department and the promissory note. Current and future County tax levies are used to finance the entire indebtedness. See notes if more information is needed on debt outstanding.

**Table 5**  
**Outstanding Debt at December 31, 2006**

	Governmental Activities	
	2006	2005
Capital leases	\$ 87,046	\$ 133,470
Promissory note	18,585	25,398
Total	<u>\$ 105,631</u>	<u>\$ 158,868</u>

There was no new debt issued in 2006.

Minn. Stat. § 475.53 limits the amount of general obligation debt a county can incur to no more than two percent of taxable market value without the approval of the majority of the voters of the county voting on the questions of issuing the obligation at an election. Wabasha County's taxable market value is \$2,043,459,300 for 2006. The current debt limitation for Wabasha County is \$40,869,186, which is in excess of Wabasha County's outstanding debt. Wabasha County's outstanding net debt is significantly below this \$40,869,186 state-imposed limit.

Other obligations include accrued vacation pay and sick leave payable.

## **ECONOMIC FACTORS**

The Wabasha County elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged.

- Wabasha County is in the process of planning a criminal justice center. The Board has accepted a schematic design report from the architect that includes a 38-cell/72-bed jail, law enforcement center, court rooms, court administration, County Attorney, and probation department.
- Property tax levies have increased 10.9 percent for 2007.

## **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**

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	<b>Primary Government Governmental Activities</b>	<b>Reads Landing Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 9,974,136	\$ 10,965
Petty cash and change funds	3,250	-
Investment in joint venture	724,114	-
Taxes receivable		
Prior - net	146,237	-
Special assessments receivable		
Current - net	-	3,452
Accounts receivable - net	153,127	5,521
Accrued interest receivable	34,762	-
Due from other governments	2,112,471	-
Inventories	172,000	-
Restricted assets		
Cash and pooled investments	-	4,072
Capital assets		
Non-depreciable	3,653,414	-
Depreciable - net of accumulated depreciation	59,225,301	1,221,737
<b>Total Assets</b>	<b>\$ 76,198,812</b>	<b>\$ 1,245,747</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 534,363	\$ 119
Salaries payable	430,399	-
Contracts payable	16,214	-
Due to other governments	133,896	3,441
Accrued interest payable	739	-
Unearned revenue	39,197	-
Long-term liabilities		
Due within one year	116,481	1,106
Due in more than one year	998,683	96,848
<b>Total Liabilities</b>	<b>\$ 2,269,972</b>	<b>\$ 101,514</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 62,791,670	\$ 1,123,783
Restricted for		
General government	187,315	-
Public safety	228,261	-
Highways and streets	865,603	-
Human services	631,961	-
Health	20,172	-
Conservation of natural resources	29,278	-
Debt service	-	4,072
Equipment replacement	-	11,348
Unrestricted	9,174,580	5,030
<b>Total Net Assets</b>	<b>\$ 73,928,840</b>	<b>\$ 1,144,233</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b><u>Functions/Programs</u></b>		
<b>Primary Government</b>		
<b>Governmental activities</b>		
General government	\$ 3,278,137	\$ 509,464
Public safety	3,481,412	363,837
Highways and streets	6,646,706	41,230
Sanitation	235,485	105,852
Human services	4,156,838	700,694
Health	1,360,993	350,389
Culture and recreation	251,759	1,638
Conservation of natural resources	368,172	24,686
Economic development	197,935	-
Interest	5,155	-
<b>Total Primary Government</b>	<b><u>\$ 19,982,592</u></b>	<b><u>\$ 2,097,790</u></b>
 <b>Component Unit</b>		
Reads Landing Sanitary Sewer District	<b><u>\$ 86,499</u></b>	<b><u>\$ 51,262</u></b>

**General Revenues**

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

**Total general revenues**

**Change in Net Assets**

**Net Assets - Beginning, restated (Note 1.E.)**

**Net Assets - Ending**

**EXHIBIT 2**

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Reads Landing Component Unit
\$ 116,684	\$ 229,288	\$ (2,422,701)	
408,661	9,803	(2,699,111)	
4,048,198	361,977	(2,195,301)	
-	-	(129,633)	
2,110,316	-	(1,345,828)	
755,491	-	(255,113)	
111,577	-	(138,544)	
102,401	-	(241,085)	
-	-	(197,935)	
-	-	(5,155)	
<b>\$ 7,653,328</b>	<b>\$ 601,068</b>	<b>\$ (9,630,406)</b>	
<b>\$ -</b>	<b>\$ -</b>		<b>\$ (35,237)</b>
		\$ 7,394,831	\$ -
		22,434	-
		3,161	-
		175,163	-
		2,010,761	-
		432,319	177
		144,416	-
		8,036	-
		<b>\$ 10,191,121</b>	<b>\$ 177</b>
		<b>\$ 560,715</b>	<b>\$ (35,060)</b>
		<b>73,368,125</b>	<b>1,179,293</b>
		<b>\$ 73,928,840</b>	<b>\$ 1,144,233</b>

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## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 6,352,021	\$ 975,222	\$ 1,980,723	\$ 666,170	\$ 9,974,136
Petty cash and change funds	3,250	-	-	-	3,250
Taxes receivable					
Prior	92,546	21,533	26,738	5,420	146,237
Accounts receivable	4,866	25	119,818	28,418	153,127
Accrued interest receivable	34,762	-	-	-	34,762
Due from other governments	163,473	997,884	813,421	137,693	2,112,471
Inventories	-	172,000	-	-	172,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b><u>\$ 6,650,918</u></b>	<b><u>\$ 2,166,664</u></b>	<b><u>\$ 2,940,700</u></b>	<b><u>\$ 837,701</u></b>	<b><u>\$ 12,595,983</u></b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>	<b>Social Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 143,843	\$ 101,695	\$ 284,422	\$ 4,403	\$ 534,363
Salaries payable	237,572	64,421	71,754	56,652	430,399
Contracts payable	-	16,214	-	-	16,214
Due to other governments	90,475	1,560	41,735	126	133,896
Deferred revenue - unavailable	88,341	881,136	521,511	7,672	1,498,660
Deferred revenue - unearned	39,197	-	-	-	39,197
<b>Total Liabilities</b>	<b>\$ 599,428</b>	<b>\$ 1,065,026</b>	<b>\$ 919,422</b>	<b>\$ 68,853</b>	<b>\$ 2,652,729</b>
<b>Fund Balances</b>					
Reserved for					
Inventories	\$ -	\$ 172,000	\$ -	\$ -	\$ 172,000
Law library	2,256	-	-	-	2,256
Recorder's unallocated fund	102,070	-	-	-	102,070
Recorder's technology fund	51,513	-	-	-	51,513
E-911	212,016	-	-	-	212,016
Extension publications	1,140	-	-	-	1,140
Sheriff's contingency	1,473	-	-	-	1,473
Sheriff's forfeited property	7,496	-	-	-	7,496
Attorney's forfeited property	16,856	-	-	-	16,856
Veterans' van	6,750	-	-	-	6,750
Conservation of natural resources	28,138	-	-	-	28,138
Sheriff's K-9 fund	1,353	-	-	-	1,353
Sheriff's permit to carry	5,923	-	-	-	5,923
Health	-	-	-	20,172	20,172
Tobacco settlement	7,870	-	-	-	7,870
Human services/health care	-	-	98,158	-	98,158
Unreserved					
Designated for future expenditures	1,191,246	80,733	-	-	1,271,979
Designated for cash flows	2,955,000	659,000	715,000	-	4,329,000
Designated for compensated absences	553,600	189,905	154,672	-	898,177
Designated for contingencies	8,000	-	-	-	8,000
Undesignated	898,790	-	1,053,448	-	1,952,238
Unreserved, reported in nonmajor					
Special revenue funds	-	-	-	748,676	748,676
<b>Total Fund Balances</b>	<b>\$ 6,051,490</b>	<b>\$ 1,101,638</b>	<b>\$ 2,021,278</b>	<b>\$ 768,848</b>	<b>\$ 9,943,254</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,650,918</b>	<b>\$ 2,166,664</b>	<b>\$ 2,940,700</b>	<b>\$ 837,701</b>	<b>\$ 12,595,983</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 9,943,254</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	62,878,715
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.	724,114
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,498,660
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Promissory note	\$ (18,585)
Capital leases	(87,046)
Compensated absences	(1,009,533)
Accrued interest payable	(739)
	<u>(1,115,903)</u>
<b>Net assets of governmental activities (Exhibit 1)</b>	<b><u>\$ 73,928,840</u></b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>	<b>Social Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes	\$ 4,763,496	\$ 1,075,742	\$ 1,312,484	\$ 262,587	\$ 7,414,309
Licenses and permits	183,244	-	-	630	183,874
Intergovernmental	2,410,958	4,754,458	2,520,304	761,156	10,446,876
Charges for services	745,788	12,790	86,203	338,649	1,183,430
Fines and forfeits	17,699	-	-	-	17,699
Interest on investments	432,319	-	-	-	432,319
Gifts and contributions	14,005	-	-	12,234	26,239
Miscellaneous	182,234	28,961	390,831	12,748	614,774
<b>Total Revenues</b>	<b>\$ 8,749,743</b>	<b>\$ 5,871,951</b>	<b>\$ 4,309,822</b>	<b>\$ 1,388,004</b>	<b>\$ 20,319,520</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 3,302,640	\$ -	\$ -	\$ -	\$ 3,302,640
Public safety	3,429,901	-	-	-	3,429,901
Highways and streets	13,004	5,617,804	-	-	5,630,808
Sanitation	233,677	-	-	-	233,677
Human services	-	-	4,131,165	-	4,131,165
Health	-	-	-	1,346,097	1,346,097
Culture and recreation	224,249	-	-	1,251	225,500
Conservation of natural resources	374,710	-	-	-	374,710
Economic development	197,935	-	-	-	197,935
<b>Debt service</b>					
Principal	11,360	35,064	-	6,813	53,237
Interest	1,576	4,925	-	1,185	7,686
<b>Total Expenditures</b>	<b>\$ 7,789,052</b>	<b>\$ 5,657,793</b>	<b>\$ 4,131,165</b>	<b>\$ 1,355,346</b>	<b>\$ 18,933,356</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 960,691</b>	<b>\$ 214,158</b>	<b>\$ 178,657</b>	<b>\$ 32,658</b>	<b>\$ 1,386,164</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 6,200	\$ 2,247	\$ 2,846	\$ 1,797	\$ 13,090
Transfers out	(6,890)	-	(6,200)	-	(13,090)
Proceeds from sale of capital assets	5,536	-	-	3,500	9,036
Compensation for loss of capital assets	-	2,612	-	-	2,612
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 4,846</b>	<b>\$ 4,859</b>	<b>\$ (3,354)</b>	<b>\$ 5,297</b>	<b>\$ 11,648</b>
<b>Net Change in Fund Balances</b>	<b>\$ 965,537</b>	<b>\$ 219,017</b>	<b>\$ 175,303</b>	<b>\$ 37,955</b>	<b>\$ 1,397,812</b>
<b>Fund Balances- January 1</b>	<b>5,085,953</b>	<b>795,387</b>	<b>1,845,975</b>	<b>730,893</b>	<b>8,458,208</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>87,234</b>	<b>-</b>	<b>-</b>	<b>87,234</b>
<b>Fund Balances - December 31</b>	<b>\$ 6,051,490</b>	<b>\$ 1,101,638</b>	<b>\$ 2,021,278</b>	<b>\$ 768,848</b>	<b>\$ 9,943,254</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Net change in fund balances - total governmental funds (Exhibit 5)** **\$ 1,397,812**

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

In the fund, under the modified accrual basis, distributions of joint venture equity interest are recorded as revenue. In the statement of net assets, an asset is reported for the equity interest in joint ventures and distributions (decreases) and increases in joint venture equity are reported in the statement of activities. The change in net assets differs from the change in fund balance by the increases and decreases in the investment in joint venture.

Equity distribution	\$ (564,125)	
Increase in investment in joint venture	<u>287,900</u>	(276,225)

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

Deferred revenue - December 31	\$ 1,498,660	
Deferred revenue - January 1	<u>(1,006,684)</u>	491,976

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 capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 1,194,189	
Net book value	(3,612)	
Current year depreciation	<u>(2,285,394)</u>	(1,094,817)

Repayment of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.

Loan payments	\$ 6,813	
Capital lease payments	<u>46,424</u>	53,237

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

Change in accrued interest payable	\$ 2,531	
Change in compensated absences	(101,033)	
Change in inventories	<u>87,234</u>	(11,268)

**Change in net assets of governmental activities (Exhibit 2)** **\$ 560,715**

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## **FIDUCIARY FUNDS**

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2006**

**Assets**

Cash and pooled investments	<u><u>\$ 1,203,299</u></u>
-----------------------------	----------------------------

**Liabilities**

Accounts payable	\$ 22,914
Due to other governments	<u>1,180,385</u>
<b>Total Liabilities</b>	<u><u>\$ 1,203,299</u></u>

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006**

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**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, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Wabasha County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Wabasha County (primary government) and its component units for which Wabasha County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

**Blended Component Unit**

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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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 Sanitary Sewer District formed under Minn. Stat. § 115.18-.37.	County appoints members, and the Reads Landing Sanitary Sewer District is a financial burden.	Separate financial statements are not prepared.

Joint Ventures

Wabasha County participates in joint ventures that are described in Note 5.B. Wabasha County also participates in jointly-governed organizations and a related organization described in Notes 5.C. and 5.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net assets, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. 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 general government, except those required to be accounted for in another fund.

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, Wabasha County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2006 were \$432,319.

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. 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 (FIFO) 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**

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1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	15 - 50
Building improvements	15 - 50
Public domain infrastructure	10 - 50
Furniture, equipment, and vehicles	3 - 12

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, compensatory, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included. Compensated absences are accrued



**WABASHA COUNTY  
WABASHA, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Compensated Absences (Continued)

when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Revenue

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

7. Long-Term Obligations

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

In the fund financial statements, governmental 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 another financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Use of Estimates

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

E. Restatement of Net Assets

During 2006, the South Country Health Alliance joint powers agreement was amended to give the original participating counties an equity interest. The equity interest was calculated retroactive to 2001. As a result, the January 1, 2006, net assets were restated to include the investment in joint venture of \$1,000,339.

Net Assets - January 1, as previously reported	\$ 72,367,786
Investment in joint venture	<u>1,000,339</u>
Net Assets - January 1, as restated	<u><u>\$ 73,368,125</u></u>

2. 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	\$ 9,974,136
Petty cash and change funds	3,250
Reads Landing component unit	
Cash and pooled investments	10,965
Restricted cash and pooled investments	4,072
Fiduciary funds	
Cash - agency funds	<u>1,203,299</u>
Total Cash	<u><u>\$ 11,195,722</u></u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard 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 by obtaining collateral or bond for all uninsured amounts on deposits and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2006, the County's deposits were not exposed to custodial credit risk.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposits and investment balances at December 31, 2006, and information relating to potential investment risk.

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5% of Portfolio	Rate Risk Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association Discount Note	AAA	S&P	100%	1/21/2009	\$ 99,640
Deposits					11,092,832
Petty cash and change funds					3,250
Total Cash and Investments					<u>\$ 11,195,722</u>

2. Receivables

Receivables as of December 31, 2006, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 471,661
Less: allowance for uncollectible accounts	<u>(318,534)</u>
Net Accounts Receivable	<u>\$ 153,127</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 128,909	\$ -	\$ 191	\$ 128,718
Land highway right-of-way	3,520,296	4,400	-	3,524,696
Total capital assets not depreciated	\$ 3,649,205	\$ 4,400	\$ 191	\$ 3,653,414
Capital assets depreciated				
Buildings	\$ 1,999,811	\$ 15,569	\$ -	\$ 2,015,380
Improvements other than buildings	97,503	-	-	97,503
Machinery, furniture, and equipment	4,408,738	418,308	255,796	4,571,250
Infrastructure - trails	525,178	-	-	525,178
Infrastructure - highways	96,970,079	755,912	5,522	97,720,469
Total capital assets depreciated	\$ 104,001,309	\$ 1,189,789	\$ 261,318	\$ 104,929,780
Less: accumulated depreciation for				
Buildings	\$ 642,778	\$ 40,384	\$ -	\$ 683,162
Improvements other than buildings	59,676	3,536	-	63,212
Machinery, furniture, and equipment	3,013,072	393,466	252,375	3,154,163
Infrastructure - trails	131,295	26,258	-	157,553
Infrastructure - highways	39,830,161	1,821,750	5,522	41,646,389
Total accumulated depreciation	\$ 43,676,982	\$ 2,285,394	\$ 257,897	\$ 45,704,479
Total capital assets depreciated - net	\$ 60,324,327	\$ (1,095,605)	\$ 3,421	\$ 59,225,301
Governmental Activities				
Capital Assets - Net	\$ 63,973,532	\$ (1,091,205)	\$ 3,612	\$ 62,878,715

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

Governmental Activities	
General government	\$ 42,063
Public safety	94,714
Highways and streets, including depreciation of infrastructure assets	2,085,963
Human services	30,738
Health	3,849
Culture and recreation	26,259
Sanitation	1,808
Total Depreciation Expense - Governmental Activities	\$ 2,285,394

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfers to General Fund from Social Service Fund	\$ 6,200	Matching dollars for Substance Abuse Grant
Transfer to Special Revenue Funds from General Fund		Reimburse for self-insured dental
Road and Bridge	2,247	
Social Service	2,846	
Public Health	1,797	
Total Interfund Transfers	<u>\$ 13,090</u>	

C. Liabilities

1. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2006:

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
John Deere tractor	2008	Annual	\$ 15,048	\$ 69,245	\$ 15,048
Case excavator	2009	Annual	24,941	87,420	49,881
IBM AS-400	2009	Monthly	1,078	57,390	28,043
Total Capital Leases					<u>\$ 92,972</u>



**WABASHA COUNTY  
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

1. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2007	\$ 52,932
2008	37,883
2009	<u>2,157</u>
Total minimum lease payments	\$ 92,972
Less: amount representing interest	<u>(5,926)</u>
Present Value of Minimum Lease Payments	<u>\$ 87,046</u>

The IBM lease is paid from the General Fund, and the John Deere lease and the Case excavator lease are paid from the Road and Bridge Special Revenue Fund.

2. Long-Term Debt

The Regional Railroad (blended component unit) Special Revenue Fund has entered into a note payable with a local bank to finance cash flows.

<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, 2006</u>
Promissory note	2009	\$3,117 - \$7,519	5.00	\$ 35,000	<u>\$ 18,585</u>

Debt service requirements at December 31, 2006, were as follows:

<u>Year Ending December 31</u>	<u>Promissory Note</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 7,158	\$ 840
2008	7,519	480
2009	<u>3,908</u>	<u>97</u>
Total	<u>\$ 18,585</u>	<u>\$ 1,417</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 133,470	\$ -	\$ 46,424	\$ 87,046	\$ 48,752
Promissory note	25,398	-	6,813	18,585	7,158
Compensated absences	908,500	132,937	31,904	1,009,533	60,571
Governmental Activity Long-Term Liabilities	<u>\$ 1,067,368</u>	<u>\$ 132,937</u>	<u>\$ 85,141</u>	<u>\$ 1,115,164</u>	<u>\$ 116,481</u>

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007:

	<u>2006</u>	<u>2007</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>Public Employees Retirement Fund and Defined Plan</u>	<u>Public Employees Police and Fire Fund</u>	<u>Public Employees Correctional Fund</u>
2006	\$ 306,694	\$ 84,655	\$ 43,097
2005	263,923	70,968	41,382
2004	257,102	67,600	40,130

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

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

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2006, 2005, and 2004, were \$12,104, \$11,723, and \$11,144, respectively, equal to the contractually required contributions for each year as set by state statute.

4. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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4. Risk Management (Continued)

in the Workers' Compensation Reinsurance Association with coverage at \$390,000 in 2006 and \$400,000 in 2007. 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.

The General Fund accounts for dental insurance for all County funds. The County is self-insured for dental plan coverage. The County has retained the entire risk of this area. Premiums are paid into the General Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. A maximum claim is \$200 per person with basic dental coverage. If a person chooses the optional dental plan, the maximum claim is \$1,315 per person.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2006	2005
Unpaid claims, beginning of fiscal year	\$ 3,699	\$ 6,381
Incurred claims (including IBNRs)	49,506	55,838
Claims payments	(49,252)	(58,520)
Unpaid Claims, End of Fiscal Year	<u>\$ 3,953</u>	<u>\$ 3,699</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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5. 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

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 which 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.

Control of the Collaborative is vested in a Board of Directors. Wabasha County Social Services acts as fiscal agent for the Collaborative. The Collaborative is financed by state grants and appropriations from participating members. During 2006, Wabasha County did not provide any funding. 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.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Family Services Collaborative (Continued)

Currently, the Collaborative does not prepare complete financial statements. Financial information can be obtained by contacting Sarah Farkas, Coordinator, Wabasha County Family Services Collaborative.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating counties' health care functions, referred to as county-based purchasing.

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2006, was \$724,114. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Human Services. The County reported distributions from the SCHA of \$564,125 in 2006 and does not anticipate any further distributions at this time.

Complete financial statements for the SCHA may be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

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5. 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:

Southeastern Minnesota Multi-County Housing Redevelopment Authority

The Southeastern Minnesota Multi-County Housing Redevelopment Authority (HRA) provides housing and redevelopment services for several counties. During 2006, Wabasha County paid \$196,556 to the HRA.

Minnesota Computer Cooperative

The Minnesota Computer Cooperative provides computer programming service to several counties. During 2006, the County paid \$68,804 for dues, membership, and services.

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs. During 2006, the County paid \$3,776 to the Cooperative.

Southeast Minnesota Recyclers Exchange

The Southeast Minnesota Recyclers Exchange (SEMREX) provides recycling services to several counties. During 2006, the County made no payment to SEMREX.

Southeast Minnesota Water Quality Board

The Southeast Minnesota Water Quality Board provides regional water quality services to several counties. During 2006, Wabasha County paid \$3,200 to the Board.

Southeast Minnesota Emergency Management Services

The Southeast Minnesota Emergency Management Services (EMS) provides various health services to several counties. During 2006, Wabasha County made no payments to the EMS.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

South Central Narcotics Task Force

The South Central Narcotics Task Force provides specialized law enforcement services to several counties. During 2006, Wabasha County paid \$5,000 to the Task Force.

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. During 2006, Wabasha County paid \$125,000 to the Library.

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During 2006, Wabasha County paid \$3,961 to the Project.

Three Rivers Community Action

The Three Rivers Community Action provides various programs to several counties. During 2006, Wabasha County made no payments to Three Rivers.

Southeastern Minnesota Private Industry Council

The Southeastern Minnesota Private Industry Council provides various job-training services to several counties. During 2006, the County paid \$37,591 to the Council.

D. Related Organization

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2006, the County paid \$3,779 to the Bear Valley Watershed.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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6. Reads Landing Sanitary Sewer District - Component Unit

A. Summary of Significant Accounting Policies

Although the Reads Landing Sanitary Sewer District has the option to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, it has chosen not to do so.

Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

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

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

Cash and Pooled Investments

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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6. Reads Landing Sanitary Sewer District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Receivables

No allowance has been made for uncollectible accounts.

Restricted Assets

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

Capital Assets

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

Deferred Revenue

Deferred revenue is made up of prepaid sewer usage fees.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

6. Reads Landing Sanitary Sewer District - Component Unit (Continued)

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

Capital Assets

Component unit capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	(111,067)	(34,174)	-	(145,241)
Total Capital Assets, Net	<u>\$ 1,255,911</u>	<u>\$ (34,174)</u>	<u>\$ -</u>	<u>\$ 1,221,737</u>

Depreciation expense of \$34,174 was charged to sewer operations.

C. Liabilities

1. Long-Term Debt

Reads Landing Sanitary Sewer District issued General Obligation Sewer Revenue Bonds in 2004.

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2006
General obligation bonds	2044	\$972 - \$5,166	4.375	\$ 101,000	<u>\$ 97,954</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

6. Reads Landing Sanitary Sewer District - Component Unit

C. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2007	\$ 1,106	\$ 4,285
2008	1,154	4,237
2009	1,204	4,187
2010	1,257	4,134
2011	1,312	4,079
2012 - 2016	7,474	19,481
2017 - 2021	9,259	17,697
2022 - 2026	11,470	15,487
2027 - 2031	14,206	12,749
2032 - 2036	17,597	9,357
2037 - 2041	21,800	5,155
2042 - 2044	10,115	669
Total	<u>\$ 97,954</u>	<u>\$ 101,517</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	<u>\$ 99,013</u>	<u>\$ -</u>	<u>\$ 1,059</u>	<u>\$ 97,954</u>	<u>\$ 1,106</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 4,690,294	\$ 4,690,294	\$ 4,763,496	\$ 73,202
Licenses and permits	162,295	162,295	183,244	20,949
Intergovernmental	2,445,219	2,445,219	2,410,958	(34,261)
Charges for services	620,002	620,002	745,788	125,786
Fines and forfeits	8,500	8,500	17,699	9,199
Investment earnings	200,000	200,000	432,319	232,319
Gifts and contributions	2,500	2,500	14,005	11,505
Miscellaneous	192,237	192,237	182,234	(10,003)
<b>Total Revenues</b>	<b>\$ 8,321,047</b>	<b>\$ 8,321,047</b>	<b>\$ 8,749,743</b>	<b>\$ 428,696</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 204,485	\$ 204,485	\$ 185,245	\$ 19,240
Courts	23,500	23,500	19,828	3,672
Other court	55,892	55,892	62,239	(6,347)
Law library	22,100	22,100	34,109	(12,009)
County administration	338,129	338,129	295,706	42,423
County auditor/auditor-treasurer	251,558	251,558	260,260	(8,702)
County assessor	329,446	329,446	329,119	327
Elections	329,502	329,502	280,776	48,726
Data processing	152,968	152,968	141,601	11,367
Attorney	405,315	405,315	371,097	34,218
Recorder	295,076	295,076	332,269	(37,193)
Surveyor	30,000	30,000	30,000	-
Planning and zoning	206,248	206,248	228,158	(21,910)
Geographical Information Systems (GIS)	86,998	86,998	80,144	6,854
Buildings and plant	290,857	290,857	225,041	65,816
Veterans service officer	133,633	133,633	122,759	10,874
Other general government	537,911	537,911	304,289	233,622
<b>Total general government</b>	<b>\$ 3,693,618</b>	<b>\$ 3,693,618</b>	<b>\$ 3,302,640</b>	<b>\$ 390,978</b>
<b>Public safety</b>				
Sheriff	\$ 1,442,583	\$ 1,442,583	\$ 1,524,078	\$ (81,495)
Boat and water safety	14,943	14,943	24,638	(9,695)
Emergency services	51,306	51,306	61,368	(10,062)
Coroner	21,080	21,080	14,229	6,851
E-911 system	397,800	397,800	83,430	314,370
County jail	1,326,712	1,326,712	1,206,933	119,779
Community corrections	517,945	517,945	515,225	2,720
<b>Total public safety</b>	<b>\$ 3,772,369</b>	<b>\$ 3,772,369</b>	<b>\$ 3,429,901</b>	<b>\$ 342,468</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Highways and streets</b>				
Administration	\$ -	\$ -	\$ 10,431	\$ (10,431)
Equipment maintenance and shop	135,000	135,000	2,573	132,427
<b>Total highways and streets</b>	<b>\$ 135,000</b>	<b>\$ 135,000</b>	<b>\$ 13,004</b>	<b>\$ 121,996</b>
<b>Sanitation</b>				
Hazardous waste	\$ 33,498	\$ 33,498	\$ 30,936	\$ 2,562
SCORE	106,170	106,170	97,212	8,958
Environmental services	110,905	110,905	105,529	5,376
<b>Total sanitation</b>	<b>\$ 250,573</b>	<b>\$ 250,573</b>	<b>\$ 233,677</b>	<b>\$ 16,896</b>
<b>Culture and recreation</b>				
Historical society	\$ 5,670	\$ 5,670	\$ 5,600	\$ 70
Snowmobile	85,600	85,600	92,449	(6,849)
Senior citizens	1,200	1,200	1,200	-
Regional library	125,000	125,000	125,000	-
<b>Total culture and recreation</b>	<b>\$ 217,470</b>	<b>\$ 217,470</b>	<b>\$ 224,249</b>	<b>\$ (6,779)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 112,466	\$ 112,466	\$ 130,711	\$ (18,245)
Soil and water conservation	131,055	131,055	150,241	(19,186)
Agricultural inspections	600	600	75	525
Agricultural society/County fair	20,500	20,500	20,633	(133)
Predator control	5,000	5,000	8,683	(3,683)
Water planning	23,717	23,717	40,710	(16,993)
Wetland challenge	13,806	13,806	13,806	-
Environmental services	-	-	1,166	(1,166)
Other	9,437	9,437	8,685	752
<b>Total conservation of natural resources</b>	<b>\$ 316,581</b>	<b>\$ 316,581</b>	<b>\$ 374,710</b>	<b>\$ (58,129)</b>
<b>Economic development</b>				
Housing development	\$ 111,914	\$ 111,914	\$ 195,097	\$ (83,183)
Tourism	2,838	2,838	2,838	-
<b>Total economic development</b>	<b>\$ 114,752</b>	<b>\$ 114,752</b>	<b>\$ 197,935</b>	<b>\$ (83,183)</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures (Continued)</b>				
<b>Debt service</b>				
Principal	\$ 11,356	\$ 11,356	\$ 11,360	\$ (4)
Interest	1,580	1,580	1,576	4
Administrative (fiscal) charges	-	-	-	-
<b>Total debt service</b>	<b>\$ 12,936</b>	<b>\$ 12,936</b>	<b>\$ 12,936</b>	<b>\$ -</b>
<b>Total Expenditures</b>	<b>\$ 8,513,299</b>	<b>\$ 8,513,299</b>	<b>\$ 7,789,052</b>	<b>\$ 724,247</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (192,252)</b>	<b>\$ (192,252)</b>	<b>\$ 960,691</b>	<b>\$ 1,152,943</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 6,200	\$ 6,200
Transfers out	-	-	(6,890)	(6,890)
Proceeds from sale of assets	-	-	5,536	5,536
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,846</b>	<b>\$ 4,846</b>
<b>Net Change in Fund Balance</b>	<b>\$ (192,252)</b>	<b>\$ (192,252)</b>	<b>\$ 965,537</b>	<b>\$ 1,157,789</b>
<b>Fund Balance - January 1</b>	<b>5,085,953</b>	<b>5,085,953</b>	<b>5,085,953</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,893,701</b>	<b>\$ 4,893,701</b>	<b>\$ 6,051,490</b>	<b>\$ 1,157,789</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 2**

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,091,153	\$ 1,091,153	\$ 1,075,742	\$ (15,411)
Intergovernmental	4,177,520	4,177,520	4,754,458	576,938
Charges for services	12,700	12,700	12,790	90
Miscellaneous	-	-	28,961	28,961
<b>Total Revenues</b>	<b>\$ 5,281,373</b>	<b>\$ 5,281,373</b>	<b>\$ 5,871,951</b>	<b>\$ 590,578</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 353,701	\$ 353,701	\$ 348,786	\$ 4,915
Engineering	604,221	604,221	375,686	228,535
Maintenance	1,404,340	1,404,340	1,354,434	49,906
Construction	2,300,000	2,300,000	2,853,488	(553,488)
Equipment maintenance and shop	716,532	716,532	685,410	31,122
<b>Total highways and streets</b>	<b>\$ 5,378,794</b>	<b>\$ 5,378,794</b>	<b>\$ 5,617,804</b>	<b>\$ (239,010)</b>
<b>Debt service</b>				
Principal	-	-	35,064	(35,064)
Interest	-	-	4,925	(4,925)
<b>Total Expenditures</b>	<b>\$ 5,378,794</b>	<b>\$ 5,378,794</b>	<b>\$ 5,657,793</b>	<b>\$ (278,999)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (97,421)</b>	<b>\$ (97,421)</b>	<b>\$ 214,158</b>	<b>\$ 311,579</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 2,247	\$ 2,247
Compensation for the loss of capital assets	-	-	2,612	2,612
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,859</b>	<b>\$ 4,859</b>
<b>Net Change in Fund Balance</b>	<b>\$ (97,421)</b>	<b>\$ (97,421)</b>	<b>\$ 219,017</b>	<b>\$ 316,438</b>
<b>Fund Balance - January 1</b>	<b>795,387</b>	<b>795,387</b>	<b>795,387</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>87,234</b>	<b>87,234</b>
<b>Fund Balance - December 31</b>	<b>\$ 697,966</b>	<b>\$ 697,966</b>	<b>\$ 1,101,638</b>	<b>\$ 403,672</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 3**

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,337,643	\$ 1,337,643	\$ 1,312,484	\$ (25,159)
Intergovernmental	2,520,774	2,520,774	2,520,304	(470)
Charges for services	79,000	79,000	86,203	7,203
Miscellaneous	148,784	148,784	390,831	242,047
<b>Total Revenues</b>	<b>\$ 4,086,201</b>	<b>\$ 4,086,201</b>	<b>\$ 4,309,822</b>	<b>\$ 223,621</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 864,559	\$ 864,559	\$ 942,948	\$ (78,389)
Social services	3,221,642	3,221,642	3,188,217	33,425
<b>Total Expenditures</b>	<b>\$ 4,086,201</b>	<b>\$ 4,086,201</b>	<b>\$ 4,131,165</b>	<b>\$ (44,964)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 178,657</b>	<b>\$ 178,657</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 2,846	\$ 2,846
Transfers out	-	-	(6,200)	(6,200)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,354)</b>	<b>\$ (3,354)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 175,303</b>	<b>\$ 175,303</b>
<b>Fund Balance - January 1</b>	<b>1,845,975</b>	<b>1,845,975</b>	<b>1,845,975</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,845,975</b>	<b>\$ 1,845,975</b>	<b>\$ 2,021,278</b>	<b>\$ 175,303</b>

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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Budgetary Information

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

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

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

The Road and Bridge Special Revenue Fund expenditures of \$5,657,793 exceeded the final budget of \$5,378,794 by \$278,999, and the Social Service Special Revenue Fund expenditures of \$4,131,165 exceeded the final budget of \$4,086,201 by \$44,964.

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

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## **SUPPLEMENTARY INFORMATION**

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

The Regional Railroad Fund accounts for the operations of the 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**

**Statement 2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Special Revenue Funds</b>		
	<b>Regional Railroad</b>	<b>Public Health</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ -	\$ 262,587	\$ 262,587
Licenses and permits	-	630	630
Intergovernmental	-	761,156	761,156
Charges for services	-	338,649	338,649
Gifts and contributions	9,905	2,329	12,234
Miscellaneous	1,638	11,110	12,748
<b>Total Revenues</b>	<b>\$ 11,543</b>	<b>\$ 1,376,461</b>	<b>\$ 1,388,004</b>
<b>Expenditures</b>			
<b>Current</b>			
Health	\$ -	\$ 1,346,097	\$ 1,346,097
Culture and recreation	1,251	-	1,251
<b>Debt service</b>			
Principal	6,813	-	6,813
Interest	1,185	-	1,185
<b>Total Expenditures</b>	<b>\$ 9,249</b>	<b>\$ 1,346,097</b>	<b>\$ 1,355,346</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 2,294</b>	<b>\$ 30,364</b>	<b>\$ 32,658</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ 1,797	\$ 1,797
Proceeds from sale of assets	3,500	-	3,500
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 3,500</b>	<b>\$ 1,797</b>	<b>\$ 5,297</b>
<b>Net Change in Fund Balance</b>	<b>\$ 5,794</b>	<b>\$ 32,161</b>	<b>\$ 37,955</b>
<b>Fund Balance - January 1</b>	<b>45,840</b>	<b>685,053</b>	<b>730,893</b>
<b>Fund Balance - December 31</b>	<b>\$ 51,634</b>	<b>\$ 717,214</b>	<b>\$ 768,848</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Statement 2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Special Revenue Funds</b>		
	<b>Regional Railroad</b>	<b>Public Health</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ -	\$ 262,587	\$ 262,587
Licenses and permits	-	630	630
Intergovernmental	-	761,156	761,156
Charges for services	-	338,649	338,649
Gifts and contributions	9,905	2,329	12,234
Miscellaneous	1,638	11,110	12,748
<b>Total Revenues</b>	<b>\$ 11,543</b>	<b>\$ 1,376,461</b>	<b>\$ 1,388,004</b>
<b>Expenditures</b>			
<b>Current</b>			
Health	\$ -	\$ 1,346,097	\$ 1,346,097
Culture and recreation	1,251	-	1,251
<b>Debt service</b>			
Principal	6,813	-	6,813
Interest	1,185	-	1,185
<b>Total Expenditures</b>	<b>\$ 9,249</b>	<b>\$ 1,346,097</b>	<b>\$ 1,355,346</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 2,294</b>	<b>\$ 30,364</b>	<b>\$ 32,658</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ 1,797	\$ 1,797
Proceeds from sale of assets	3,500	-	3,500
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 3,500</b>	<b>\$ 1,797</b>	<b>\$ 5,297</b>
<b>Net Change in Fund Balance</b>	<b>\$ 5,794</b>	<b>\$ 32,161</b>	<b>\$ 37,955</b>
<b>Fund Balance - January 1</b>	<b>45,840</b>	<b>685,053</b>	<b>730,893</b>
<b>Fund Balance - December 31</b>	<b>\$ 51,634</b>	<b>\$ 717,214</b>	<b>\$ 768,848</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
REGIONAL RAILROAD SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Gifts and contributions	\$ 10,000	\$ 10,000	\$ 9,905	\$ (95)
Miscellaneous	-	-	1,638	1,638
<b>Total Revenues</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 11,543</b>	<b>\$ 1,543</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Trails	\$ 2,002	\$ 2,002	\$ 1,251	\$ 751
<b>Debt service</b>				
Principal	6,813	6,813	6,813	-
Interest	1,185	1,185	1,185	-
<b>Total Expenditures</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 9,249</b>	<b>\$ 751</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,294</b>	<b>\$ 2,294</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of assets	-	-	3,500	3,500
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,794</b>	<b>\$ 5,794</b>
<b>Fund Balance - January 1</b>	<b>45,840</b>	<b>45,840</b>	<b>45,840</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 45,840</b>	<b>\$ 45,840</b>	<b>\$ 51,634</b>	<b>\$ 5,794</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 5**

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 266,840	\$ 266,840	\$ 262,587	\$ (4,253)
Licenses and permits	600	600	630	30
Intergovernmental	293,751	293,751	761,156	467,405
Charges for services	783,760	783,760	338,649	(445,111)
Gifts and contributions	-	-	2,329	2,329
Miscellaneous	2,345	2,345	11,110	8,765
<b>Total Revenues</b>	<b>\$ 1,347,296</b>	<b>\$ 1,347,296</b>	<b>\$ 1,376,461</b>	<b>\$ 29,165</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	\$ 613,866	\$ 613,866	\$ 590,268	\$ 23,598
Family health	186,392	186,392	161,984	24,408
Disease prevention	39,776	39,776	40,830	(1,054)
Health education	48,906	48,906	89,811	(40,905)
Community health services	458,356	458,356	463,204	(4,848)
<b>Total Expenditures</b>	<b>\$ 1,347,296</b>	<b>\$ 1,347,296</b>	<b>\$ 1,346,097</b>	<b>\$ 1,199</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,364</b>	<b>\$ 30,364</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,797	1,797
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,161</b>	<b>\$ 32,161</b>
<b>Fund Balance - January 1</b>	<b>685,053</b>	<b>685,053</b>	<b>685,053</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 685,053</b>	<b>\$ 685,053</b>	<b>\$ 717,214</b>	<b>\$ 32,161</b>



## **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 Service 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**

***Statement 3***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>REVOLVING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 74,802	\$ 889,529	\$ 890,624	\$ 73,707
<b><u>Liabilities</u></b>				
Due to other governments	\$ 74,802	\$ 889,529	\$ 890,624	\$ 73,707
 <b><u>FAMILY SERVICE COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,093,543	\$ 182,744	\$ 480,879	\$ 795,408
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,093,543	\$ 182,744	\$ 480,879	\$ 795,408
 <b><u>PRE-TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 105,780	\$ 1,329,382	\$ 1,313,683	\$ 121,479
<b><u>Liabilities</u></b>				
Due to other governments	\$ 105,780	\$ 1,329,382	\$ 1,313,683	\$ 121,479

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Statement 3**  
**(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 199,492	\$ 18,791,607	\$ 18,778,394	\$ 212,705
<b><u>Liabilities</u></b>				
Accounts payable	\$ 27,480	\$ 22,914	\$ 27,480	\$ 22,914
Due to other funds	-	7,563,892	7,563,892	-
Due to other governments	172,012	11,158,554	11,140,775	189,791
<b>Total Liabilities</b>	<b>\$ 199,492</b>	<b>\$ 18,745,360</b>	<b>\$ 18,732,147</b>	<b>\$ 212,705</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,473,617	\$ 21,193,262	\$ 21,463,580	\$ 1,203,299
<b><u>Liabilities</u></b>				
Accounts payable	\$ 27,480	\$ 22,914	\$ 27,480	\$ 22,914
Due to other funds	-	7,563,892	7,563,892	-
Due to other governments	1,446,137	13,560,209	13,825,961	1,180,385
<b>Total Liabilities</b>	<b>\$ 1,473,617</b>	<b>\$ 21,147,015</b>	<b>\$ 21,417,333</b>	<b>\$ 1,203,299</b>

## **COMPONENT UNIT**

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 6**

**STATEMENT OF NET ASSETS  
READS LANDING SANITARY SEWER DISTRICT COMPONENT UNIT  
DECEMBER 31, 2006**

**Assets**

**Current assets**

Cash and pooled investments	\$ 10,965
Special assessments	
Current	3,452
Accounts receivable - net	<u>5,521</u>

<b>Total current assets</b>	<b>\$ 19,938</b>
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**Restricted assets**

Cash and pooled investments	4,072
-----------------------------	-------

**Noncurrent assets**

Capital assets	
Depreciable - net	<u>1,221,737</u>

<b>Total Assets</b>	<b>\$ 1,245,747</b>
---------------------	---------------------

**Liabilities**

**Current liabilities**

Accounts payable	\$ 119
Due to other governments	3,441
Revenue bonds payable - current	<u>1,106</u>

<b>Total current liabilities</b>	<b>\$ 4,666</b>
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**Noncurrent liabilities**

Revenue bonds payable - long-term	<u>96,848</u>
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<b>Total Liabilities</b>	<b>\$ 101,514</b>
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**Net Assets**

Invested in capital assets - net of related debt	\$ 1,123,783
Restricted for	
Equipment replacement	11,348
Debt service	4,072
Unrestricted	<u>5,030</u>
<b>Total Net Assets</b>	<b>\$ 1,144,233</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 7**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
READS LANDING SANITARY SEWER DISTRICT COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Operating Revenues</b>	
Charges for services	\$ 48,663
Special assessments	2,599
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 51,262</b>
	<hr/>
<b>Operating Expenses</b>	
Professional services	\$ 142
Contracted services	42,132
Machinery and equipment, repairs, and maintenance	2,561
Other services and charges	55
Telephone	501
Utilities	998
Insurance	1,572
Postage	32
Depreciation	34,174
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 82,167</b>
	<hr/>
<b>Operating Income (Loss)</b>	<b>\$ (30,905)</b>
	<hr/>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 177
Interest expense	(4,332)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (4,155)</b>
	<hr/>
<b>Change in Net Assets</b>	<b>\$ (35,060)</b>
	<hr/>
<b>Net Assets - January 1</b>	<b>1,179,293</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 1,144,233</b>
	<hr/> <hr/>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 8**

**STATEMENT OF CASH FLOWS  
READS LANDING SANITARY SEWER DISTRICT COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 52,993
Payments to suppliers	<u>(48,045)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 4,948</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (1,059)
Interest paid on long-term debt	<u>(4,332)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (5,391)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<u>\$ 180</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b><u>\$ (263)</u></b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>15,300</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 15,037</u></u></b>
<b>Cash and Cash Equivalents - Schedule 6</b>	
Cash and pooled investments	\$ 10,965
Restricted cash and pooled investments	<u>4,072</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 15,037</u></u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ (30,905)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 34,174
(Increase) decrease in special assessments receivable	980
(Increase) decrease in accounts receivable	791
Increase (decrease) in accounts payable	(52)
Increase (decrease) in unearned revenue	<u>(40)</u>
<b>Total adjustments</b>	<b><u>\$ 35,853</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ 4,948</u></u></b>

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## **OTHER SCHEDULE**

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 9**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
ALL GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Shared Revenue**

**State**

Highway users tax	\$ 3,948,698
County program aid	991,151
Market value credit	978,134
PERA rate reimbursement	22,637
Disparity reduction aid	18,839
Police aid	70,967
Enhanced 911	98,245
Specialty court development funds	13,925

<b>Total Shared Revenue</b>	<b>\$ 6,142,596</b>
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**Reimbursement for Services**

Minnesota Department of Human Services	\$ 936,720
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**Payments in Lieu of Taxes**

<b>\$ 175,163</b>
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**Grants**

**State**

Minnesota Department of	
Corrections	\$ 163,147
Public Safety	24,952
Health	432,441
Natural Resources	101,852
Human Services	862,760
Veterans Services	968
Water and Soil Resources Board	101,672
Pollution Control Agency	52,276
Peace Officer Standards and Training Board	6,511

<b>Total State</b>	<b>\$ 1,746,579</b>
--------------------	---------------------

**Federal**

Department of	
Agriculture	\$ 107,192
Justice	42,038
Transportation	476,352
Environmental Protection	1,194
Health and Human Services	563,575
Education	1,005
Homeland Security	25,174
Election Assistance Commission	229,288

<b>Total Federal</b>	<b>\$ 1,445,818</b>
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<b>Total State and Federal Grants</b>	<b>\$ 3,192,397</b>
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<b>Total Intergovernmental Revenue</b>	<b>\$ 10,446,876</b>
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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 10**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

- A. Our report expresses unqualified opinions on the basic financial statements of Wabasha County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Wabasha County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Wabasha County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Wabasha County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Voting Assistance Grant	CFDA #90.401
Child Care Development Block Grants	CFDA #93.575
Social Services Health Grant	CFDA #93.667
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wabasha County was determined to be a low-risk auditee.

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

**INTERNAL CONTROL**

**ITEMS ARISING THIS YEAR**

**06-1 Investment Oversight**

In Wabasha County, the Finance Director does the purchasing of investments for the County. Investments are not reviewed or approved by anyone other than the person doing the investing.

We recommend someone other than the person who makes the investment purchase periodically review investment purchases. The investments should be reviewed for both legality and appropriateness.

**Client's Response:**

*Wabasha County will have an Auditor/Treasurer Report presented to the Board on a quarterly basis which will have a breakdown of bank balance by imprest funds, CDs, money market savings accounts, special investments, and year-to-date investment earnings*

**06-2 Private Data**

First State Bank of Wabasha does not have a secure website for the County to send information electronically, so a disk is being used. The disk contains private data taken from the Paymate Payroll System that needs to be communicated to the bank for direct deposit for County employees. The payroll tape is brought to First State Bank of Wabasha without first encrypting the data on the disk.

We recommend the County have all private data encrypted or password protected in case of loss or theft, including all payroll tapes brought to the bank. Or, the County could use a bank for the payroll process that has a secure website for communication of private data.

Client's Response:

*The County is considering purchasing software called Zix. Zix software is designed to protect confidential information such as medical records, social numbers, etc. If feasible, the County will pursue using this software provided both parties agree.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

**A. MANAGEMENT PRACTICES**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED**

**96-10 Disaster Recovery Plan**

While reviewing the Data Processing Department, we noted Wabasha County has a data processing disaster recovery agreement with Goodhue County but has no disaster recovery plan to ensure continued operations if a disaster or major computer breakdown were to occur. A disaster recovery plan would give greater assurance that the County is prepared for a disaster or major computer breakdown. The County needs to provide for the continuance of several important applications processed by its computer system, including the preparation of payroll, the calculation of tax assessments and settlements, and the recording of receipts and disbursements.

A disaster recovery plan should include, but not be limited to, the following:

- a list of key personnel, including the actual recovery team, who should be available during the recovery process;
- a description of the responsibilities of each member of the recovery team and of all other County employees;
- a plan as to how the County will continue operations until normal operations are re-established;

- a list of materials the County needs to continue operations and how they will be obtained;
- identification of the space to be used; and
- a schedule for developing and periodically reviewing and updating the plan.

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

Client's Response:

*The County's goal is to have a disaster recovery plan completed during 2008.*

ITEM ARISING THIS YEAR

06-3

Credit Card Policy

While reviewing Wabasha County's credit card policy, we found a few instances where the policy was not being followed. Either the credit card was not properly checked out from the Auditor/Treasurer's Office or the charge did not follow the policy.

We recommend that all credit card usage follow the County policy. If the policy has not been followed, the expenditure should be presented to the County Board for appropriate action.

Client's Response:

*The County is in the process of updating the Wabasha County policy manual. There will be a new credit policy in this manual.*

B. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for*

*Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

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

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

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

If applicable for Wabasha County, GASB Statements 43 and 45 would be implemented for the years ending December 31, 2007 and 2008, respectively.

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## **OTHER REQUIRED REPORTS**

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REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Wabasha County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of and for the year ended December 31, 2006, and have issued our report thereon dated July 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe neither of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Wabasha County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations and information to be of benefit to Wabasha County, and they are reported for that purpose.

Wabasha County's written responses to the significant deficiencies and management practices identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 26, 2007

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Wabasha County

#### Compliance

We have audited the compliance of Wabasha County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Wabasha County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Wabasha County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### Internal Control Over Compliance

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

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

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

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

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of and for the year ended December 31, 2006, and have issued our report thereon dated July 26, 2007. Our audit was performed 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 26, 2007

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**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 11**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 86,841
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	5,351
Passed Through Minnesota Department of Natural Resources Cooperative Forestry Assistance	10.664	15,000
<b>Total U.S. Department of Agriculture</b>		<b>\$ 107,192</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Byrne Formula Grant Program	16.579	\$ 32,955
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9,083
<b>Total U.S. Department of Justice</b>		<b>\$ 42,038</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 460,788
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	15,564
<b>Total U.S. Department of Transportation</b>		<b>\$ 476,352</b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Southeastern Minnesota Water Resources Board Nonpoint Source Implementation	66.460	\$ 1,194
<b>U.S. Department of Education</b>		
Passed Through Minnesota Department of Health Special Education Grant for Infants and Families with Disabilities	84.181	\$ 1,005
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	\$ 229,288

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Schedule 11**  
**(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	\$ 400
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	39,519
Temporary Assistance for Needy Families (TANF)	93.558	14,292
Maternal and Child Health Services Block Grant	93.994	24,583
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	8,535
Temporary Assistance for Needy Families (TANF)	93.558	99,170
Child Care Development Block Grant	93.575	150,415
Grants to States for Access and Visitation Programs	93.597	36
Child Welfare Services - State Grants	93.645	4,874
Foster Care Title IV-E	93.658	77,564
Social Services Block Grant Title XX	93.667	126,124
Chafee Foster Care Independence Program	93.674	10,868
Community Mental Health Services Block Grant	93.958	7,195
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 563,575</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 3,862
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	9,803
Emergency Management Performance Grants	97.042	11,509
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 25,174</b>
<b>Total Federal Awards</b>		<b>\$ 1,445,818</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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**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 accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

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