

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WABASHA COUNTY
WABASHA, MINNESOTA

YEAR ENDED DECEMBER 31, 2007

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Year Ended December 31, 2007



**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**

**ORGANIZATION
DECEMBER 31, 2007**

			<u>Term Expires</u>
Elected			
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	Tom Dwelle	District 5	January 2011
Attorney	James C. Nordstrom		January 2011
Auditor/Treasurer	Jerry Leisen		January 2011
County Recorder	Jeffery Aitken		January 2011
County Sheriff	Rodney Bartsh		January 2011
Appointed			
Administrator	Peter Boyce*		Indefinite
Assessor	Loren Benz		December 2008
County Engineer	Dietrich Flesch		May 2011
Coroner	Dr. Daniel Pesch		January 2008
	Dr. Thomas Peyla		January 2008
Financial Services Director	Pat Moga		Indefinite
Social Services Director	Terry Smith		Indefinite
Solid Waste Officer	Tom Mosher		Indefinite
Surveyor	David Johnson		January 2009
Veterans Service Officer	Lisa Jaegar		April 2010

*Peter Boyce left the position October 2007. Interim Administrator was Bambridge Peterson.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wabasha County

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, 2007, 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise 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 August 18, 2008, 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

August 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(Unaudited)**

INTRODUCTION

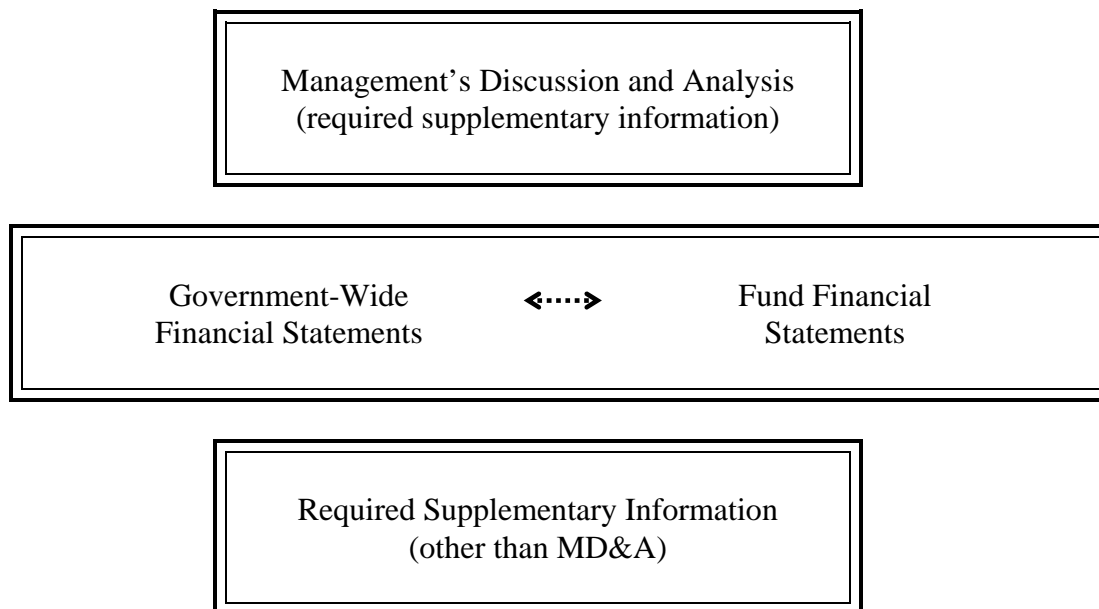
The financial management of Wabasha County offers the readers of Wabasha County's financial statements this narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- As of December 31, 2007, the assets of Wabasha County exceeded its liabilities by \$75,567,502. Of this amount, \$10,415,980 (13.8 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's governmental funds reported a combined ending fund balance of \$18,600,356.
- Wabasha County's total long-term liabilities increased by \$9,970,664 during the fiscal year. The key factor in this increase was due to issuing General Obligation Jail Bonds in the amount of \$10,000,000.

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 Water and Sanitary District is presented in a separate column. Although legally separate, component units are important because the County is financially accountable for them.

Fund Financial Statements

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide information about the County's significant funds--not the County as a whole. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of 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, Social Service Special Revenue Fund, Criminal Justice Center Debt Service Fund, and Criminal Justice Center Capital Projects 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 \$73,928,840 to \$75,567,502. 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	
	2007	2006
Assets		
Current and other assets	\$ 22,420,575	\$ 13,320,097
Capital assets	66,451,717	62,878,715
Total Assets	<u>\$ 88,872,292</u>	<u>\$ 76,198,812</u>
Liabilities		
Long-term debt outstanding	\$ 11,085,828	\$ 1,115,164
Other liabilities	2,218,962	1,154,808
Total Liabilities	<u>\$ 13,304,790</u>	<u>\$ 2,269,972</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 62,922,469	\$ 62,791,670
Restricted	2,229,053	1,962,590
Unrestricted	10,415,980	9,174,580
Total Net Assets	<u>\$ 75,567,502</u>	<u>\$ 73,928,840</u>

Net assets of the County's governmental activities increased by two percent (\$75,567,502 compared to \$73,928,840). 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 \$9,174,580 at December 31, 2006, to \$10,415,980 at the end of 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 1,574,745	\$ 2,097,790
Operating grants and contributions	7,471,760	7,653,328
Capital grants and contributions	1,147,940	601,068
General revenues		
Property taxes	8,335,670	7,394,831
Other taxes	18,987	25,595
Grants and contributions	1,971,930	2,010,761
Other general revenues	981,882	759,934
Total Revenues	\$ 21,502,914	\$ 20,543,307
Program Expenses		
General government	\$ 3,316,799	\$ 3,278,137
Public safety	3,548,369	3,481,412
Highways and streets	6,132,373	6,646,706
Human services	4,215,026	4,156,838
Health	1,435,717	1,360,993
Sanitation	247,351	235,485
Culture and recreation	273,783	251,759
Conservation of natural resources	364,455	368,172
Economic development	227,001	197,935
Interest	103,378	5,155
Total Program Expenses	\$ 19,864,252	\$ 19,982,592
Increase (Decrease) in Net Assets	\$ 1,638,662	\$ 560,715

Governmental Activities

Revenues for the County's governmental activities increased by five percent (\$959,607), while total expenses decreased less than one percent (\$118,340). The increase in net assets for 2007 was \$1,638,662 compared to a \$560,715 increase in net assets in the year ended December 31, 2006.

The cost of all governmental activities in 2007 was \$19,864,252 compared to \$19,982,592 in 2006. 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 \$9,669,807 because some of the cost was paid by those who directly benefited from the programs (\$1,574,745) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,619,700). Overall, the County's governmental program revenues,

including intergovernmental aid and fees for services, decreased in 2007 from \$10,352,186 to \$10,194,445. Decreases in intergovernmental aid and fees and charges, primarily human services, 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 \$11,308,469 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	
	2007	2006	2007	2006
Highways and streets	\$ 6,132,373	\$ 6,646,706	\$ 1,325,242	\$ 2,195,301
Human services	4,215,026	4,156,838	1,737,541	1,345,828
Public safety	3,548,369	3,481,412	2,728,310	2,699,111
General government	3,316,799	3,278,137	2,708,874	2,422,701
Health	1,435,717	1,360,993	283,176	255,113
All others	1,215,968	1,058,506	886,664	712,352
Totals	<u>\$ 19,864,252</u>	<u>\$ 19,982,592</u>	<u>\$ 9,669,807</u>	<u>\$ 9,630,406</u>

There was an increase in net cost of service for human services, public safety, general government, and health. There was a decrease in net cost of service for highways and streets 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 \$75,567,502, an increase of \$1,638,662.

The County's \$62,922,469 investment in capital assets, net of related debt, is 83 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 (\$2,229,053) are subject to restrictions on how they may be used. The remaining 14 percent (\$10,415,980 unrestricted net assets) may be used to meet Wabasha County's ongoing obligations to citizens and creditors.

Wabasha County's total liabilities (\$13,304,790) are 15 percent of total assets and 59 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 2007, Wabasha County's governmental funds report combined fund balances of \$18,600,356. This is an 87 percent increase of \$8,657,102 from the prior year. The General Fund balance of \$7,431,695 represents 40 percent of this total, and the Criminal Justice Center Capital Projects Fund balance of \$6,415,020 represents 34 percent of this total.

The General Fund is the chief operating fund of Wabasha County. At the end of 2007, 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--83 and 90 percent, respectively. During the year, the fund balance increased by \$1,380,205 to \$7,431,695.

The Road and Bridge Special Revenue Fund ended the year with a fund balance of \$1,121,717. This was an increase of \$20,079.

The Social Service Special Revenue Fund fund balance increased by \$712,232 to \$2,733,510. During the year, the Social Service Special Revenue Fund transferred \$6,200 to the General Fund and \$31,888 to the Public Health Special Revenue Fund.

The Criminal Justice Center Debt Service Fund (new this year) had an ending fund balance of \$140,972.

The Criminal Justice Center Capital Projects Fund (new this year) had an ending fund balance of \$6,415,020.

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 2007; both budgeted revenues and expenditures were increased by \$6,000 for donations to continue the Parent Education Program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wabasha County's investment in capital assets as of December 31, 2007, amounts to \$66,451,717 (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 increase in Wabasha County's investment in capital assets for the current year was \$3,573,002 (six 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, 2007
(Net of Depreciation)

	Governmental Activities	
	2007	2006
Land	\$ 4,553,015	\$ 3,653,414
Construction in progress	2,563,744	-
Buildings and improvements	1,625,776	1,366,509
Machinery, vehicles, furniture, and equipment	1,453,076	1,417,087
Infrastructure	56,256,106	56,441,705
Total	<u>\$ 66,451,717</u>	<u>\$ 62,878,715</u>

Land increased in 2007 as the County purchased a 40-acre tract of land for construction of the new Criminal Justice Center. Construction in progress reflects the 2007 building costs attributed to the construction of the Criminal Justice Center. Buildings and improvements had an increase in 2007.

Debt

Wabasha County had total debt outstanding of \$10,049,721 on December 31, 2007. General Obligation Jail Bonds totaled \$10,000,000, capital leases totaled \$38,294, and a promissory note totaled \$11,427. Wabasha County issued a General Obligation Jail Bond for the face amount of \$10,000,000 during 2007. 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, 2007

	Governmental Activities	
	2007	2006
General Obligation Jail Bonds	\$ 10,000,000	\$ -
Capital leases	38,294	87,046
Promissory note	11,427	18,585
Total	<u>\$ 10,049,721</u>	<u>\$ 105,631</u>

New debt resulted from issuing a General Obligation Jail Bond.

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 \$2,264,845,600 for 2007. The current debt limitation for Wabasha County is \$45,296,912, which is in excess of Wabasha County's outstanding debt. Wabasha County's outstanding net debt is below the state-imposed limit.

Other obligations include accrued vacation pay and sick leave payable.

ECONOMIC FACTORS

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

- In 2007, the County began construction of a Criminal Justice Center. The facility will be approximately 87,000 square feet and include an 82-bed jail, law enforcement center, courtrooms, court administration, County Attorney's Office, and probation department. The project is projected to cost around \$21,000,000 and is expected to be completed in late 2009.
- Property tax levies have increased 21.08 percent for 2008.
- The State of Minnesota has imposed levy limitations for the tax payable years 2009 through 2011.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 1

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

	<u>Primary Government Governmental Activities</u>	<u>Reads Landing Component Unit</u>
<u>Assets</u>		
Cash and pooled investments	\$ 19,784,293	\$ 11,842
Petty cash and change funds	3,250	-
Investment in joint venture	343,147	-
Taxes receivable		
Prior - net	176,685	-
Special assessments receivable	-	5,108
Accounts receivable - net	67,985	5,504
Accrued interest receivable	38,063	-
Due from other governments	1,830,239	-
Inventories	126,666	-
Restricted assets		
Cash and pooled investments	-	2,048
Deferred debt issuance costs	50,247	-
Capital assets		
Non-depreciable	7,116,759	-
Depreciable - net of accumulated depreciation	59,334,958	1,187,562
Total Assets	\$ 88,872,292	\$ 1,212,064
<u>Liabilities</u>		
Accounts payable	\$ 291,876	\$ 148
Salaries payable	474,955	-
Contracts payable	974,920	-
Retainage payable	43,094	-
Due to other governments	130,885	3,464
Advance from other governments	170,022	-
Accrued interest payable	99,104	-
Unearned revenue	34,106	207
Long-term liabilities		
Due within one year	105,937	1,154
Due in more than one year	10,979,891	95,694
Total Liabilities	\$ 13,304,790	\$ 100,667

**WABASHA COUNTY
WABASHA, MINNESOTA**

***EXHIBIT 1
(Continued)***

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

	<u>Primary Government Governmental Activities</u>	<u>Reads Landing Component Unit</u>
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 62,922,469	\$ 1,090,714
Restricted for		
General government	279,229	-
Public safety	249,736	-
Highways and streets	1,089,698	-
Human services	565,398	-
Health	30,243	-
Conservation of natural resources	14,749	-
Debt service	-	2,048
Equipment replacement	-	14,911
Unrestricted	<u>10,415,980</u>	<u>3,724</u>
Total Net Assets	<u>\$ 75,567,502</u>	<u>\$ 1,111,397</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 3,316,799	\$ 475,439
Public safety	3,548,369	320,727
Highways and streets	6,132,373	114,213
Sanitation	247,351	75,062
Human services	4,215,026	222,750
Health	1,435,717	362,381
Culture and recreation	273,783	1,582
Conservation of natural resources	364,455	2,591
Economic development	227,001	-
Interest	103,378	-
Total Governmental Activities	\$ 19,864,252	\$ 1,574,745
 Component unit		
Reads Landing Water and Sanitary District	\$ 83,570	\$ 50,642

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

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 Governmental Activities	Reads Landing Component Unit
\$ 128,814	\$ 3,672	\$ (2,708,874)	
485,013	14,319	(2,728,310)	
3,562,969	1,129,949	(1,325,242)	
-	-	(172,289)	
2,254,735	-	(1,737,541)	
790,160	-	(283,176)	
116,422	-	(155,779)	
133,647	-	(228,217)	
-	-	(227,001)	
-	-	(103,378)	
\$ 7,471,760	\$ 1,147,940	\$ (9,669,807)	
\$ -	\$ -		\$ (32,928)
		\$ 8,335,670	\$ -
		18,309	-
		678	-
		175,818	-
		1,971,930	-
		639,236	92
		161,821	-
		5,007	-
		\$ 11,308,469	\$ 92
		\$ 1,638,662	\$ (32,836)
		73,928,840	1,144,233
		\$ 75,567,502	\$ 1,111,397

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 7,774,450	\$ 1,191,427
Petty cash and change funds	3,250	-
Taxes receivable		
Prior	116,295	25,634
Accounts receivable	13,583	522
Accrued interest receivable	38,063	-
Due from other governments	78,859	1,230,644
Inventories	-	126,666
	<hr/>	<hr/>
Total Assets	<u><u>\$ 8,024,500</u></u>	<u><u>\$ 2,574,893</u></u>

EXHIBIT 3

Social Service	Criminal Justice Center Debt Service	Criminal Justice Center Capital Projects	Nonmajor Funds	Total
\$ 2,658,679	\$ 140,972	\$ 7,353,623	\$ 665,142	\$ 19,784,293
-	-	-	-	3,250
28,958	-	-	5,798	176,685
24,532	-	900	28,448	67,985
-	-	-	-	38,063
375,111	-	-	145,625	1,830,239
-	-	-	-	126,666
\$ 3,087,280	\$ 140,972	\$ 7,354,523	\$ 845,013	\$ 22,027,181

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 119,938	\$ 16,850
Salaries payable	256,863	71,521
Contracts payable	-	78,511
Retainage payable	-	-
Due to other governments	92,219	1,769
Advance from other governments	-	170,022
Deferred revenue - unavailable	89,679	1,114,503
Deferred revenue - unearned	34,106	-
	<hr/>	<hr/>
Total Liabilities	\$ 592,805	\$ 1,453,176
	<hr/>	<hr/>
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 126,666
Future projects	-	-
Recorder's unallocated fund	162,009	-
Recorder's technology fund	71,682	-
E-911	243,268	-
Extension publications	1,138	-
Sheriff's contingency	2,616	-
Sheriff's forfeited property	1,556	-
Attorney's forfeited property	20,430	-
Veteran's van	11,750	-
Conservation of natural resources	13,611	-
Sheriff's permit to carry	2,296	-
Health	-	-
Tobacco settlement	7,870	-
Voting equipment/operating expenses	5,488	-
Human services/health care	-	-
Debt service	-	-
Unreserved		
Designated for future expenditures	1,205,658	129,943
Designated for cash flows	2,900,000	653,000
Designated for compensated absences	534,820	212,108
Designated for contingencies	8,000	-
Undesignated	2,239,503	-
Unreserved, reported in nonmajor		
Special revenue funds	-	-
	<hr/>	<hr/>
Total Fund Balances	\$ 7,431,695	\$ 1,121,717
	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 8,024,500	\$ 2,574,893
	<hr/>	<hr/>

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

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EXHIBIT 3
(Continued)

<u>Social Service</u>	<u>Criminal Justice Center Debt Service</u>	<u>Criminal Justice Center Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 151,512	\$ -	\$ -	\$ 3,576	\$ 291,876
80,269	-	-	66,302	474,955
-	-	896,409	-	974,920
-	-	43,094	-	43,094
36,672	-	-	225	130,885
-	-	-	-	170,022
85,317	-	-	17,468	1,306,967
-	-	-	-	34,106
<u>\$ 353,770</u>	<u>\$ -</u>	<u>\$ 939,503</u>	<u>\$ 87,571</u>	<u>\$ 3,426,825</u>
\$ -	\$ -	\$ -	\$ -	\$ 126,666
-	-	6,415,020	-	6,415,020
-	-	-	-	162,009
-	-	-	-	71,682
-	-	-	-	243,268
-	-	-	-	1,138
-	-	-	-	2,616
-	-	-	-	1,556
-	-	-	-	20,430
-	-	-	-	11,750
-	-	-	-	13,611
-	-	-	-	2,296
-	-	-	30,243	30,243
-	-	-	-	7,870
-	-	-	-	5,488
565,398	-	-	-	565,398
-	140,972	-	-	140,972
-	-	-	-	1,335,601
857,000	-	-	-	4,410,000
170,952	-	-	-	917,880
-	-	-	-	8,000
1,140,160	-	-	-	3,379,663
-	-	-	727,199	727,199
<u>\$ 2,733,510</u>	<u>\$ 140,972</u>	<u>\$ 6,415,020</u>	<u>\$ 757,442</u>	<u>\$ 18,600,356</u>
<u>\$ 3,087,280</u>	<u>\$ 140,972</u>	<u>\$ 7,354,523</u>	<u>\$ 845,013</u>	<u>\$ 22,027,181</u>

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)	\$	18,600,356
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		66,451,717
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Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		343,147
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,306,967
---	--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bonds	\$ (10,000,000)	
Bond discount	1,707	
Deferred debt issuance charges	50,247	
Capital leases	(38,294)	
Promissory note	(11,427)	
Accrued interest payable	(99,104)	
Compensated absences	(1,037,814)	
	<u>(1,037,814)</u>	<u>(11,134,685)</u>

Net Assets of Governmental Activities (Exhibit 1)	\$	<u>75,567,502</u>
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**WABASHA COUNTY
WABASHA, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 5,626,807	\$ 1,178,394
Licenses and permits	157,951	-
Intergovernmental	2,279,176	4,816,134
Charges for services	683,273	75,396
Fines and forfeits	15,101	-
Gifts and contributions	29,505	-
Investment earnings	555,507	-
Miscellaneous	179,264	38,987
Total Revenues	\$ 9,526,584	\$ 6,108,911
Expenditures		
Current		
General government	\$ 3,494,227	\$ -
Public safety	3,606,553	-
Highways and streets	97,981	6,003,509
Sanitation	229,865	-
Human services	-	-
Health	-	-
Culture and recreation	246,071	-
Conservation of natural resources	378,321	-
Economic development	227,001	-
Capital outlay	-	-
Debt service		
Principal	11,921	36,831
Interest	1,015	3,158
Bond issuance costs	-	-
Total Expenditures	\$ 8,292,955	\$ 6,043,498
Excess of Revenues Over (Under)		
Expenditures	\$ 1,233,629	\$ 65,413

EXHIBIT 5

Social Service	Criminal Justice Center Debt Service	Criminal Justice Center Capital Projects	Other Governmental Funds	Total
\$ 1,280,255	\$ -	\$ -	\$ 253,759	\$ 8,339,215
12,565	-	-	360	170,876
2,546,901	-	-	786,587	10,428,798
600,373	-	1,700	348,339	1,709,081
-	-	-	-	15,101
-	-	-	10,339	39,844
33,918	-	83,729	-	673,154
75,779	17,679	-	1,822	313,531
\$ 4,549,791	\$ 17,679	\$ 85,429	\$ 1,401,206	\$ 21,689,600
\$ -	\$ -	\$ -	\$ -	\$ 3,494,227
-	-	-	-	3,606,553
-	-	-	-	6,101,490
-	-	-	-	229,865
3,799,471	-	-	-	3,799,471
-	-	-	1,435,182	1,435,182
-	-	-	1,453	247,524
-	-	-	-	378,321
-	-	-	-	227,001
-	-	3,372,318	-	3,372,318
-	-	-	7,158	55,910
-	-	-	840	5,013
-	-	50,247	-	50,247
\$ 3,799,471	\$ -	\$ 3,422,565	\$ 1,444,633	\$ 23,003,122
\$ 750,320	\$ 17,679	\$ (3,337,136)	\$ (43,427)	\$ (1,313,522)

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Transfers in	\$ 129,044	\$ -
Transfers out	-	-
Bonds and notes issued	-	-
Discount on bonds/notes issued	-	-
Proceeds from sale of capital assets	17,532	-
	<u>17,532</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ 146,576	\$ -
Change in Fund Balance	\$ 1,380,205	\$ 65,413
Fund Balance - January 1	6,051,490	1,101,638
Increase (decrease) in reserved for inventories	-	(45,334)
	<u>-</u>	<u>(45,334)</u>
Fund Balance - December 31	\$ 7,431,695	\$ 1,121,717
	<u><u>7,431,695</u></u>	<u><u>1,121,717</u></u>

EXHIBIT 5
(Continued)

Social Service	Criminal Justice Center Debt Service	Criminal Justice Center Capital Projects	Other Governmental Funds	Total
\$ -	\$ 123,293	\$ -	\$ 31,888	\$ 284,225
(38,088)	-	(246,137)	-	(284,225)
-	-	10,000,000	-	10,000,000
-	-	(1,707)	-	(1,707)
-	-	-	133	17,665
\$ (38,088)	\$ 123,293	\$ 9,752,156	\$ 32,021	\$ 10,015,958
\$ 712,232	\$ 140,972	\$ 6,415,020	\$ (11,406)	\$ 8,702,436
2,021,278	-	-	768,848	9,943,254
-	-	-	-	(45,334)
\$ 2,733,510	\$ 140,972	\$ 6,415,020	\$ 757,442	\$ 18,600,356

**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 6

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

Net change in fund balances - total governmental funds (Exhibit 5) **\$ 8,702,436**

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

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

Deferred revenue - December 31	\$ 1,306,967	
Deferred revenue - January 1	(1,498,660)	(191,693)

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

Expenditures for general capital assets and infrastructure	\$ 5,893,090	
Net book value of assets sold	(18,898)	
Current year depreciation	(2,301,190)	3,573,002

In the statement of net assets, an asset is reported for the equity interest in joint ventures. The change in net assets differs from the change in fund balance by the increases and decreases in the investment in joint venture. (380,967)

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

Proceeds of new debt		
General obligation bonds issued	\$ (10,000,000)	
Discount on bonds issued	1,707	
Bond issuance costs	50,247	(9,948,046)
Principal repayments		
Capital lease	\$ 48,752	
Promissory note	7,158	55,910

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	\$ (98,365)	
Change in compensated absences	(28,281)	
Change in inventories	(45,334)	(171,980)

Change in Net Assets of Governmental Activities (Exhibit 2) **\$ 1,638,662**

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

FIDUCIARY FUNDS

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**WABASHA COUNTY
WABASHA, MINNESOTA**

EXHIBIT 7

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

Assets

Cash and pooled investments	<u>\$ 1,034,658</u>
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Liabilities

Accounts payable	\$ 25,738
Due to other governments	<u>1,008,920</u>

Total Liabilities	<u>\$ 1,034,658</u>
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**WABASHA COUNTY
WABASHA, MINNESOTA**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Reads Landing Water and Sanitary District formed under Minn. Stat. § 115.18-.37.	County appoints members, and the Reads Landing Water and Sanitary District is a financial burden.	Separate financial statements are not prepared.

Joint Ventures

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

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**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Criminal Justice Center Debt Service Fund is used to account for accumulation of resources for, and the payment of, principal, interest, and related costs associated with the debt incurred for the construction of the criminal justice center.

The Criminal Justice Center Capital Projects Fund is used to account for financial resources to be used for the construction of the criminal justice center.

Additionally, Wabasha County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2007 were \$555,507.

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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, are 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

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated 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 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 an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**WABASHA COUNTY
WABASHA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

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	\$ 19,784,293
Petty cash and change funds	3,250
Reads Landing component unit	
Cash and pooled investments	11,842
Restricted cash and pooled investments	2,048
Fiduciary funds	
Cash - agency funds	<u>1,034,658</u>
Total Cash	<u>\$ 20,836,091</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2007, the County's deposits were not exposed to custodial credit risk.

**WABASHA COUNTY
WABASHA, MINNESOTA**

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**

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, 2007, 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	
Aim Investment Services, Inc. - mutual fund	AAA	S&P Moody	100%		\$ 7,053,623
Deposits					13,779,218
Petty cash and change funds					<u>3,250</u>
Total Cash and Investments					<u>\$ 20,836,091</u>

2. Receivables

Receivables as of December 31, 2007, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 428,094
Less: allowance for uncollectible accounts	<u>(360,109)</u>
Net Accounts Receivable	<u>\$ 67,985</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, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 128,718	\$ 808,645	\$ 10	\$ 937,353
Land highway right-of-way	3,524,696	97,206	6,240	3,615,662
Construction in process	-	2,563,744	-	2,563,744
Total capital assets not depreciated	\$ 3,653,414	\$ 3,469,595	\$ 6,250	\$ 7,116,759
Capital assets depreciated				
Buildings	\$ 2,015,380	\$ 307,270	\$ -	\$ 2,322,650
Improvements other than buildings	97,503	-	-	97,503
Machinery, furniture, and equipment	4,571,250	424,656	224,062	4,771,844
Infrastructure - trails	525,178	-	-	525,178
Infrastructure - highways	97,720,469	1,691,569	331,616	99,080,422
Total capital assets depreciated	\$ 104,929,780	\$ 2,423,495	\$ 555,678	\$ 106,797,597
Less: accumulated depreciation for				
Buildings	\$ 683,162	\$ 46,890	\$ -	\$ 730,052
Improvements other than buildings	63,212	1,113	-	64,325
Machinery, furniture, and equipment	3,154,163	376,019	211,414	3,318,768
Infrastructure - trails	157,553	26,259	-	183,812
Infrastructure - highways	41,646,389	1,850,909	331,616	43,165,682
Total accumulated depreciation	\$ 45,704,479	\$ 2,301,190	\$ 543,030	\$ 47,462,639
Total capital assets depreciated - net	\$ 59,225,301	\$ 122,305	\$ 12,648	\$ 59,334,958
Governmental Activities				
Capital Assets - Net	\$ 62,878,715	\$ 3,591,900	\$ 18,898	\$ 66,451,717

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

Governmental Activities	
General government	\$ 49,370
Public safety	99,075
Highways and streets, including depreciation of infrastructure assets	2,087,955
Human services	32,029
Health	5,678
Culture and recreation	26,259
Sanitation	824
Total Depreciation Expense - Governmental Activities	\$ 2,301,190

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

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

Transfers to General Fund from Social Service Fund	\$ 6,200	Matching dollars for substance abuse grant
Transfer to Public Health Fund from Social Service Fund	31,888	Transfer of SCHAs funds
Transfer to General Fund from Criminal Justice Center Capital Projects Fund	122,844	Reimbursement from bond funds
Transfer to Criminal Justice Center Debt Service Fund from Criminal Justice Center Capital Projects Fund	<u>123,293</u>	Unused discount
Total Interfund Transfers	<u>\$ 284,225</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, 2007:

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Case excavator	2009	Annual	\$ 24,941	\$ 87,420	\$ 24,940
IBM AS-400	2009	Monthly	1,078	57,390	<u>15,100</u>
Total Capital Leases					<u>\$ 40,040</u>

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

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2008	\$ 37,883
2009	<u>2,157</u>
Total minimum lease payments	\$ 40,040
Less: amount representing interest	<u>(1,746)</u>
Present Value of Minimum Lease Payments	<u>\$ 38,294</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

1. Capital Leases (Continued)

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

2. Bonded Debt

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General Obligation Jail Bonds	2028	\$200,000 - \$725,000	4.00 - 4.10	\$ 10,000,000	\$ 10,000,000
Less: unamortized discount					(1,707)
General Obligation Jail Bonds, Net					<u>\$ 9,998,293</u>

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

Year Ending December 31	General Obligation Jail Bonds	
	Principal	Interest
2008	\$ -	\$ 331,479
2009	200,000	393,775
2010	350,000	382,775
2011	375,000	368,275
2012	375,000	353,275
2013 - 2017	2,125,000	1,522,375
2018 - 2022	2,625,000	1,059,900
2023 - 2027	3,225,000	487,313
2028	725,000	14,862
Total	<u>\$ 10,000,000</u>	<u>\$ 4,914,029</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. 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.

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
Promissory note	2009	\$3,117 - \$7,519	5.00	\$ 35,000	<u>\$ 11,427</u>

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

Year Ending December 31	Promissory Note	
	Principal	Interest
2008	\$ 7,519	\$ 480
2009	<u>3,908</u>	<u>97</u>
Total	<u>\$ 11,427</u>	<u>\$ 577</u>

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 87,046	\$ -	\$ 48,752	\$ 38,294	\$ 36,150
Promissory note	18,585	-	7,158	11,427	7,519
General Obligation Jail Bond	-	10,000,000	-	10,000,000	-
Compensated absences	1,009,533	62,006	33,725	1,037,814	62,268
Less: unamortized bond discount	-	(1,707)	-	(1,707)	-
Governmental Activities					
Long-Term Liabilities	<u>\$ 1,115,164</u>	<u>\$ 10,060,299</u>	<u>\$ 89,635</u>	<u>\$ 11,085,828</u>	<u>\$ 105,937</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

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

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

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

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

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Employees Retirement Fund	\$ 336,832	\$ 306,694	\$ 263,923
Public Employees Police and Fire Fund	104,366	84,655	70,968
Public Employees Correctional Fund	45,799	43,097	41,382

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

B. Defined Contribution Plan

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 13,254	\$ 13,254
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

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. Effective January 1, 2008, the County will be switching to a fully insured dental plan. 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

4. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$400,000 in 2007 and \$410,000 in 2008. 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	
	2007	2006
Unpaid claims, beginning of fiscal year	\$ 3,953	\$ 3,699
Incurred claims (including IBNRs)	48,330	49,506
Claims payments	(49,565)	(49,252)
Unpaid Claims, End of Fiscal Year	<u>\$ 2,718</u>	<u>\$ 3,953</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

5. Subsequent Events

In June 2008, the County issued two series of bonds: Series 2008A General Obligation Jail Bonds for \$2,255,000 and 2008B Certificates of Participation for \$7,745,000. Both issues will be used for the jail construction project.

The joint venture, South Country Health Alliance, has recommended in 2008 a capital call from the County of \$360,115 payable in two installments. The first installment of \$180,057 was paid on May 22, 2008, by the County, and the second half installment of \$180,058 is due no later than November 25, 2008.

6. Summary of Significant Contingencies and Other Items

A. Construction Commitments

The government has active construction projects as of December 31, 2007. The projects include the following (amounts in thousands):

	<u>Total Contract</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>	<u>Funding</u>
Governmental Activities				
Jail construction - Phase 1	\$ 548	\$ 463	\$ 85	Bonds repaid with tax levy
Jail construction - Phase 2	3,648	399	3,249	Bonds repaid with tax levy

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

C. 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 2007, 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.

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. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

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, 2007, was \$343,147. 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.

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.

D. 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 2007, Wabasha County paid \$224,411 to the HRA.

Minnesota Computer Cooperative

The Minnesota Computer Cooperative provides computer programming service to several counties. During 2007, the County paid \$77,896 for dues, membership, and services.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs. During 2007, the County paid \$5,164 to the Cooperative.

Southeast Minnesota Recyclers' Exchange

The Southeast Minnesota Recyclers' Exchange (SEMREX) provides recycling services to several counties. During 2007, 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 2007, Wabasha County paid \$3,300 to the Board.

Southeast Minnesota Emergency Management Services

The Southeast Minnesota Emergency Management Services (EMS) provides various health services to several counties. During 2007, Wabasha County made no payments to the EMS.

South Central Narcotics Task Force

The South Central Narcotics Task Force provides specialized law enforcement services to several counties. During 2007, Wabasha County paid \$5,000 to the Task Force.

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. During 2007, Wabasha County paid \$134,000 to the Library.

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During 2007, Wabasha County paid \$3,886 to the Project.

**WABASHA COUNTY
WABASHA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Three Rivers Community Action

The Three Rivers Community Action provides various programs to several counties. During 2007, Wabasha County made no payments to Three Rivers.

Workforce Development, Inc.

The Workforce Development, Inc., provides various job training services to several counties. During 2007, the County paid \$114,065 to this organization.

E. Related Organization

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2007, the County paid \$3,941 to the Bear Valley Watershed.

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies

Although the Reads Landing Water and Sanitary 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 Water and Sanitary 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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

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.

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.

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

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.

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

Capital Assets

Component unit capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	<u>(145,241)</u>	<u>(34,175)</u>	<u>-</u>	<u>(179,416)</u>
Total Capital Assets, Net	<u>\$ 1,221,737</u>	<u>\$ (34,175)</u>	<u>\$ -</u>	<u>\$ 1,187,562</u>

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

**WABASHA COUNTY
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit (Continued)

C. Liabilities

1. Long-Term Debt

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

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Principal Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2007</u>
General obligation bonds	2043	\$972 - \$5,166	4..375	\$ 101,000	<u>\$ 96,848</u>

2. Debt Service Requirements

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

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,154	\$ 4,237
2009	1,204	4,187
2010	1,257	4,134
2011	1,312	4,079
2012	1,370	4,021
2013 - 2017	7,801	19,155
2018 - 2022	9,664	17,292
2023 - 2027	11,971	14,985
2028 - 2032	14,828	12,127
2033 - 2037	18,367	8,586
2038 - 2042	22,754	4,202
2043	<u>5,166</u>	<u>226</u>
Total	<u>\$ 96,848</u>	<u>\$ 97,231</u>

3. Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	<u>\$ 97,954</u>	<u>\$ -</u>	<u>\$ 1,106</u>	<u>\$ 96,848</u>	<u>\$ 1,154</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,547,580	\$ 5,547,580	\$ 5,626,807	\$ 79,227
Licenses and permits	165,690	165,690	157,951	(7,739)
Intergovernmental	2,176,635	2,176,635	2,279,176	102,541
Charges for services	624,005	624,005	683,273	59,268
Fines and forfeits	7,250	7,250	15,101	7,851
Gifts and contributions	17,581	23,581	29,505	5,924
Investment earnings	330,000	330,000	555,507	225,507
Miscellaneous	169,575	169,575	179,264	9,689
Total Revenues	\$ 9,038,316	\$ 9,044,316	\$ 9,526,584	\$ 482,268
Expenditures				
Current				
General government				
Commissioners	\$ 215,981	\$ 215,981	\$ 188,080	\$ 27,901
Courts	28,500	28,500	39,297	(10,797)
Other courts	100,000	100,000	58,988	41,012
County administrator	386,264	386,264	347,154	39,110
County auditor-treasurer	267,807	267,807	248,039	19,768
County assessor	351,195	351,195	341,296	9,899
Elections	6,285	6,285	13,396	(7,111)
Data processing	294,274	294,274	285,688	8,586
Attorney	450,625	450,625	386,691	63,934
Law library	22,100	22,100	24,514	(2,414)
Recorder	319,861	319,861	340,752	(20,891)
Surveyor	30,000	30,000	30,000	-
Planning and zoning	269,211	269,211	247,558	21,653
Geographic information systems (GIS)	89,737	89,737	67,156	22,581
Buildings and plant	612,045	612,045	440,485	171,560
Veterans service officer	149,788	149,788	122,453	27,335
Other general government	356,937	356,937	312,680	44,257
Total general government	\$ 3,950,610	\$ 3,950,610	\$ 3,494,227	\$ 456,383
Public safety				
Sheriff	\$ 1,691,121	\$ 1,691,121	\$ 1,710,268	\$ (19,147)
Boat and water safety	16,882	16,882	21,885	(5,003)
Emergency services	54,317	54,317	56,688	(2,371)
Coroner	19,273	19,273	40,694	(21,421)
E-911 system	410,000	410,000	83,550	326,450
County jail	1,446,983	1,446,983	1,223,330	223,653
Community corrections	527,589	527,589	470,138	57,451
Total public safety	\$ 4,166,165	\$ 4,166,165	\$ 3,606,553	\$ 559,612

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

**Schedule 1
(Continued)**

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Highways and streets				
Equipment maintenance and shops	\$ -	\$ -	\$ 97,981	\$ (97,981)
Sanitation				
Hazardous waste	\$ 33,776	\$ 33,776	\$ 31,615	\$ 2,161
SCORE	88,134	88,134	82,230	5,904
Environmental services	116,672	116,672	116,020	652
Total sanitation	\$ 238,582	\$ 238,582	\$ 229,865	\$ 8,717
Culture and recreation				
Historical society	\$ 5,811	\$ 5,811	\$ 5,811	\$ -
Snowmobile	85,600	85,600	105,060	(19,460)
Senior citizens	1,200	1,200	1,200	-
County/regional library	134,000	134,000	134,000	-
Total culture and recreation	\$ 226,611	\$ 226,611	\$ 246,071	\$ (19,460)
Conservation of natural resources				
County extension	\$ 115,985	\$ 121,985	\$ 123,607	\$ (1,622)
Soil and water conservation	144,331	144,331	154,767	(10,436)
Agricultural inspections	900	900	107	793
Agricultural society/County fair	21,012	21,012	21,152	(140)
Predator control	5,000	5,000	10,733	(5,733)
Water planning	24,058	24,058	24,058	-
Wetland challenge	13,806	13,806	22,437	(8,631)
Environmental services	-	-	12,215	(12,215)
Other	17,821	17,821	9,245	8,576
Total conservation of natural resources	\$ 342,913	\$ 348,913	\$ 378,321	\$ (29,408)
Economic development				
Housing development	\$ 113,461	\$ 113,461	\$ 224,093	\$ (110,632)
Tourism	2,908	2,908	2,908	-
Total economic development	\$ 116,369	\$ 116,369	\$ 227,001	\$ (110,632)
Debt service				
Principal	\$ 11,908	\$ 11,908	\$ 11,921	\$ (13)
Interest	1,028	1,028	1,015	13
Total debt service	\$ 12,936	\$ 12,936	\$ 12,936	\$ -
Total Expenditures	\$ 9,054,186	\$ 9,060,186	\$ 8,292,955	\$ 767,231

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

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess of Revenues Over (Under)				
Expenditures	\$ (15,870)	\$ (15,870)	\$ 1,233,629	\$ 1,249,499
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 129,044	\$ 129,044
Proceeds from sale of capital assets	-	-	17,532	17,532
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 146,576	\$ 146,576
Net Change in Fund Balance	\$ (15,870)	\$ (15,870)	\$ 1,380,205	\$ 1,396,075
Fund Balance - January 1	6,051,490	6,051,490	6,051,490	-
Fund Balance - December 31	\$ 6,035,620	\$ 6,035,620	\$ 7,431,695	\$ 1,396,075

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,192,837	\$ 1,192,837	\$ 1,178,394	\$ (14,443)
Intergovernmental	4,088,837	4,088,837	4,816,134	727,297
Charges for services	1,800	1,800	75,396	73,596
Miscellaneous	11,400	11,400	38,987	27,587
Total Revenues	\$ 5,294,874	\$ 5,294,874	\$ 6,108,911	\$ 814,037
Expenditures				
Current				
Highways and streets				
Administration	\$ 356,574	\$ 356,574	\$ 312,343	\$ 44,231
Engineering	483,638	483,638	461,678	21,960
Maintenance	1,478,208	1,478,208	1,379,734	98,474
Construction	2,189,000	2,189,000	3,232,762	(1,043,762)
Equipment maintenance and shop	747,465	747,465	616,992	130,473
Total highways and streets	\$ 5,254,885	\$ 5,254,885	\$ 6,003,509	\$ (748,624)
Debt service				
Principal	\$ 36,831	\$ 36,831	\$ 36,831	\$ -
Interest	3,158	3,158	3,158	-
Total debt service	\$ 39,989	\$ 39,989	\$ 39,989	\$ -
Total Expenditures	\$ 5,294,874	\$ 5,294,874	\$ 6,043,498	\$ (748,624)
Net Change in Fund Balance	\$ -	\$ -	\$ 65,413	\$ 65,413
Fund Balance - January 1	1,101,638	1,101,638	1,101,638	-
Increase (decrease) in reserved for inventories	-	-	(45,334)	(45,334)
Fund Balance - December 31	\$ 1,101,638	\$ 1,101,638	\$ 1,121,717	\$ 20,079

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,295,921	\$ 1,295,921	\$ 1,280,255	\$ (15,666)
Licenses and permits	11,000	11,000	12,565	1,565
Intergovernmental	2,370,164	2,370,164	2,546,901	176,737
Charges for services	357,589	357,589	600,373	242,784
Investment earnings	-	-	33,918	33,918
Miscellaneous	267,240	267,240	75,779	(191,461)
Total Revenues	\$ 4,301,914	\$ 4,301,914	\$ 4,549,791	\$ 247,877
Expenditures				
Current				
Human services				
Income maintenance	\$ 910,890	\$ 910,890	\$ 778,672	\$ 132,218
Social services	3,391,024	3,391,024	3,020,799	370,225
Total Expenditures	\$ 4,301,914	\$ 4,301,914	\$ 3,799,471	\$ 502,443
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 750,320	\$ 750,320
Other Financing Sources (Uses)				
Transfers out	-	-	(38,088)	(38,088)
Net Change in Fund Balance	\$ -	\$ -	\$ 712,232	\$ 712,232
Fund Balance - January 1	2,021,278	2,021,278	2,021,278	-
Fund Balance - December 31	\$ 2,021,278	\$ 2,021,278	\$ 2,733,510	\$ 712,232

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**WABASHA COUNTY
WABASHA, MINNESOTA**

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

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the capital projects fund and the debt service fund, which are not budgeted. 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 \$6,043,498 exceeded the final budget of \$5,294,874 by \$748,624.

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 1

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

	Special Revenue Funds		Total Nonmajor Governmental Funds (Exhibit 3)
	Regional Railroad	Public Health	
<u>Assets</u>			
Cash and pooled investments	\$ 51,698	\$ 613,444	\$ 665,142
Taxes receivable			
Prior	-	5,798	5,798
Accounts receivable	-	28,448	28,448
Due from other governments	-	145,625	145,625
Total Assets	\$ 51,698	\$ 793,315	\$ 845,013
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ -	\$ 3,576	\$ 3,576
Salaries payable	-	66,302	66,302
Due to other governments	-	225	225
Deferred revenue - unavailable	-	17,468	17,468
Total Liabilities	\$ -	\$ 87,571	\$ 87,571
Fund Balances			
Reserved for health	\$ -	\$ 30,243	\$ 30,243
Unreserved			
Designated for cash flows	-	159,000	159,000
Designated for compensated absences	-	119,934	119,934
Undesignated	51,698	396,567	448,265
Total Fund Balances	\$ 51,698	\$ 705,744	\$ 757,442
Total Liabilities and Fund Balances	\$ 51,698	\$ 793,315	\$ 845,013

**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, 2007**

	Special Revenue Funds		Total Nonmajor Governmental Funds (Exhibit 5)
	Regional Railroad	Public Health	
Revenues			
Taxes	\$ -	\$ 253,759	\$ 253,759
Licenses and permits	-	360	360
Intergovernmental	-	786,587	786,587
Charges for services	-	348,339	348,339
Gifts and contributions	7,800	2,539	10,339
Miscellaneous	1,582	240	1,822
Total Revenues	\$ 9,382	\$ 1,391,824	\$ 1,401,206
Expenditures			
Current			
Health	\$ -	\$ 1,435,182	\$ 1,435,182
Culture and recreation	1,453	-	1,453
Debt service			
Principal	7,158	-	7,158
Interest	840	-	840
Total Expenditures	\$ 9,451	\$ 1,435,182	\$ 1,444,633
Excess of Revenues Over (Under) Expenditures	\$ (69)	\$ (43,358)	\$ (43,427)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 31,888	\$ 31,888
Proceeds from sale of assets	133	-	133
Total Other Financing Sources (Uses)	\$ 133	\$ 31,888	\$ 32,021
Net Change in Fund Balance	\$ 64	\$ (11,470)	\$ (11,406)
Fund Balance - January 1	51,634	717,214	768,848
Fund Balance - December 31	\$ 51,698	\$ 705,744	\$ 757,442

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
REGIONAL RAILROAD SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Gifts and contributions	\$ 8,169	\$ 8,169	\$ 7,800	\$ (369)
Miscellaneous	1,329	1,329	1,582	253
Total Revenues	\$ 9,498	\$ 9,498	\$ 9,382	\$ (116)
Expenditures				
Current				
Culture and recreation				
Trails	\$ 1,500	\$ 1,500	\$ 1,453	\$ 47
Debt service				
Principal	7,158	7,158	7,158	-
Interest	840	840	840	-
Total Expenditures	\$ 9,498	\$ 9,498	\$ 9,451	\$ 47
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (69)	\$ (69)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	133	133
Net Change in Fund Balance	\$ -	\$ -	\$ 64	\$ 64
Fund Balance - January 1	51,634	51,634	51,634	-
Fund Balance - December 31	\$ 51,634	\$ 51,634	\$ 51,698	\$ 64

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 5

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 256,798	\$ 256,798	\$ 253,759	\$ (3,039)
Licenses and permits	300	300	360	60
Intergovernmental	316,142	316,142	786,587	470,445
Charges for services	795,043	795,043	348,339	(446,704)
Gifts and contributions	-	-	2,539	2,539
Miscellaneous	102,852	102,852	240	(102,612)
Total Revenues	\$ 1,471,135	\$ 1,471,135	\$ 1,391,824	\$ (79,311)
Expenditures				
Current health				
Nursing service	\$ 745,402	\$ 745,402	\$ 725,330	\$ 20,072
Family health	208,639	208,639	167,427	41,212
Disease prevention	40,823	40,823	44,597	(3,774)
Health education	57,461	57,461	32,226	25,235
Community health services	418,810	418,810	465,602	(46,792)
Total Expenditures	\$ 1,471,135	\$ 1,471,135	\$ 1,435,182	\$ 35,953
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (43,358)	\$ (43,358)
Other Financing Sources (Uses)				
Transfers in	-	-	31,888	31,888
Net Change in Fund Balance	\$ -	\$ -	\$ (11,470)	\$ (11,470)
Fund Balance - January 1	717,214	717,214	717,214	-
Fund Balance - December 31	\$ 717,214	\$ 717,214	\$ 705,744	\$ (11,470)

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, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>REVOLVING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 73,707	\$ 765,441	\$ 788,888	\$ 50,260
<u>Liabilities</u>				
Due to other governments	\$ 73,707	\$ 765,441	\$ 788,888	\$ 50,260
 <u>FAMILY SERVICE COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 795,408	\$ 142,600	\$ 330,068	\$ 607,940
<u>Liabilities</u>				
Due to other governments	\$ 795,408	\$ 142,600	\$ 330,068	\$ 607,940
 <u>PRE-TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 121,479	\$ 1,464,477	\$ 1,455,966	\$ 129,990
<u>Liabilities</u>				
Due to other governments	\$ 121,479	\$ 1,464,477	\$ 1,455,966	\$ 129,990

**WABASHA COUNTY
WABASHA, MINNESOTA**

Statement 3
(Continued)

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 212,705	\$ 20,746,130	\$ 20,712,367	\$ 246,468
<u>Liabilities</u>				
Accounts payable	\$ 22,914	\$ 25,738	\$ 22,914	\$ 25,738
Due to other funds	-	8,481,041	8,481,041	-
Due to other governments	189,791	12,189,325	12,158,386	220,730
Total Liabilities	\$ 212,705	\$ 20,696,104	\$ 20,662,341	\$ 246,468
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,203,299	\$ 23,118,648	\$ 23,287,289	\$ 1,034,658
<u>Liabilities</u>				
Accounts payable	\$ 22,914	\$ 25,738	\$ 22,914	\$ 25,738
Due to other funds	-	8,481,041	8,481,041	-
Due to other governments	1,180,385	14,561,843	14,733,308	1,008,920
Total Liabilities	\$ 1,203,299	\$ 23,068,622	\$ 23,237,263	\$ 1,034,658

COMPONENT UNIT

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 6

**STATEMENT OF NET ASSETS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
DECEMBER 31, 2007**

Assets

Current assets

Cash and pooled investments	\$ 11,842
Special assessments receivable	
Current	5,108
Accounts receivable	<u>5,504</u>

Total current assets	\$ 22,454
-----------------------------	------------------

Restricted assets

Cash and pooled investments	2,048
-----------------------------	-------

Noncurrent assets

Capital assets	
Depreciable - net	<u>1,187,562</u>

Total Assets	\$ 1,212,064
---------------------	---------------------

Liabilities

Current liabilities

Accounts payable	\$ 148
Due to other governments	3,464
Deferred revenue - unearned	207
Revenue bonds payable - current	<u>1,154</u>

Total current liabilities	\$ 4,973
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Noncurrent liabilities

Revenue bonds payable - long-term	<u>95,694</u>
-----------------------------------	---------------

Total Liabilities	\$ 100,667
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Net Assets

Invested in capital assets - net of related debt	\$ 1,090,714
Restricted for	
Equipment replacement	2,048
Debt service	14,911
Unrestricted	<u>3,724</u>
Total Net Assets	\$ 1,111,397

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 7

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Operating Revenues	
Charges for services	\$ 46,753
Special assessments	3,889
	<hr/>
Total Operating Revenues	\$ 50,642
	<hr/>
Operating Expenses	
Professional services	\$ 193
Contracted services	41,638
Machinery and equipment, repair, and maintenance	66
Other services and charges	58
Telephone	391
Utilities	1,124
Insurance	1,640
Depreciation	34,175
	<hr/>
Total Expenditures	\$ 79,285
	<hr/>
Operating Income (Loss)	\$ (28,643)
	<hr/>
Nonoperating Revenues (Expenses)	
Interest income	\$ 92
Interest expense	(4,285)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ (4,193)
	<hr/>
Change in Net Assets	\$ (32,836)
	<hr/>
Net Assets - January 1	1,144,233
	<hr/>
Net Assets - December 31	\$ 1,111,397
	<hr/> <hr/>

**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 8

**STATEMENT OF CASH FLOWS
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 49,210
Payments to suppliers	(45,058)
	<hr/>
Net cash provided by (used in) operating activities	\$ 4,152
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (1,106)
Interest paid on long-term debt	(4,285)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (5,391)
	<hr/>
Cash Flows from Investing Activities	
Investment earnings received	\$ 92
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,147)
	<hr/>
Cash and Cash Equivalents at January 1	15,037
	<hr/>
Cash and Cash Equivalents at December 31	\$ 13,890
	<hr/>
	<hr/>
Cash and Cash Equivalents - Schedule 6	
Cash and pooled investments	\$ 11,842
Restricted cash and pooled investments	2,048
	<hr/>
Total Cash and Cash Equivalents	\$ 13,890
	<hr/>
	<hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (28,643)
	<hr/>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 34,175
(Increase) decrease in special assessments receivable	(1,656)
Increase (decrease) in accounts receivable	17
(Increase) decrease in accounts payable	29
(Increase) decrease in due to other governments	23
(Increase) decrease in unearned revenue	207
	<hr/>
Total adjustments	\$ 32,795
	<hr/>
Net Cash Provided by (Used in) Operating Activities	\$ 4,152
	<hr/>

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OTHER SCHEDULE

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 9

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

Shared Revenue

State

Highway users tax	\$ 4,468,823
PERA rate reimbursement	22,637
Disparity reduction aid	18,932
Police aid	84,655
County program aid	969,882
Market value credit	960,479
Enhanced 911	98,331
Specialty court development funds	13,283

Total Shared Revenue	<u>\$ 6,637,022</u>
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Reimbursement for Services

Minnesota Department of Human Services	<u>\$ 1,008,473</u>
--	----------------------------

Payments in Lieu of Taxes

	<u>\$ 175,818</u>
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Grants

State

Minnesota Department of Corrections	\$ 169,742
Public Safety	58,323
Health	97,282
Natural Resources	119,507
Human Services	1,295,591
Veterans Services	2,816
Water and Soil Resources Board	108,622
Pollution Control Agency	55,966
Peace Officer Standards and Training Board	7,236

Total State	<u>\$ 1,915,085</u>
--------------------	----------------------------

Federal

Department of Agriculture	\$ 84,632
Justice	68,626
Transportation	3,373
Health and Human Services	470,283
Homeland Security	58,220
Environmental Protection Agency	3,594
Election Assistance Commission	3,672

Total Federal	<u>\$ 692,400</u>
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Total State and Federal Grants	<u>\$ 2,607,485</u>
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Total Intergovernmental Revenue	<u><u>\$ 10,428,798</u></u>
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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 10

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of 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:
 - Child Care and Development Cluster
 - Child Care Development Block Grant CFDA #93.575
 - Child Care Mandatory and Matching Funds CFDA #93.596
 - Social Service Block 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

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-2 Private Data

Wabasha County is using a disk to communicate private payroll information from the Paymate Payroll System to First State Bank of Wabasha. This disk is brought to First State Bank of Wabasha without first encrypting the data.

We recommend when private data are transferred via a disk, the data be encrypted or password protected in case of loss or theft.

Client's Response:

The County is working with First State Bank of Wabasha to send the information using Zix software.

ITEMS ARISING THIS YEAR

07-1 Adding New Vendors to the Integrated Financial System

The employee who performs disbursement procedures has the ability to enter new vendors into the Integrated Financial System. This employee enters disbursements, prints warrants, and mails warrants. New vendors added to the Integrated Financial System are not reviewed by an individual independent from the disbursement process.

We recommend an employee independent of the disbursing process be assigned the responsibility for adding new vendors or an employee independent of the disbursing process review new vendors added to the Integrated Financial System. Unusual new vendors should be investigated. This review should also be documented.

Client's Response:

A review by the Finance Director has been put in place. The review will be documented.

07-2 Disbursement Internal Controls

While reviewing internal controls over the disbursement system, we noted the following control deficiencies:

- payments are not made within a timely manner from the date of service or date received in accordance with Minn. Stat. § 471.425;
- invoices do not contain evidence of authorized signer's approval; and
- voided warrants do not indicate the reason for voiding and the initials of the individual voiding the warrant.

To improve internal control over the disbursement system, we recommend that invoices be paid in a timely manner in accordance with legal requirements and authorized designee approval is present on the voucher or invoice prior to payment. Voided warrants should include the reason for voiding and the initials of the employee.

Client's Response:

It is the County's procedure to pay invoices in a timely manner and to make sure proper authorization has been obtained prior to making the payment. Items found during the audit were reviewed with appropriate personnel and procedures reviewed to avoid future issues. The reason for voiding warrants will be documented on the warrant and the internal financial adjustment form along with the employee's initials.

07-3 Payroll Segregation of Duties

The Payroll Clerk, Finance Director, Finance Assistant, and two Auditor/Treasurer employees have access to make changes, such as adding new employees and changing pay rates, on the ACS Paymate System. Changes made to the ACS Paymate System are not reviewed by an individual independent of the payroll process.

We recommend the County limit access to the ACS Paymate System to individuals who are involved in payroll processing and payroll changes. Currently, the Paymate System does not allow view-only access or access to only limited functions. We recommend the County work with the ACS Paymate System vendor to allow view-only access or limit function access to the ACS Paymate System. If this is not possible, we recommend changes to the ACS Paymate System be printed and reviewed by someone without access to the ACS Paymate System. This review should be documented.

Client's Response:

The County has contacted ACS and is working on limiting access to Paymate functions in order to better control what each person can do on the system. The person reviewing the changes will only have inquiry access to Paymate.

PREVIOUSLY REPORTED ITEM RESOLVED

Investment Oversight (06-1)

The Wabasha County Finance Director purchases investments for the County. Investments are not reviewed or approved by an individual independent of the investment purchasing process.

Resolution

The Board of Commissioners receives a quarterly Finance Report which lists the investments and CDs held currently and previously. The Board of Commissioners reviews the investments for legality and appropriateness.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

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 operation 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.

PREVIOUSLY REPORTED ITEM RESOLVED

Credit Card Policy (06-3)

Wabasha County was not following the credit card policy adopted by the Board.

Resolution

We did not find any instances of noncompliance with the credit card policy for 2007.

V. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statement 27 did for government employee

pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

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

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

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

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

- determine if employees are provided OPEB;
- if OPEB are being provided, the Wabasha 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 Wabasha County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the Wabasha County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;

Schedule 10
(Continued)

- if an OPEB trust will be established, the Wabasha County will have to decide whether to establish an irrevocable or a revocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the Wabasha County Board will have to decide whether to hire an actuary.

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

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OTHER REQUIRED REPORTS

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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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, 2007, and have issued our report thereon dated August 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 06-2 and 07-1 through 07-3 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 none 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.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment 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 findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within 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

August 18, 2008

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REBECCA OTTO
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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, 2007. 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, 2007.

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, 2007, and have issued our report thereon dated August 18, 2008. 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 and 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

August 18, 2008

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**WABASHA COUNTY
WABASHA, MINNESOTA**

Schedule 11

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 82,383
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	<u>2,249</u>
Total U.S. Department of Agriculture		<u>\$ 84,632</u>
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 6,256
Passed Through Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>62,370</u>
Total U.S. Department of Justice		<u>\$ 68,626</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>\$ 3,373</u>
U.S. Environmental Protection Agency		
Passed Through Hiawatha Valley Resource Conservation and Development Area Nonpoint Source Implementation Grants	66.460	\$ 1,225
Passed Through Southeastern Minnesota Water Resources Board Nonpoint Source Implementation Grants	66.460	<u>2,369</u>
Total U.S. Environmental Protection Agency		<u>\$ 3,594</u>
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	<u>\$ 3,672</u>

**WABASHA COUNTY
WABASHA, MINNESOTA**

**Schedule 11
(Continued)**

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	\$ 400
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	35,672
Temporary Assistance for Needy Families (TANF)	93.558	15,659
Maternal and Child Health Services Block Grant	93.994	24,365
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	8,662
Temporary Assistance for Needy Families (TANF)	93.558	85,936
Child Care and Development Cluster		
Child Care and Development Block Grant	93.575	57,669
Child Care Mandatory and Matching Funds	93.596	81,669
Child Welfare Services - State Grants	93.645	2,721
Foster Care Title IV-E	93.658	19,763
Social Services Block Grant Title XX	93.667	126,122
Chafee Foster Care Independence Program	93.674	7,568
Block Grant for Community Mental Health Services	93.958	4,077
Total U.S. Department of Health and Human Services		\$ 470,283
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 19,319
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance Grant	97.036	27,273
Emergency Management Performance Grant	97.042	11,628
Total U.S. Department of Homeland Security		\$ 58,220
Total Federal Awards		\$ 692,400

**WABASHA COUNTY
WABASHA, MINNESOTA**

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

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.