

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WINONA COUNTY
WINONA, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**WINONA COUNTY
WINONA, MINNESOTA**

Year Ended December 31, 2008



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

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**WINONA COUNTY
WINONA, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		3
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	14
Statement of Activities	Exhibit 2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	16
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	20
Statement of Revenues, Expenditures, and Changes in Fund Balance	Exhibit 5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	25
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 7	26
Statement of Changes in Fiduciary Net Assets	Exhibit 8	27
Notes to the Financial Statements		28
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	59
Road and Bridge Special Revenue Fund	Schedule 2	62
Social Services Special Revenue Fund	Schedule 3	63
Schedule of Funding Progress	Schedule 4	64
Notes to the Required Supplementary Information		65

**WINONA COUNTY
WINONA, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Financial Section (Continued)		
Supplementary Information		
Nonmajor Governmental Funds		66
Combining Balance Sheet	Statement 1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	68
Budgetary Comparison Schedules		
Health Service Special Revenue Fund	Schedule 5	69
Debt Service Fund	Schedule 6	70
Fiduciary Funds		
Agency Funds		71
Combining Statement of Changes in Assets and Liabilities	Statement 3	72
Other Schedules		
Schedule of Intergovernmental Revenue	Schedule 7	75
Tax Capacity, Tax Rates, Levies, and Percentage of Collections	Schedule 8	77
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 9	78
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		88
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		91
Schedule of Expenditures of Federal Awards	Schedule 10	94
Notes to the Schedule of Expenditures of Federal Awards		96

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**WINONA COUNTY
WINONA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2008**

Office	Name	Term Expires
Commissioners		
First District	Jim Pomeroy	January 2011
Second District	Dwayne Voegeli	January 2011
Third District	Mena Kaehler	January 2013
Fourth District	Greg Olson	January 2013
Fifth District	Marcia Ward	January 2011
Officers		
Elected		
Attorney	Charles E. MacLean	January 2011
Auditor	Cherie MacLennan	January 2011
Recorder	Robert Bambenek	January 2011
Sheriff	Dave Brand	January 2011
Treasurer	Suzanne Rivers	January 2011
Appointed		
Administrator	Robert Reinert - Retired	
	Duane Hebert	Indefinite
Community Health Director	Lynn Theurer	Indefinite
County Assessor	Steven Hacken	December 2008
Environmental Services Director	Jill Johnson	Indefinite
Facility Manager	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2011
Human Services Director	W. Craig Brooks	Indefinite
Information Technology Director	Mark Anderson	Indefinite
Personnel Director	Maureen Holte	Indefinite
Planning Director	Brian Bender	Indefinite
Veterans Service Officer	Steven Johnson	June 2011

**WINONA COUNTY
WINONA, MINNESOTA**

ORGANIZATION OF THE COUNTY

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

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

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Winona County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Winona County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of December 31, 2008, 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.

As discussed in Note 4.C. to the financial statements, during the year ended December 31, 2008, Winona County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2009, on our consideration of Winona County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WINONA COUNTY
WINONA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(Unaudited)**

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Winona County, Minnesota, for the year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the basic financial statements, including the notes, to enhance their understanding of the County's financial activity and performance. All amounts are expressed in dollars, unless specifically noted.

FINANCIAL HIGHLIGHTS

- At the end of 2008, Winona County's assets exceeded liabilities by \$84.8 million (net assets). Of that amount, \$2.9 million is restricted; \$24.7 million is unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors. The remaining \$57.2 million is invested in capital assets or restricted by law.
- At the close of the current year, the ending fund balances for all governmental funds were \$29.6 million. This is a decrease of \$0.8 million from the previous year. Of the combined ending fund balances, \$6.7 million is unreserved, undesignated fund balance available for spending by the County.
- At the end of the year, the General Fund's unreserved, undesignated fund balance was \$235,107.
- Total bonded debt decreased by \$4.0 million, or 36 percent, during the year. The 2001A debt was refinanced and paid.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three main sections of this report are: introduction, financial, and supplementary. The introduction contains the County's organizational structure and principal officials. The financial section includes the MD&A and is intended to serve as a roadmap of the basic financial statements. The basic financial statements have three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information section contains the budget to actual presentation for the County's major funds. Other supplementary information is included to enhance reader understanding of County financial activity. An example is information about federal grant programs.

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A useful tool for analyzing financial statements is comparative information from previous years. Net assets may be a useful indicator of a government's financial position over time. As of December 31, 2008, assets exceeded liabilities by \$84.8 million. The following table provides a summary of Winona County's governmental net assets.

	Governmental Activities		Percent Change (%)
	2008	2007 (Restated)	
Assets			
Current and other assets	\$ 39,640,438	\$ 38,562,958	3
Capital assets	<u>60,993,389</u>	<u>59,284,219</u>	3
Total Assets	<u>\$ 100,633,827</u>	<u>\$ 97,847,177</u>	3
Liabilities			
Current and other liabilities	\$ 7,152,532	\$ 3,384,319	111
Long-term liabilities	<u>8,632,601</u>	<u>12,973,641</u>	(33)
Total Liabilities	<u>\$ 15,785,133</u>	<u>\$ 16,357,960</u>	(4)
Net Assets			
Invested in capital assets, net of related debt	\$ 57,274,716	\$ 51,452,574	11
Restricted	2,883,600	1,220,427	136
Unrestricted	<u>24,690,378</u>	<u>28,816,216</u>	(14)
Total Net Assets	<u>\$ 84,848,694</u>	<u>\$ 81,489,217</u>	4

The largest portion of Winona County's net assets, 68 percent, or \$57.3 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt. However, resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional \$2.9 million of the County's net assets, or three percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as land acquisition and public safety projects.

The remaining \$24.7 million of net assets, or 29 percent, represents unrestricted net assets that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2008, Winona County had positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Change in net assets--In 2008, government-wide revenue exceeded expenses by \$3.4 million, thereby increasing net assets. Net assets changed as follows:

	Changes in Net Assets		
	2008	2007 (Restated)	Percent Change (%)
Revenues			
Program revenues			
Charges for services	\$ 5,286,642	\$ 4,958,228	7
Operating grants and contributions	15,994,117	16,031,260	-
Capital grants and contributions	-	985,393	(100)
General revenues			
Property taxes	15,326,441	14,561,592	5
Unrestricted grants	4,276,690	4,342,145	(2)
Investment income	932,700	1,568,087	(40)
Other	819,918	886,793	(7)
Total Revenues	\$ 42,636,508	\$ 43,333,498	(2)
Expenses			
General government	\$ 7,649,322	\$ 8,696,702	(12)
Public safety	6,262,815	5,993,033	5
Highways and streets	7,564,864	9,380,338	(19)
Sanitation	1,116,807	845,362	32
Human services	11,094,753	10,330,583	7
Health	3,483,797	3,251,271	7
Interest on long-term debt	332,501	384,521	(14)
Other	1,772,172	1,410,188	26
Total Expenses	\$ 39,277,031	\$ 40,291,998	(3)
Increase in Net Assets	\$ 3,359,477	\$ 3,041,500	10
Net Assets - January 1	81,489,217	78,447,717	4
Net Assets - December 31	\$ 84,848,694	\$ 81,489,217	4

The following three statements depict relationships:

- Program revenues indicate the proportion of program revenue available to fund expenses. Program revenues derive from the program itself or outside the government's taxpayers or citizenry and help reduce the cost of the program.
- General revenue by source indicates the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 36 percent of the total revenue for the County.
- Expense by function depicts the relationship between governmental activities functions. Property taxes of \$15.3 million are leveraged to provide \$39.3 million in services.

Governmental activities increased Winona County's net assets by \$3.4 million, which is 7.9 percent of current year revenues, 8.6 percent of current expenses, or 4.1 percent of beginning net assets. Following are the major components of this portion of the growth:

- Property taxes increased 5 percent.
- Investment income decreased by 40 percent due to lower interest rates for investments. This area is expected to decrease in future years because of interest rates.

Fund Level Financial Analysis

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

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

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

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

For the year ended December 31, 2008, the combined ending fund balances of governmental funds were \$29.6 million. Approximately 88 percent, or \$25.9 million, of the combined ending fund balances consists of unreserved fund balances. Unreserved fund balances are available as working capital and for current spending consistent with the purposes of each of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes:

- inventories,
- acquisition of assets,
- debt service,
- forfeited property,

- donations,
- loans receivable, and
- reserved for specific purposes.

Winona County has six major governmental funds. These funds are: (1) General Fund, (2) Road and Bridge Special Revenue Fund, (3) Social Services Special Revenue Fund, (4) Flood Special Revenue Fund, (5) EDA Loan Special Revenue Fund, and (6) Debt Service Fund.

The General Fund is the primary operating fund of the Winona County government. The General Fund fund balance was \$9.8 million at the end of 2008. Of that amount, \$1.3 million is reserved for acquisition of assets, forfeited property, donations, and loans receivable. In addition, the Board of Commissioners has designated \$8.3 million for cash flow, compensated absences, recycling, and future expenditures. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unreserved, undesignated fund balance is a little more than one percent of 2008 expenditures, while total fund balance is 60 percent of the same amount. The second purpose is to compare the unreserved fund balance percentages to the recommended percentage given by the Office of the State Auditor. The recommendations are 35 to 50 percent of operating revenues, or no less than five months of expenditures. Winona County's General Fund unreserved fund balance is sufficient to cover six months of expenditures.

When compared to 2007, the ending fund balance of the General Fund increased \$104,364. The General Fund transferred funds to the Flood Special Revenue Fund in 2007. When the Flood Special Revenue Fund is complete, these funds will be incorporated into the General Fund.

The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a \$5.7 million fund balance at the end of 2008 that represented a \$307,739, or 5.6 percent, increase from 2007. The increase was due to an increase in fund balance and an increase in inventory. It will be expected that costs will be higher due to higher fuel costs, increased cost for materials that are petroleum-based, and transportation costs to deliver materials.

The Social Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services programs supported by federal, state, and local taxpayer dollars. The fund had a \$4.9 million fund balance at the end of 2008 that represented a \$144,914, or three percent, increase from 2007 of the fund balance.

The Flood Special Revenue Fund exists to account for resources expended to repair for damages that were incurred during the 2007 flood. The fund balance at the end of 2008 was \$3,180,670. This fund will be closed as soon as all the work is completed for the 2007 flood.

The EDA Loan Special Revenue Fund exists to provide grants and loans to businesses that were affected by the 2007 flood. Repayment of these loans will be used to fund other loans. The fund balance at the end of 2008 was \$1,173,783

The Debt Service Fund exists to account for resources for the repayment of bonds. The fund balance at the end of 2008 was \$1,082,006. The fund balance decreased by \$3,508,797 due to the repayment of 2001A Series bonds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Since the resources of those funds are not available to support the County’s programs, these funds are not included in the government-wide financial statements. Winona County has fiduciary funds for a private-purpose trust and seven agency funds. Agency funds are custodial in nature and do not involve measurement of the results of operations.

The basic fiduciary funds financial statements are Exhibits 7 and 8 of this report.

General Fund Budgetary Highlights

The Winona County Board of Commissioners approves the budget for all governmental funds for the next year during a December Board meeting. There was no budget set up for the Flood Special Revenue Fund, which was a new fund for 2007. Approval is done by resolution. The most significant budgeted fund is the General Fund.

For 2008, the Board of Commissioners adopted the following budget:

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources</u>
Board-adopted	\$ 18,117,780	\$ 18,163,682	\$ 45,902

The adopted General Fund budget anticipated using \$45,902 of fund balance. There was \$606,607 in budget adjustments for the General Fund approved during the year. General Fund actual revenues were \$773,942 below final budget, and actual expenditures were \$1,282,361 below budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Winona County’s investment in capital assets for its governmental activities as of December 31, 2008, was \$60.9 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

Additional information about capital assets can be found in Note 3.

	Changes in Capital Assets		Percent Change (%)
	2008	2007	
Capital assets not depreciated			
Land			
General	\$ 2,518,160	\$ 1,446,960	74
Highways	50,085	50,085	-
Highway right-of-way	3,041,786	3,029,581	
Construction in progress	<u>2,040,990</u>	<u>2,664,716</u>	(23)
Total capital assets not depreciated	<u>\$ 7,651,021</u>	<u>\$ 7,191,342</u>	6
Capital assets depreciated			
Buildings	\$ 19,058,621	\$ 18,728,863	2
Improvements other than buildings	448,368	448,368	-
Machinery, furniture, and equipment	8,141,943	7,880,953	3
Infrastructure	<u>44,648,714</u>	<u>42,832,432</u>	4
Total capital assets depreciated	<u>\$ 72,297,646</u>	<u>\$ 69,890,616</u>	3
Less: accumulated depreciation for			
Buildings	\$ 2,542,228	\$ 2,337,619	9
Improvements other than buildings	152,170	140,162	9
Machinery, furniture, and equipment	4,308,833	4,177,758	3
Infrastructure	<u>11,952,047</u>	<u>11,142,200</u>	7
Total accumulated depreciation	<u>\$ 18,955,278</u>	<u>\$ 17,797,739</u>	7
Total capital assets depreciated, net	<u>\$ 53,342,368</u>	<u>\$ 52,092,877</u>	2
Governmental Activities Capital Assets, Net	<u>\$ 60,993,389</u>	<u>\$ 59,284,219</u>	3

Capital Lease Agreement and Outstanding Bonds

At the end of the current year, Winona County had one general obligation bond issue, a refinancing issue, a project note, and three capital purchase lease agreements outstanding.

Outstanding Long-Term Debt

	Governmental Activities	
	2008	2007
Capital leases/installment purchases	\$ 3,671	\$ 54,125
Notes	54,472	15,185
General obligation bonds	<u>7,150,000</u>	<u>11,210,000</u>
Total	<u>\$ 7,208,143</u>	<u>\$ 11,279,310</u>

The outstanding debt, listed above, of Winona County decreased by \$4.0 million during 2008. The decrease was due to the paying of the 2001A bond and capital leases.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment

The 12-month average for unemployment in 2008 for the U.S., Minnesota, and Winona County was 5.8 percent, 5.4 percent, and 4.7 percent, respectively. This compared to 2007 of 2.9 percent, 4.5 percent, and 4.2 percent.

New Construction

New construction was valued at \$35.7 million in 2008. A decrease of 20.8 percent was experienced from the previous year.

State Financial Position

The Governor vetoed the Omnibus Tax Bill presented by the Legislature. The governor has stated that he is prepared to act on his own to fill the gap. He will not call a special session and will unallot (administratively cut expenditures) to balance the state's budget if the Legislature does not pass a balanced budget on its own without any tax increases.

Budgeting Approach

The Winona County Board of Commissioners continues to use a three-prong approach to budgeting. The budget is balanced using an approach to reduce expenditures where possible, increase revenue sources, and use cash reserves.

All of these factors are being considered in preparing the Winona County budget for 2010.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Winona County's finances for those with an interest in the government's financial activities. Questions concerning any of the information provided in this report, or for additional financial information, should be addressed to Patrick Moga, Finance Director, 177 Main Street, Winona, Minnesota 55987. The telephone number is 507-457-6459.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

Assets

Cash and pooled investments	\$	17,352,978
Petty cash and change funds		3,345
Investments		12,610,994
Taxes receivable		
Current		221,045
Prior		107,078
Special assessments receivable		
Current		6,048
Prior		5,416
Accounts receivable - net		1,461,136
Accrued interest receivable		164,573
Loan receivable		4,757,605
Due from other governments		2,801,499
Inventories		148,721
Capital assets		
Non-depreciable		7,651,021
Depreciable - net of accumulated depreciation		53,342,368
		\$ 100,633,827

Liabilities

Accounts payable	\$	986,373
Salaries payable		808,410
Contracts payable		221,685
Due to other governments		729,480
Accrued interest payable		141,775
Unearned revenue		4,264,809
Long-term liabilities		
Due within one year		645,675
Due in more than one year		7,986,926
		\$ 15,785,133

Net Assets

Invested in capital assets - net of related debt	\$	57,274,716
Restricted for		
General government		668,477
Public safety		522,914
Highways and streets		500,002
Conservation of natural resources		18,424
Economic development		1,173,783
Unrestricted		24,690,378
		\$ 84,848,694

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

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

		Program Revenues		
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 7,649,322	\$ 1,248,940	\$ 680,852	\$ (5,719,530)
Public safety	6,262,815	437,170	949,129	(4,876,516)
Highways and streets	7,564,864	10,622	5,964,516	(1,589,726)
Sanitation	1,116,807	838,591	1,500	(276,716)
Human services	11,094,753	823,926	6,142,719	(4,128,108)
Health	3,483,797	1,912,970	657,739	(913,088)
Culture and recreation	365,615	-	-	(365,615)
Conservation of natural resources	961,521	9,857	385,946	(565,718)
Economic development	445,036	4,566	1,211,716	771,246
Interest	332,501	-	-	(332,501)
Total Governmental Activities	\$ 39,277,031	\$ 5,286,642	\$ 15,994,117	\$ (17,996,272)
 General Revenues				
Property taxes				\$ 15,326,441
Mortgage registry and deed tax				33,424
Payments in lieu of tax				363,613
Grants and contributions not restricted to specific programs				4,276,690
Unrestricted investment earnings				932,700
Miscellaneous				412,843
Gain on sale of capital assets				10,038
Total general revenues				\$ 21,355,749
Change in net assets				\$ 3,359,477
Net Assets - Beginning				\$ 81,149,217
Prior period adjustment (Note 1.E.)				340,000
Net Assets - Beginning, as restated				\$ 81,489,217
Net Assets - Ending				\$ 84,848,694

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WINONA COUNTY
WINONA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge	Social Services
<u>Assets</u>			
Cash and pooled investments	\$ 10,486,602	\$ 152,088	\$ 174,660
Petty cash and change funds	3,170	75	-
Investments	-	5,673,305	5,020,856
Taxes receivable			
Current	120,148	31,543	44,693
Prior	61,391	14,782	20,637
Special assessments			
Current	6,048	-	-
Prior	5,416	-	-
Accounts receivable	109,036	1,193	1,159,874
Accrued interest receivable	103,149	16,283	22,965
Loans receivable	62,474	-	-
Due from other funds	153	-	7,892
Due from other governments	96,091	675,848	732,253
Inventories	-	148,721	-
	\$ 11,053,678	\$ 6,713,838	\$ 7,183,830
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 364,805	\$ 230,353	\$ 370,167
Salaries payable	415,996	84,279	189,001
Contracts payable	-	52,382	-
Due to other funds	290	-	4,566
Due to other governments	189,694	51,525	484,933
Deferred revenue - unavailable	141,588	531,240	1,218,728
Deferred revenue - unearned	112,374	-	-
	\$ 1,224,747	\$ 949,779	\$ 2,267,395

EXHIBIT 3

<u>Flood</u>	<u>EDA Loan</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 3,580,049	\$ 408,653	\$ 1,076,406	\$ 1,474,520	\$ 17,352,978
-	-	-	100	3,345
-	-	-	1,916,833	12,610,994
-	-	11,318	13,343	221,045
-	-	6,291	3,977	107,078
-	-	-	-	6,048
-	-	-	-	5,416
-	-	-	191,033	1,461,136
-	-	-	22,176	164,573
-	4,695,131	-	-	4,757,605
-	-	-	4,703	12,748
855,565	-	-	441,742	2,801,499
-	-	-	-	148,721
<u>\$ 4,435,614</u>	<u>\$ 5,103,784</u>	<u>\$ 1,094,015</u>	<u>\$ 4,068,427</u>	<u>\$ 39,653,186</u>
\$ 6,619	\$ -	\$ -	\$ 14,429	\$ 986,373
-	-	-	119,134	808,410
169,303	-	-	-	221,685
-	-	-	7,892	12,748
1,937	-	-	1,391	729,480
854,651	-	12,009	268,756	3,026,972
222,434	3,930,001	-	-	4,264,809
<u>\$ 1,254,944</u>	<u>\$ 3,930,001</u>	<u>\$ 12,009</u>	<u>\$ 411,602</u>	<u>\$ 10,050,477</u>

**WINONA COUNTY
WINONA, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge	Social Services
<u>Liabilities and Fund Balances</u>			
(Continued)			
Fund Balances			
Reserved for			
Debt service	\$ -	\$ 599	\$ 2,142
Dive and Rescue	18,150	-	-
Apple Blossom Drive	18,424	-	-
Inventories	-	148,721	-
Loans receivable	62,474	-	-
Well decontamination	16,362	-	-
Recorder's unallocated land-based	334,727	-	-
Recorder's equipment purchases	229,476	-	-
Enhanced 911	405,697	-	-
Sheriff's contingency	3,481	-	-
DARE	15,005	-	-
Sheriff's forfeited property	15,928	-	-
Attorney's forfeited property	86,180	-	-
Sheriff's posse	9,011	-	-
Explorer post	332	-	-
HAVA equipment	8,371	-	-
Police dog donations	9,633	-	-
Permits to carry	49,490	-	-
Veterans' van	1,400	-	-
Unreserved			
Designated for future expenditures	2,093,237	39,149	2,273,465
Designated for cash flows	4,885,042	1,100,939	1,952,605
Designated for capital improvements	-	2,000,000	-
Designated for compensated absences	565,746	136,095	168,902
Designated for recycling	675,863	-	-
Designated for equipment	-	412,700	-
Designated for employee wellness	18,296	-	-
Designated for tobacco settlement	71,499	-	-
Undesignated	235,107	1,925,856	519,321
Unreserved, reported in nonmajor			
Special revenue fund	-	-	-
Capital projects fund	-	-	-
	\$ 9,828,931	\$ 5,764,059	\$ 4,916,435
Total Fund Balances			
	\$ 11,053,678	\$ 6,713,838	\$ 7,183,830
Total Liabilities and Fund Balances			

EXHIBIT 3
(Continued)

<u>Flood</u>	<u>EDA Loan</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 1,082,006	\$ 929	\$ 1,085,676
-	-	-	-	18,150
-	-	-	-	18,424
-	-	-	-	148,721
-	1,173,783	-	-	1,236,257
-	-	-	-	16,362
-	-	-	-	334,727
-	-	-	-	229,476
-	-	-	-	405,697
-	-	-	-	3,481
-	-	-	-	15,005
-	-	-	-	15,928
-	-	-	-	86,180
-	-	-	-	9,011
-	-	-	-	332
-	-	-	-	8,371
-	-	-	-	9,633
-	-	-	-	49,490
-	-	-	-	1,400
-	-	-	-	4,405,851
-	-	-	-	7,938,586
-	-	-	-	2,000,000
-	-	-	-	870,743
-	-	-	-	675,863
-	-	-	-	412,700
-	-	-	-	18,296
-	-	-	-	71,499
3,180,670	-	-	-	5,860,954
-	-	-	1,466,630	1,466,630
-	-	-	2,189,266	2,189,266
<u>\$ 3,180,670</u>	<u>\$ 1,173,783</u>	<u>\$ 1,082,006</u>	<u>\$ 3,656,825</u>	<u>\$ 29,602,709</u>
<u>\$ 4,435,614</u>	<u>\$ 5,103,784</u>	<u>\$ 1,094,015</u>	<u>\$ 4,068,427</u>	<u>\$ 39,653,186</u>

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balances - total governmental funds (Exhibit 3)		\$	29,602,709
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.			60,993,389
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			3,026,972
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	\$	(7,150,000)	
Capital leases payable		(3,671)	
Notes payable		(54,472)	
Bond discount		8,841	
Bond premium		(65,576)	
Net pension obligation		(317,821)	
Accrued interest payable		(141,775)	
Compensated absences		(1,049,902)	
		<u> </u>	<u>(8,774,376)</u>
Net Assets of Governmental Activities (Exhibit 1)		\$	<u>84,848,694</u>

**WINONA COUNTY
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge	Social Services
Revenues			
Taxes	\$ 8,368,461	\$ 2,172,349	\$ 3,078,233
Special assessments	238,536	-	-
Licenses and permits	235,851	-	13,800
Intergovernmental	4,492,050	4,872,200	7,199,865
Charges for services	2,039,160	6,463	364,189
Fines and forfeits	39,167	-	-
Gifts and contributions	53,905	-	14,407
Investment earnings	591,234	145,437	110,877
Miscellaneous	235,933	272,219	261,512
	\$ 16,294,297	\$ 7,468,668	\$ 11,042,883
Expenditures			
Current			
General government	\$ 6,711,737	\$ 258,106	\$ -
Public safety	6,445,253	-	-
Highways and streets	-	6,969,950	-
Sanitation	1,094,272	-	-
Human services	226,357	-	10,895,053
Health	306,377	-	-
Culture and recreation	365,615	-	-
Conservation of natural resources	984,487	-	-
Economic development	108,820	-	-
Capital outlay	-	-	-
Debt service			
Principal	30,262	2,216	2,735
Interest	1,534	233	181
Administrative (fiscal) charges	-	-	-
	\$ 16,274,714	\$ 7,230,505	\$ 10,897,969
Excess of Revenues Over (Under)			
Expenditures	\$ 19,583	\$ 238,163	\$ 144,914

EXHIBIT 5

<u>Flood</u>	<u>EDA Loan</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 781,105	\$ 917,282	\$ 15,317,430
-	-	1,974	-	240,510
-	-	-	15,850	265,501
4,135,042	1,169,999	99,504	796,455	22,765,115
-	-	-	1,670,783	4,080,595
-	-	-	825	39,992
-	-	-	220	68,532
-	-	31,145	54,007	932,700
8,975	-	-	19,617	798,256
\$ 4,144,017	\$ 1,169,999	\$ 913,728	\$ 3,475,039	\$ 44,508,631
\$ 542,174	\$ -	\$ -	\$ 27,540	\$ 7,539,557
-	-	-	-	6,445,253
1,248,877	-	-	-	8,218,827
-	-	-	-	1,094,272
-	-	-	-	11,121,410
-	-	-	3,192,096	3,498,473
-	-	-	-	365,615
-	-	-	-	984,487
-	336,216	-	-	445,036
-	-	-	1,301,000	1,301,000
-	-	4,060,000	3,151	4,098,364
-	-	345,044	737	347,729
-	-	17,481	-	17,481
\$ 1,791,051	\$ 336,216	\$ 4,422,525	\$ 4,524,524	\$ 45,477,504
\$ 2,352,966	\$ 833,783	\$ (3,508,797)	\$ (1,049,485)	\$ (968,873)

**WINONA COUNTY
WINONA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 8,371	\$ -	\$ -
Transfers out	-	-	-
Proceeds from loans	39,287	-	-
Proceeds from sale of capital assets	24,659	53,052	-
Compensation for loss of general capital assets	12,464	-	-
	<u>12,464</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 84,781</u>	<u>\$ 53,052</u>	<u>\$ -</u>
Change in Fund Balance	<u>\$ 104,364</u>	<u>\$ 291,215</u>	<u>\$ 144,914</u>
Fund Balance - January 1, as previously reported	\$ 9,724,567	\$ 5,456,320	\$ 4,771,521
Prior period adjustment (See Note 1.E.)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - January 1, as restated	<u>\$ 9,724,567</u>	<u>\$ 5,456,320</u>	<u>\$ 4,771,521</u>
Increase (decrease) in reserved for inventories	<u>\$ -</u>	<u>\$ 16,524</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 9,828,931</u></u>	<u><u>\$ 5,764,059</u></u>	<u><u>\$ 4,916,435</u></u>

EXHIBIT 5
(Continued)

<u>Flood</u>	<u>EDA Loan</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,371
-	-	-	(8,371)	(8,371)
-	-	-	-	39,287
-	-	-	-	77,711
-	-	-	-	12,464
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,371)</u>	<u>\$ 129,462</u>
<u>\$ 2,352,966</u>	<u>\$ 833,783</u>	<u>\$ (3,508,797)</u>	<u>\$ (1,057,856)</u>	<u>\$ (839,411)</u>
\$ 827,704	\$ -	\$ 4,590,803	\$ 4,714,681	\$ 30,085,596
-	340,000	-	-	340,000
<u>\$ 827,704</u>	<u>\$ 340,000</u>	<u>\$ 4,590,803</u>	<u>\$ 4,714,681</u>	<u>\$ 30,425,596</u>
\$ -	\$ -	\$ -	\$ -	\$ 16,524
<u>\$ 3,180,670</u>	<u>\$ 1,173,783</u>	<u>\$ 1,082,006</u>	<u>\$ 3,656,825</u>	<u>\$ 29,602,709</u>

**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (839,411)

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

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

Deferred revenue - December 31	\$ 3,026,972	
Deferred revenue - January 1	<u>(4,909,133)</u>	(1,882,161)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, the gain or loss on the disposal of assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 3,528,091	
Net book value of assets disposed of	(54,377)	
Proceed for sale of assets	(77,711)	
Gain from sale of assets	10,038	
Compensation for loss of general capital assets	(12,464)	
Current depreciation	<u>(1,684,407)</u>	1,709,170

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		
Note issued		(39,287)

Principal repayments		
General obligation bonds	\$ 4,060,000	
Capital lease	<u>50,454</u>	4,110,454

Amortization of discount and premium on bonds		6,304
---	--	-------

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

Change in OPEB obligation	\$ (317,821)	
Change in accrued interest payable	14,315	
Change in retiree health insurance payable	19,510	
Change in compensated absences	561,880	
Change in inventories	<u>16,524</u>	<u>294,408</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,359,477

FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	HC Garvin Private-Purpose Trust	Agency Funds
<u>Assets</u>		
Cash and pooled investments	\$ -	\$ 1,062,237
Investments	47,715	-
Accrued interest receivable	1,288	-
	\$ 49,003	\$ 1,062,237
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 400,523
Due to other governments	-	661,714
	\$ -	\$ 1,062,237
<u>Net Assets</u>		
Net assets, held in trust	\$ 49,003	

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>HC Garvin Private-Purpose Trust</u>
<u>Additions</u>	
Interest on investments	\$ 1,625
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>2,819</u>
Change in net assets	\$ (1,194)
Net Assets - January 1	<u>50,197</u>
Net Assets - December 31	<u>\$ 49,003</u>

**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Component Units

The Regional Railroad Authority (RRA) was created to monitor the preservation or improvement of rail transportation within the County. The County Commissioners are the members of the RRA Board. The RRA does not prepare financial statements because currently the RRA is for informational purposes only and had no financial transactions in 2008.

Joint Ventures

The County participates in joint ventures described in Note 5.C. The County also participates in jointly-governed organizations described in Note 5.D.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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

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

2. Fund Financial Statements

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

The EDA Loan Special Revenue Fund is used to account for the loans made for flood-related expenditures.

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

Additionally, the County reports the following fund types:

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

Private-purpose trust funds are used to account for resources legally held in trust for others.

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, 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 2008 were \$557,314.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

3. Inventories

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

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

Property, plant, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Category</u>	<u>Useful Life (Years)</u>
Land improvements	40 - 50
Building and building improvements	40 - 100
Machinery and equipment	5 - 15
Computer equipment	5 - 12
Maintenance equipment	5
Transportation equipment	5 - 40
Vehicles	5 - 15
Boats and trailers	20 - 40
Heavy construction equipment	15 - 30
Furniture and fixtures	20 - 40
Infrastructure	
Roads	50
Bridges	75

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Fund Equity

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

9. Use of Estimates

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

E. Prior Period Adjustment

At December 31, 2007, loans receivable in the EDA Loan Special Revenue Fund should have been \$1,360,000 and deferred revenue \$1,020,000, resulting in fund balance being understated by \$340,000.

	<u>EDA Loan Special Revenue Fund</u>
Fund Balance - December 31, 2007, as previously reported	\$ -
Adjustment to loans receivable and deferred revenue	<u>340,000</u>
Fund Balance - January 1, 2008, restated	<u>\$ 340,000</u>

**WINONA COUNTY
WINONA, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Prior Period Adjustment (Continued)

Government activities' net assets were restated to reflect the prior period adjustment also.

Net Assets - January 1, as previously reported	\$ 81,149,217
Adjustment to loans receivable and deferred revenue	<u>340,000</u>
Net Assets - January 1, restated	<u><u>\$ 81,489,217</u></u>

2. Stewardship, Compliance, and Accountability

Expenditures in Excess of Appropriations

For the year ended December 31, 2008, expenditures exceeded appropriations by \$3,484,935 in the Debt Service Fund.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 17,352,978
Petty cash and change funds	3,345
Investments	12,610,994
Statement of fiduciary net assets	
Private-purpose trust	
Investments	47,715
Agency	<u>1,062,237</u>
Total Cash and Investments	<u><u>\$ 31,077,269</u></u>

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	\$ 9,542,101
Petty cash and change funds	3,345
Investments	15,497,739
Mutual funds	<u>6,034,084</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 31,077,269</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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 that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's investment policy limits the dollar amount of securities that are uninsured and uncollateralized to no more than ten percent at any time during the year. As of December 31, 2008, the County's deposits were not exposed to custodial credit risk.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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.

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Maturity	Maximum Investment
Less than three years	100%

At December 31, 2008, the County had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1 to 3 Years
U.S. Treasuries	\$ 1,134,217	\$ -	\$ 1,134,217
Commercial paper	4,080,522	4,080,522	-
Negotiable certificates	10,283,000	10,001,000	282,000
Total Investments	\$ 15,497,739	\$ 14,081,522	\$ 1,416,217

Credit Risk

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Credit Risk (Continued)

The County's exposure to credit risk as of December 31, 2008, is as follows:

<u>Standard & Poor's Rating</u>	<u>Fair Value</u>
AAA	\$ 1,134,217
A-1+/P-1	4,080,522
Not rated	<u>10,283,000</u>
Total	<u>\$ 15,497,739</u>

Custodial Credit Risk

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

**WINONA COUNTY
WINONA, MINNESOTA**

3. 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 U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit. Investments by any one issuer that represent five percent or more of the County's investments are as follows:

<u>Issuer</u>	<u>Reported Amount</u>
Basin Electric	\$ 1,000,000
ING Funding	900,000
Federal Home Loan Bank	800,000
FLP Group, Inc.	800,000

2. Receivables

Receivables as of December 31, 2008, for Winona County's governmental activities, including the applicable allowances for uncollectible (Social Services and Health Service Special Revenue Funds) accounts, are as follows:

Accounts receivable	\$ 4,867,664
Less: allowance for uncollectible	<u>(3,406,528)</u>
Net Accounts Receivable	<u>\$ 1,461,136</u>

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
General	\$ 1,446,960	\$ 1,071,200	\$ -	\$ 2,518,160
Highway	50,085	-	-	50,085
Highway right-of-way	3,029,581	12,205	-	3,041,786
Construction in progress				
General	98,773	37,165	-	135,938
Highway	2,565,943	1,009,703	1,670,594	1,905,052
Total capital assets not depreciated	<u>\$ 7,191,342</u>	<u>\$ 2,130,273</u>	<u>\$ 1,670,594</u>	<u>\$ 7,651,021</u>
Capital assets depreciated				
Buildings	\$ 18,728,863	\$ 332,258	\$ 2,500	\$ 19,058,621
Improvements other than buildings	448,368	-	-	448,368
Machinery, furniture, and equipment	7,880,953	919,872	658,882	8,141,943
Infrastructure	42,832,432	1,816,282	-	44,648,714
Total capital assets depreciated	<u>\$ 69,890,616</u>	<u>\$ 3,068,412</u>	<u>\$ 661,382</u>	<u>\$ 72,297,646</u>
Less: accumulated depreciation for				
Buildings	\$ 2,337,619	\$ 204,609	\$ -	\$ 2,542,228
Improvements other than buildings	140,162	12,008	-	152,170
Machinery, furniture, and equipment	4,177,758	657,943	526,868	4,308,833
Infrastructure	11,142,200	809,847	-	11,952,047
Total accumulated depreciation	<u>\$ 17,797,739</u>	<u>\$ 1,684,407</u>	<u>\$ 526,868</u>	<u>\$ 18,955,278</u>
Total capital assets depreciated, net	<u>\$ 52,092,877</u>	<u>\$ 1,384,005</u>	<u>\$ 134,514</u>	<u>\$ 53,342,368</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 59,284,219</u>	<u>\$ 3,514,278</u>	<u>\$ 1,805,108</u>	<u>\$ 60,993,389</u>

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	325,270
Public safety		193,348
Highways and streets, including depreciation of infrastructure assets		1,141,167
Human services		2,916
Health		5,287
Sanitation		4,695
Conservation		11,724
		11,724
Total Depreciation Expense - Governmental Activities	\$	1,684,407

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Description	Amount
General Revenue	Human Services	Postage/motor pool and birth/death records	\$ 153
Human Services	Community Health Service	Services provided	\$ 7,892
Health Service	Human Services	Services provided	\$ 4,147
Health Service	General Fund	Services provided	290
Health Service	Human Services	Services provided	266
		Total due to Health Service	\$ 4,703
		Total Due To/From Other Funds	\$ 12,748

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers to General Fund from Capital Projects Fund \$ 8,371 Election expenditures

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2008. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	\$ 1,458,333	\$ 1,335
Flood - highway department	907,892	218,678

2. Capital Leases/Installment Purchases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2008:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
Copier	2009	Monthly	\$ 204	\$ 9,012	\$ 600
Copier	2009	Monthly	324	10,560	929
Copier	2009	Monthly	243	12,877	2,142
Total Governmental Activities Capital Leases					\$ 3,671

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Capital Leases/Installment Purchases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

	Governmental Activities
Total minimum lease payments due in 2009	\$ 3,771
Less: amount representing interest	(100)
Present Value of Minimum Lease Payments	\$ 3,671

3. Bonded Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation bonds and notes					
2002A G.O. Capital Improvement Plan Bonds	2018	\$160,000 - \$450,000	3.00 - 4.60	\$ 5,000,000	\$ 3,715,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	\$430,000 - \$460,000	1.70 - 2.30	3,435,000	3,435,000
Total general obligation bonds				\$ 8,435,000	\$ 7,150,000
Note payable					
South Branch Whitewater River Watershed Bacteria Reduction Project Note Payable	2018		2.00	54,472	54,472
Total General Obligation Bonds and Notes				\$ 8,489,472	\$ 7,204,472

**WINONA COUNTY
WINONA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Bonded Debt (Continued)

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2009	\$ 605,000	\$ 281,420
2010	670,000	256,850
2011	670,000	230,370
2012	705,000	202,870
2013	735,000	173,890
2014 - 2018	3,765,000	380,205
Total	<u>\$ 7,150,000</u>	<u>\$ 1,525,605</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 11,210,000	\$ -	\$ 4,060,000	\$ 7,150,000	\$ 605,000
Premium on bonds	72,863	-	7,287	65,576	-
Less: deferred amount for issuance discounts	(9,824)	-	(983)	(8,841)	-
Total bonds payable	\$ 11,273,039	\$ -	\$ 4,066,304	\$ 7,206,735	\$ 605,000
Notes	15,185	39,287	-	54,472	-
Capital leases	54,125	-	50,454	3,671	3,671
Compensated absences	1,611,782	1,506,239	2,068,119	1,049,902	37,004
OPEB liability	-	434,114	116,293	317,821	-
Retiree health insurance	19,510	-	19,510	-	-
Governmental Activities Long-Term Liabilities	<u>\$ 12,973,641</u>	<u>\$ 1,979,640</u>	<u>\$ 6,320,680</u>	<u>\$ 8,632,601</u>	<u>\$ 645,675</u>

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Winona County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the 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

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

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 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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

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

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

Funding Policy (Continued)

salary in 2008. That rate increased to 9.40 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	2008	2007	2006
Public Employees Retirement Fund	\$ 657,243	\$ 599,188	\$ 586,847
Public Employees Police and Fire Fund	94,572	82,696	105,975
Public Employees Correctional Fund	63,202	62,925	87,219

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

B. Defined Contribution Plan

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

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

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 Winona County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,983	\$ 4,983
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

In 2008, Winona County implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The County provides health insurance benefits for qualifying retired employees under a single-employer self-insured plan, financed and administered by Winona County and the Southeast Service Cooperative. Blue Cross and Blue Shield of Minnesota, under contract with Southeast Service Cooperative is the claims administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Retirees are required to pay 100 percent of the total group rate. The premium is a blended rate determined on the entire active and retiree population. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate “subsidy”. As of January 1, 2008, there were six retirees receiving health benefits from the County’s health plan. As of year-end, the County has four participants. If employees who leave in good standing with more than ten years of service and who have a minimum accumulation of 100 days of unused sick leave, they may convert it to paid-up health insurance for the employee only, according to the following schedule:

- Each ten days unused sick leave equals one-month paid-up insurance for employees only.

Elected Officials

After completing two full terms as an elected County Commissioner and being at least 50 years of age, a Commissioner may receive one year of single health insurance. This benefit is provided pursuant to County Board Resolution 95-27. The County had no participants in 2008.

Annual OPEB Cost and Net OPEB Obligations

The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, if paid on an ongoing basis, that is projected to cover normal costs each year and amortize any unfounded actuarial liabilities or (funding excess) over a period not to exceed 30 years.

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

The following table shows the components of the County's annual OPEB cost for 2008, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$ 434,114
Interest on net OPEB obligations	-
Adjustment to ARC	-
	-
Annual OPEB cost	\$ 434,114
Contribution during the year	(116,293)
	-
Increase (Decrease) in net OPEB obligation	\$ 317,821
Net OPEB - beginning of year	-
	-
Net OPEB – end of year	\$ 317,821

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 434,114	\$ 116,293	26.79%	\$ 317,821

**WINONA COUNTY
WINONA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Status

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2007	\$ -	\$ 3,297,719	\$ 3,297,719	0.00%	\$ 13,239,417	24.91%

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

Actuarial Methods and Assumptions

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

In the January 1, 2007, actuarial valuation, the Projected Unit Credit Actuarial Method was used. The actuarial assumptions included a 4.5 percent discount rate (net of expenses), including an inflation assumption of 2.5 percent and an annual healthcare cost rate of 9.0 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after ten years. The initial unfunded actuarial liability is being amortized as a level dollar amount over an open 30-year period beginning in 2008.

**WINONA COUNTY
WINONA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008 and \$430,000 per claim in 2009. If any insurance and self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

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

Premiums are paid by the fund receiving the benefits.

The Southeast Service Cooperative provides financial risk management services that embody the concept of pooling risks for the purpose of stabilizing and/or reducing costs. Group employee benefits shall include, but not be limited to, health benefits coverage. Other employee benefits for life insurance, disability insurance, and flexible spending programs are administered by the County's Personnel Department through separate vendors. The County also administers a dental program for employees. The County's responsibility is limited to collecting the premiums and disbursing enrolled employee premiums.

**WINONA COUNTY
WINONA, MINNESOTA**

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Southeastern Minnesota Multi-County HRA

Winona County is a member of the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) that provides housing and redevelopment services to the County. Each member county appoints members to the governing body that consists of a Board of Commissioners. The HRA approves its own budget. Winona County did not contribute to the operations of the HRA in 2008. However, the Board of County Commissioners approves the levy for the HRA each year.

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

Family Service Collaborative

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

**WINONA COUNTY
WINONA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Family Service Collaborative (Continued)

through prevention and intervention so as to ensure success for every child. Winona County is the fiscal agent for the Collaborative. The Collaborative had \$290,081 of expenditures in 2008 for the benefit of County services.

D. Jointly-Governed Organizations

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

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to several counties. During the year, the County paid \$4,100 to the Southeast Minnesota Water Resources Board.

Southeast Minnesota Emergency Management Services

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

Southeastern Minnesota Narcotics Task Force

The Southeastern Minnesota Narcotics Task Force provides drug investigation services for member organizations. During the year, Winona County paid \$6,000 to the Task Force.

Southeastern Libraries Cooperative

The Southeastern Libraries Cooperative provides library services within the County. The County contributed \$14,822 during the year.

**WINONA COUNTY
WINONA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeastern Community Action Council

The Southeastern Community Action Council provides services for various social programs. During the year, Winona County did not make any payments to the Council.

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Winona County expended \$76,210 to the Cooperative.

Whitewater Joint Powers Board

The Whitewater Joint Powers Board is composed of three counties and three county soil and water conservation boards. It provides soil and water conservation services to its members. During the year, Winona County made a \$7,170 payment to the Joint Powers Board.

Southeastern Minnesota Recyclers' Exchange

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

E. Related Organizations

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2008, the County settled with the Watershed for property taxes collected in the amount of \$3,380.

**WINONA COUNTY
WINONA, MINNESOTA**

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

F. Subsequent Events

Wind Turbine Project

The Winona County EDA began work on the Winona County wind project in 2005 with Board authorization. The site for the turbine was selected, and preliminary studies were completed. During 2009, special legislation was enacted by the State of Minnesota allowing the Winona County EDA to create a Limited Liability Company for ownership purposes of this project. Approval of the Power Purchase Agreement with the utility will be sought in September, and equity investors will be secured prior to construction beginning. Current plans call for completion of the project by the end of 2009, but delays may postpone connection to the utility grid until 2010.

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REQUIRED SUPPLEMENTARY INFORMATION

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,320,769	\$ 9,320,769	\$ 8,368,461	\$ (952,308)
Special assessments	235,000	235,000	238,536	3,536
Licenses and permits	206,670	206,670	235,851	29,181
Intergovernmental	3,936,147	3,936,147	4,492,050	555,903
Charges for services	2,370,185	2,370,185	2,039,160	(331,025)
Fines and forfeits	25,040	25,040	39,167	14,127
Gifts and contributions	20,055	20,055	53,905	33,850
Investment earnings	706,476	706,476	591,234	(115,242)
Miscellaneous	247,897	247,897	235,933	(11,964)
Total Revenues	\$ 17,068,239	\$ 17,068,239	\$ 16,294,297	\$ (773,942)
Expenditures				
Current				
General government				
Commissioners	\$ 188,274	\$ 193,619	\$ 185,301	\$ 8,318
Courts	103,200	103,200	130,353	(27,153)
Law library	43,000	43,000	50,431	(7,431)
County administration	371,356	402,079	279,178	122,901
County auditor	227,151	240,834	238,618	2,216
License bureau	223,844	222,739	218,388	4,351
County treasurer	133,328	142,654	138,534	4,120
County assessor	461,787	490,707	453,640	37,067
Elections	57,995	57,995	60,930	(2,935)
Accounting and auditing	215,181	223,016	200,642	22,374
Data processing	640,286	690,560	607,497	83,063
Personnel	449,568	471,454	345,431	126,023
Attorney	1,087,015	1,118,968	1,100,350	18,618
Recorder	470,635	483,004	415,051	67,953
Vital statistics	70,291	113,176	85,814	27,362
Planning and zoning	447,300	444,642	503,833	(59,191)
Telecommunications	298,290	246,819	192,176	54,643
Maintenance	1,027,193	1,119,357	902,009	217,348
Veterans service officer	143,545	156,117	152,306	3,811
Other general government	3,026,973	1,896,084	451,255	1,444,829
Total general government	\$ 9,686,212	\$ 8,860,024	\$ 6,711,737	\$ 2,148,287

**WINONA COUNTY
WINONA, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,043,010	\$ 2,191,874	\$ 2,357,758	\$ (165,884)
Boat and water safety	41,265	42,454	25,064	17,390
Emergency services	172,816	222,959	228,104	(5,145)
E-911 system	60,000	60,000	97,534	(37,534)
County jail	2,017,634	2,017,634	2,189,151	(171,517)
Law enforcement center	936,180	966,267	827,224	139,043
Probation and parole	736,972	698,672	714,519	(15,847)
DARE program	15,074	15,074	5,899	9,175
Other	-	-	-	-
Total public safety	\$ 6,022,951	\$ 6,214,934	\$ 6,445,253	\$ (230,319)
Sanitation				
Recycling	\$ 1,043,279	\$ 1,051,210	\$ 1,094,272	\$ (43,062)
Human services				
Social services	\$ -	\$ -	\$ 226,357	\$ (226,357)
Health				
Environmental health	\$ 225,913	\$ 252,367	\$ 306,377	\$ (54,010)
Culture and recreation				
Historical society	\$ 56,350	\$ 56,350	\$ 55,500	\$ 850
Parks	23,200	23,200	26,647	(3,447)
Regional library	225,316	225,316	283,468	(58,152)
Total culture and recreation	\$ 304,866	\$ 304,866	\$ 365,615	\$ (60,749)
Conservation of natural resources				
County extension	\$ 164,502	\$ 172,128	\$ 110,192	\$ 61,936
Soil and water conservation	130,000	130,000	130,000	-
Feedlot	113,589	112,589	160,400	(47,811)
Agricultural inspection	11,911	12,483	5,937	6,546
Wetland challenge	71,410	68,281	51,901	16,380
Environmental services	2,500	1,000	-	1,000
Other	195,399	186,043	484,557	(298,514)
Agricultural society/County fair	41,500	41,500	41,500	-
Total conservation of natural resources	\$ 730,811	\$ 724,024	\$ 984,487	\$ (260,463)

**WINONA COUNTY
WINONA, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Other	\$ 103,150	\$ 103,150	\$ 108,820	\$ (5,670)
Debt service				
Principal	\$ 46,500	\$ 46,500	\$ 30,262	\$ 16,238
Interest	-	-	1,534	(1,534)
Total debt service	\$ 46,500	\$ 46,500	\$ 31,796	\$ 14,704
Total Expenditures	\$ 18,163,682	\$ 17,557,075	\$ 16,274,714	\$ 1,282,361
Excess of Revenues Over (Under)				
Expenditures	\$ (1,095,443)	\$ (488,836)	\$ 19,583	\$ 508,419
Other Financing Sources (Uses)				
Transfers in	\$ 1,016,513	\$ 1,016,513	\$ 8,371	\$ (1,008,142)
Proceeds from loan	-	-	39,287	39,287
Proceeds from sale of capital assets	23,028	23,028	24,659	1,631
Compensation for loss of general capital assets	10,000	10,000	12,464	2,464
Total Other Financing Sources (Uses)	\$ 1,049,541	\$ 1,049,541	\$ 84,781	\$ (964,760)
Change in Fund Balance	\$ (45,902)	\$ 560,705	\$ 104,364	\$ (456,341)
Fund Balance - January 1	9,724,567	9,724,567	9,724,567	-
Fund Balance - December 31	\$ 9,678,665	\$ 10,285,272	\$ 9,828,931	\$ (456,341)

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,443,739	\$ 2,443,739	\$ 2,172,349	\$ (271,390)
Intergovernmental	7,050,356	7,050,356	4,872,200	(2,178,156)
Charges for services	110,200	110,200	6,463	(103,737)
Investment earnings	150,000	150,000	145,437	(4,563)
Miscellaneous	342,500	342,500	272,219	(70,281)
Total Revenues	\$ 10,096,795	\$ 10,096,795	\$ 7,468,668	\$ (2,628,127)
Expenditures				
Current				
General government				
Surveyor	\$ 233,299	\$ 243,128	\$ 258,106	\$ (14,978)
Highways and streets				
Administration	\$ 420,968	\$ 436,571	\$ 445,719	\$ (9,148)
Maintenance	2,037,262	2,107,736	2,514,179	(406,443)
Construction	6,350,188	6,363,971	2,900,513	3,463,458
Equipment maintenance and shop	534,168	543,124	433,322	109,802
Materials and services for resale	538,910	554,110	676,217	(122,107)
Total highways and streets	\$ 9,881,496	\$ 10,005,512	\$ 6,969,950	\$ 3,035,562
Debt service				
Principal	\$ 2,000	\$ 2,000	\$ 2,216	\$ (216)
Interest	-	-	233	(233)
Total debt service	\$ 2,000	\$ 2,000	\$ 2,449	\$ (449)
Total Expenditures	\$ 10,116,795	\$ 10,250,640	\$ 7,230,505	\$ 3,020,135
Excess of Revenues Over (Under) Expenditures	\$ (20,000)	\$ (153,845)	\$ 238,163	\$ 392,008
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ 20,000	\$ 20,000	\$ 53,052	\$ 33,052
Total Other Financing Sources (Uses)	\$ 20,000	\$ 20,000	\$ 53,052	\$ 33,052
Change in Fund Balance	\$ -	\$ (133,845)	\$ 291,215	\$ 425,060
Fund Balance - January 1	5,456,320	5,456,320	5,456,320	-
Increase (decrease) in reserved for inventories	-	-	16,524	16,524
Fund Balance - December 31	\$ 5,456,320	\$ 5,322,475	\$ 5,764,059	\$ 441,584

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

Page 62

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,462,552	\$ 3,462,552	\$ 3,078,233	\$ (384,319)
Licenses and permits	10,000	10,000	13,800	3,800
Intergovernmental	6,377,216	6,377,216	7,199,865	822,649
Charges for services	680,875	680,875	364,189	(316,686)
Gifts and contributions	15,200	15,200	14,407	(793)
Interest on investments	185,025	185,025	110,877	(74,148)
Miscellaneous	10,000	10,000	261,512	251,512
Total Revenues	\$ 10,740,868	\$ 10,740,868	\$ 11,042,883	\$ 302,015
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,181,178	\$ 3,327,074	\$ 3,404,271	\$ (77,197)
Social services	7,526,296	7,658,987	7,490,782	168,205
Total human services	\$ 10,707,474	\$ 10,986,061	\$ 10,895,053	\$ 91,008
Debt service				
Principal	\$ -	\$ -	\$ 2,735	\$ (2,735)
Interest	-	-	181	(181)
Total debt service	\$ -	\$ -	\$ 2,916	\$ (2,916)
Total Expenditures	\$ 10,707,474	\$ 10,986,061	\$ 10,897,969	\$ 88,092
Excess of Revenues Over (Under) Expenditures	\$ 33,394	\$ (245,193)	\$ 144,914	\$ 390,107
Other Financing Sources (Uses)				
Transfers in	\$ 78,606	\$ 78,606	\$ -	\$ (78,606)
Transfers out	(112,000)	(112,000)	-	112,000
Total Other Financing Sources (Uses)	\$ (33,394)	\$ (33,394)	\$ -	\$ 33,394
Change in Fund Balance	\$ -	\$ (278,587)	\$ 144,914	\$ 423,501
Fund Balance - January 1	\$ 4,771,521	\$ 4,771,521	\$ 4,771,521	\$ -
Fund Balance - December 31	\$ 4,771,521	\$ 4,492,934	\$ 4,916,435	\$ 423,501

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 4

**SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2007	\$ -	\$ 3,297,719	\$ 3,297,719	0.00%	\$ 13,239,417	24.91%

**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Flood Special Revenue Fund and the EDA Loan Special Revenue Fund, which were not budgeted. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. The County Administrator may make changes of appropriations within a department. The County Administrator has been given authority by the Board to make line-item adjustments that have a zero affect on the budget in total. Adjustments to the budget that increase the budget require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made supplemental budgetary appropriations for the General Fund.

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

2. Other Postemployment Benefits

The employer contributions reported on the Schedule of Employer Contributions represents the current amount paid by the County for the current year cost of the benefits, which were entirely paid out or on behalf of retirees. Accordingly, as disclosed on the Schedule of Funding Progress, no assets have been placed in an irrevocable trust to advance fund the employer's obligation.

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SUPPLEMENTARY INFORMATION

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**WINONA COUNTY
WINONA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

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

Capital Projects Fund

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

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**WINONA COUNTY
WINONA, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>Health Service Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,226,912	\$ 247,608	\$ 1,474,520
Petty cash and change funds	100	-	100
Investments	-	1,916,833	1,916,833
Taxes receivable			
Current	7,449	5,894	13,343
Prior	3,367	610	3,977
Accounts receivable	191,033	-	191,033
Accrued interest receivable	-	22,176	22,176
Due from other funds	4,703	-	4,703
Due from other governments	441,742	-	441,742
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,875,306</u>	<u>\$ 2,193,121</u>	<u>\$ 4,068,427</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 14,429	\$ -	\$ 14,429
Salaries payable	119,134	-	119,134
Due to other funds	7,892	-	7,892
Due to other governments	1,391	-	1,391
Deferred revenue - unavailable	264,901	3,855	268,756
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 407,747</u>	<u>\$ 3,855</u>	<u>\$ 411,602</u>
 Fund Balances			
Reserved for debt service	\$ 929	\$ -	\$ 929
Unreserved			
Designated for future expenditures	130,000	-	130,000
Designated for cash flows	364,733	-	364,733
Designated for capital improvements	-	2,188,456	2,188,456
Designated for compensated absences	179,159	-	179,159
Undesignated	792,738	810	793,548
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>\$ 1,467,559</u>	<u>\$ 2,189,266</u>	<u>\$ 3,656,825</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 1,875,306</u>	<u>\$ 2,193,121</u>	<u>\$ 4,068,427</u>

**WINONA COUNTY
WINONA, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Health Service Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
Revenues			
Taxes	\$ 512,833	\$ 404,449	\$ 917,282
Licenses and permits	15,850	-	15,850
Intergovernmental	744,731	51,724	796,455
Charges for services	1,670,783	-	1,670,783
Fines and forfeits	825	-	825
Investment earnings	-	54,007	54,007
Gifts and contributions	220	-	220
Miscellaneous	19,617	-	19,617
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 2,964,859	\$ 510,180	\$ 3,475,039
Expenditures			
Current			
General government	\$ -	\$ 27,540	\$ 27,540
Health	3,192,096	-	3,192,096
Capital outlay	-	1,301,000	1,301,000
Debt service			
Principal	3,151	-	3,151
Interest	737	-	737
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 3,195,984	\$ 1,328,540	\$ 4,524,524
Excess of Revenues Over (Under) Expenditures	\$ (231,125)	\$ (818,360)	\$ (1,049,485)
Other Financing Sources (Uses)			
Transfers out	-	(8,371)	(8,371)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ (231,125)	\$ (826,731)	\$ (1,057,856)
Fund Balance - January 1	1,698,684	3,015,997	4,714,681
	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 1,467,559	\$ 2,189,266	\$ 3,656,825
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 577,369	\$ 577,369	\$ 512,833	\$ (64,536)
Licenses and permits	17,000	17,000	15,850	(1,150)
Intergovernmental	623,114	623,114	744,731	121,617
Charges for services	1,771,006	1,771,006	1,670,783	(100,223)
Charges for services	-	-	220	220
Fines and forfeits	500	500	825	325
Miscellaneous	16,000	16,000	19,617	3,617
Total Revenues	\$ 3,004,989	\$ 3,004,989	\$ 2,964,859	\$ (40,130)
Expenditures				
Current				
Health				
Nursing service	\$ 663,929	\$ 650,755	\$ 600,857	\$ 49,898
Maternal and child health	575,479	602,221	1,718,667	(1,116,446)
County health officer	316,598	336,175	301,172	35,003
Health center	1,444,783	1,605,813	571,400	1,034,413
Total health	\$ 3,000,789	\$ 3,194,964	\$ 3,192,096	\$ 2,868
Debt service				
Principal	\$ 4,200	\$ 4,200	\$ 3,151	\$ 1,049
Interest	-	-	737	(737)
Total debt service	\$ 4,200	\$ 4,200	\$ 3,888	\$ 312
Total Expenditures	\$ 3,004,989	\$ 3,199,164	\$ 3,195,984	\$ 3,180
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (194,175)	\$ (231,125)	\$ (36,950)
Fund Balance - January 1	1,698,684	1,698,684	1,698,684	-
Fund Balance - December 31	\$ 1,698,684	\$ 1,504,509	\$ 1,467,559	\$ (36,950)

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 875,349	\$ 875,349	\$ 781,105	\$ (94,244)
Special assessments	-	-	1,974	1,974
Intergovernmental	108,143	108,143	99,504	(8,639)
Investment earnings	-	-	31,145	31,145
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 983,492	\$ 983,492	\$ 913,728	\$ (69,764)
Expenditures				
Debt service				
Principal	\$ 610,000	\$ 610,000	\$ 4,060,000	\$ (3,450,000)
Interest	326,659	326,659	345,044	(18,385)
Administrative - fiscal charges	931	931	17,481	(16,550)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 937,590	\$ 937,590	\$ 4,422,525	\$ (3,484,935)
Excess of Revenues Over (Under) Expenditures	\$ 45,902	\$ 45,902	\$ (3,508,797)	\$ (3,554,699)
Fund Balance - January 1	<u>4,590,803</u>	<u>4,590,803</u>	<u>4,590,803</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 4,636,705</u></u>	<u><u>\$ 4,636,705</u></u>	<u><u>\$ 1,082,006</u></u>	<u><u>\$ (3,554,699)</u></u>

FIDUCIARY FUNDS

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**WINONA COUNTY
WINONA, MINNESOTA**

AGENCY FUNDS

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

The Employee Benefit Plans - Liabilities Fund accounts for employee payroll liabilities due as of the end of the year but not disbursed until the following year.

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

The Settlement Fund accounts for the collection and distribution of property taxes (current and delinquent).

The State Revenue Fund accounts for the money received from and due to the state.

The Planning Escrow Fund accounts for customer deposits with the Planning Department.

The Taxes and Penalties Fund accounts for the collection and distribution of prepaid taxes and proceeds from the sale of property for unpaid taxes.

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**WINONA COUNTY
WINONA, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>EMPLOYEE BENEFIT PLANS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>70,076</u>	\$ <u>739,299</u>	\$ <u>722,815</u>	\$ <u>86,560</u>
<u>Liabilities</u>				
Accounts payable	\$ <u>70,076</u>	\$ <u>739,299</u>	\$ <u>722,815</u>	\$ <u>86,560</u>
 <u>EMPLOYEE BENEFIT PLANS - LIABILITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>-</u>	\$ <u>313,963</u>	\$ <u>-</u>	\$ <u>313,963</u>
<u>Liabilities</u>				
Accounts payable	\$ <u>-</u>	\$ <u>313,963</u>	\$ <u>-</u>	\$ <u>313,963</u>
 <u>WINONA COUNTY FAMILY COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>180,799</u>	\$ <u>261,142</u>	\$ <u>290,081</u>	\$ <u>151,860</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>180,799</u>	\$ <u>261,142</u>	\$ <u>290,081</u>	\$ <u>151,860</u>

**WINONA COUNTY
WINONA, MINNESOTA**

***Statement 3
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>SETTLEMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>391,863</u>	\$ <u>45,130,117</u>	\$ <u>45,111,005</u>	\$ <u>410,975</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>391,863</u>	\$ <u>45,130,117</u>	\$ <u>45,111,005</u>	\$ <u>410,975</u>
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>71,872</u>	\$ <u>1,402,652</u>	\$ <u>1,398,237</u>	\$ <u>76,287</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>71,872</u>	\$ <u>1,402,652</u>	\$ <u>1,398,237</u>	\$ <u>76,287</u>
 <u>PLANNING ESCROW</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>-</u>	\$ <u>4,000</u>	\$ <u>-</u>	\$ <u>4,000</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>-</u>	\$ <u>4,000</u>	\$ <u>-</u>	\$ <u>4,000</u>

**WINONA COUNTY
WINONA, MINNESOTA**

***Statement 3
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>22,140</u>	\$ <u>50,997</u>	\$ <u>54,545</u>	\$ <u>18,592</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>22,140</u>	\$ <u>50,997</u>	\$ <u>54,545</u>	\$ <u>18,592</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>736,750</u>	\$ <u>47,902,170</u>	\$ <u>47,576,683</u>	\$ <u>1,062,237</u>
<u>Liabilities</u>				
Accounts payable	\$ 70,076	\$ 1,053,262	\$ 722,815	\$ 400,523
Due to other governments	<u>666,674</u>	<u>46,848,908</u>	<u>46,853,868</u>	<u>661,714</u>
Total Liabilities	\$ <u>736,750</u>	\$ <u>47,902,170</u>	\$ <u>47,576,683</u>	\$ <u>1,062,237</u>

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OTHER SCHEDULES

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Highway users tax	\$	4,022,578
PERA rate reimbursement		54,309
Disparity reduction aid		41,590
Police aid		117,984
County program aid		2,312,724
Agricultural conservation credit		114,139
Market value credit		1,611,001
Enhanced 911		137,737
Disaster credit		142,927
		142,927

Total Shared Revenue

\$ 8,554,989

Reimbursement for Services

State

Minnesota Department of Human Services	\$	802,825
		802,825

Payments

Local

Local contributions	\$	5,000
Payments in lieu of taxes		363,613
		363,613

Total Payments

\$ 368,613

Grants

State

Minnesota Department of		
Public Safety	\$	1,216,988
Health		226,754
Economic Security		1,169,999
Natural Resources		249,026
Trial Courts		18,627
Human Services		2,743,286
Corrections		139,304
Transportation		212,964
Board of Water and Soil Resources		224,362
Peace Officer Standards and Training Board		6,409
Pollution Control Agency		143,780
		143,780

Total State

\$ 6,351,499

**WINONA COUNTY
WINONA, MINNESOTA**

**Schedule 7
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 430,250
Housing and Urban Development	41,717
Justice	9,559
Transportation	1,098,189
Health and Human Services	2,783,715
Homeland Security	2,274,759
Environmental Protection Agency	<u>49,000</u>

Total Federal **\$ 6,687,189**

Total State and Federal Grants **\$ 13,038,688**

Total Intergovernmental Revenue **\$ 22,765,115**

**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 8

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS
FOR CALENDAR YEARS 2007 THROUGH 2009**

	<u>Tax Year 2007</u>		<u>Tax Year 2008</u>		<u>Tax Year 2009</u>	
	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>	<u>Net Tax Capacity</u>	<u>Tax Capacity Rate Percent (%)</u>
Tax Capacity						
Real property	\$ 37,924,515		\$ 38,712,201		\$ 39,935,972	
Personal property	460,003		505,811		512,392	
Tax increment financing	(293,097)		(261,781)		(233,362)	
Net Tax Capacity	<u>\$ 38,091,421</u>		<u>\$ 38,956,231</u>		<u>\$ 40,215,002</u>	
Tax Levied for County						
County Revenue	\$ 9,664,998	27.089	\$ 9,221,969	24.361	\$ 9,843,223	25.16
Road and Bridge	2,164,722	5.889	2,437,739	6.263	2,201,878	5.475
Human Services	3,043,593	8.279	3,454,052	8.874	3,905,210	9.711
Community Health	381,405	1.038	575,869	1.479	729,465	1.814
Chse Bond 2001	502,245	1.365	-	-	-	-
Chse Bond 2002	483,877	1.315	875,349	2.247	887,279	2.211
Building	-	-	455,422	1.17	261,814	0.651
Net Tax Levy	<u>\$ 16,240,840</u>	<u>44.975</u>	<u>\$ 17,020,400</u>	<u>44.394</u>	<u>\$ 17,828,869</u>	<u>45.022</u>
	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>	<u>Tax Capacity</u>	<u>Market Value</u>
Taxable Valuations						
Light and power tax						
Transmission lines	\$ 35,110	\$ 1,793,000	\$ 33,108	\$ 1,692,900	\$ 31,774	\$ 1,626,200
Distribution lines	11,896	632,300	12,126	643,800	16,230	849,000
Total Taxable Valuations - Light and Power	<u>\$ 47,006</u>	<u>\$ 2,425,300</u>	<u>\$ 45,234</u>	<u>\$ 2,336,700</u>	<u>\$ 48,004</u>	<u>\$ 2,475,200</u>
Light and Power Tax Levy						
Transmission lines	\$ 47,570	\$ 4,797	\$ 44,980	\$ 4,254	\$ 4,470	\$ 29,010
Distribution lines	16,110	1,691	16,500	1,618	2,334	14,818
Total Light and Power Tax Levy	<u>\$ 63,680</u>	<u>\$ 6,488</u>	<u>\$ 61,480</u>	<u>\$ 5,872</u>	<u>\$ 6,804</u>	<u>\$ 43,828</u>
Percentage of Tax Collections for All Purposes	<u>98.66%</u>		<u>98.65%</u>			

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 9

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Winona County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Winona County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." We consider one of the deficiencies to be a material weakness.
- C. No instances of noncompliance material to the financial statements of Winona County were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award programs is 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." It was not a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for Winona County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Winona County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|---|--------------|
| Temporary Assistance for Needy Families | CFDA #93.558 |
| Child Support Assistance | CFDA #93.563 |
| Medical Assistance | CFDA #93.778 |
| Public Assistance (Presidentially Declared Disasters) | CFDA #97.036 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Winona County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

06-2 Audit Adjustments and Monitoring

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

Adjustments were made to the government-wide conversion trial balance for the following:

- increase deferred revenue unavailable \$4,147,953 to correct client entry,
- decrease liability \$717,688 to correct client entry, and
- decrease liability \$116,293 to record costs related to postemployment benefits.

Adjustments were made to the General Fund for the following:

- decrease receivables \$121,841 and deferred revenue \$121,841 for amount that should not have been recorded, and
- increase deferred revenue \$122,165 for unrecorded items.

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

- decrease contracts payable \$12,000 for improperly recorded amount,
- increase due from other governments \$399,437 for additional receivables, and
- increase deferred revenues \$269,554 for additional payables.

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

- increase due to other governments \$333,241 for additional payable, and
- increase deferred revenue \$131,229 for additional items.

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

- increase contracts payable \$12,000,
- decrease due from other governments \$591,801, and
- decrease deferred revenue \$621,311.

Adjustments were made to the EDA Loan Special Revenue Fund for the following:

- decrease prior period adjustment \$357,435.

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

- increase deferred revenue \$572 for deferred taxes.

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

- decrease deferred revenue \$572.

Reclassification entries were also made within:

- government-wide conversion trial balance \$7,905,543 to fund balance;
- General Fund assets \$175, fund balance \$374,189, revenues \$770,868, and expenditures \$451,568;
- Road and Bridge Special Revenue Fund assets \$437,381, liabilities \$46,032, fund balance \$65,302, and revenues \$540,250;
- Social Services Special Revenue Fund revenues \$3,272,967 and fund balance \$467,649;
- Health Services Special Revenue Fund revenues \$736,050 and fund balance \$152,160;
- Flood Special Revenue Fund revenues \$4,731,797;
- EDA Loan Special Revenue Fund liabilities \$3,844,885 and fund balance \$85,116; and
- Debt Service Fund \$195,586 to fund balance.

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

We also noted that the County has procedures in place requiring department review of the County general ledger. Departments have inquiry access to monthly reports, but there is no documentation of this review process by management.

We recommend the County establish internal procedures to ensure the financial statements are correct. We also recommend the County develop procedures relating to documentation of review and monitoring of review of the General Ledger.

Client's Response:

Winona County is implementing procedures to ensure that the financial statements are presented correctly. These procedures should reduce the reclassifications and adjustments. A procedure that Winona County is implementing is to have all interfund charges coded to one object code. This will help Winona County when netting the revenue against expenses. Winona County will be implementing a tracking feature to month-end reports. Documentation can be printed monitoring that month-end reports are being reviewed.

07-2 New Vendors

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

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

Client's Response:

At the end of 2008, Winona County has implemented a vendor form when adding or making changes to vendors. The Winona County Finance Director will run a vendors report with added or changed vendors. The Finance Director will verify that the proper paper work is on file. Winona County will explore reorganization which will enhance the segregation of accounting duties to ensure adequate internal accounting controls.

07-3 Segregation of Duties in Treasurer's Office

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

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

Client's Response:

At the end of 2008, Winona County has implemented the segregation of duties in the Treasurer's Office. Finance will provide a report that is generated from the IFS system to the Treasurer for all payments that were received from the State. The Treasurer will balance the report to the state payment report and the bank statement. Finance will sign the report after it is balanced. Winona County will explore reorganization which will enhance the segregation of accounting duties that ensure adequate internal accounting controls.

07-6 Prior Period Adjustment

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in the financial statements on a timely basis. One indication of a control deficiency that typically is considered significant is restatement of previously issued financial statements to reflect the corrections of a misstatement. The January 1, 2008, fund balance of the EDA Loan Special Revenue Fund was restated to recognize loans receivable and deferred revenue not previously reported.

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

Client's Response:

Winona County received a grant for EDA in 2007. This is a grant that the individual needs to pay back 25% of the loan and the other 75% is forgiven. Winona County had staffing changes after this grant was received. The grant was very unique since this was the first time this type of grant was received by Winona County. Winona County has determined with the State how the grant will work and has the proper paperwork on file. The remaining grant dollars should be loaned out in the first part of 2009. Once the dollars are loaned out, the County will need to monitor the grant until the grant is fulfilled.

ITEMS ARISING THIS YEAR

08-1 Departmental Internal Accounting Controls

One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and be responsible for custody of the asset resulting from the transaction.

Due to the limited number of personnel within some County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not always possible. This is not unusual in operations the size of Winona County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

We recommend the County Board segregate accounting duties as much as possible. When it is not feasible to segregate certain duties, Winona County management should be aware of the absence of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being followed by staff.

Client's Response:

Winona County will monitor to ensure internal controls and policies and procedures are being followed. Winona County will explore reorganization which will enhance the segregation of accounting duties to ensure adequate internal accounting controls.

08-2 Segregation of Duties - Payroll

The Account Support Assistant in the Finance Department has the ability to process bi-weekly payroll, disburse payroll, and perform general ledger functions. No other County employee reviews or monitors what is processed or entered into the payroll system except for the Social Service Department. The payroll charges are not reviewed before the disbursement is made and reports are run for each pay period to verify information on the payroll system with information only being reviewed by the individual who enters the information.

We recommend the payroll processing, disbursements, and general ledger functions be segregated as much as possible or if not segregated, monitored and reviewed by an individual that does not have access to the payroll system.

Client's Response:

Winona County has implemented procedures on segregation of duties related to payroll. The Finance Director will balance the timesheet total to the total calculation report generated after payroll is entered. Winona County will explore reorganization which will enhance the segregation of accounting duties to ensure adequate internal accounting controls.

PREVIOUSLY REPORTED ITEMS RESOLVED

Disbursement Internal Controls (07-1)

While reviewing internal controls over the disbursement system, we noted deficiencies in review and cancellation, authorized signer's approval, coding, and that there was no supporting documentation.

Resolution

Review of the disbursement system disclosed no material control issues.

Electronic Fund Transfer Policy (07-4)

The County did not have a clearly documented and updated policy on Electronic Fund Transfers (EFTs). The current policy was adopted in 1989 and states that electronic transfers can be used for the purpose of investing monies only.

Resolution

The County has adopted a policy to address electronic fund transfers.

Preparation of Financial Statements (07-5)

Winona County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control.

Resolution

The County has prepared all trial balances for 2008.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

ITEM ARISING THIS YEAR

08-3 Monitoring County Financial Workers' Eligibility Determinations (CFDA #93.558 TANF)

Review of the controls over eligibility determinations for the Temporary Assistance for Needy Families program disclosed there are no monitoring procedures in place to ensure information entered into the state MAXIS system is accurate and properly documented.

We recommend an individual independent of data entry monitor information entered into the state MAXIS system by County financial workers for accuracy and proper documentation.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Ms. Moore, financial supervisor, and Mrs. Erickson, financial assistance specialist.

Corrective Action Planned:

Winona County will use the DHS 5314 series of target case review forms to monitor information entered into the maxis system by county workers. Ms. Moore, financial supervisor, and Ms. Erickson, financial assistance specialist, will review random cases to check for accuracy and proper documentation.

Anticipated Completion Date:

The implementation will begin with the 4th quarter of 2009.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

08-4 Sheriff's Department Canteen Funds

While reviewing the Sheriff's canteen fund operations, we found the receipts and disbursements are not being accounted for in the County's financial system.

We recommend that the County follow Minn. Stat. §§ 387.20 and 384.13 by recording all proceeds from the canteen operations and by remitting all proceeds to the County Treasurer's office "in the manner and at the times prescribed by the county board, but not less often than once each month." The County should also make disbursements to canteen vendors through County disbursements with Board approval and attestation by the County Auditor.

Client's Response:

Winona County will have all canteen revenues and disbursement accounted for in the County's financial system. This change will occur starting in September 2009. Winona County will explore reorganization which will enhance the segregation of accounting duties to ensure adequate internal accounting controls.

PREVIOUSLY REPORTED ITEM RESOLVED

Assessor's Property Valuation (07-7)

The County Assessor's Office was unable to demonstrate that the County was in compliance with Minn. Stat. § 273.08 for real property listed for taxation, or with Minn. Stat. § 273.18 for property listed as exempt from taxation.

Resolution

There were no compliance issues noted for the 2008 audit.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners
Winona County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 06-2, 07-2, 07-3, 07-6, 08-1, and 08-2 to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Winona County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 08-4.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 30, 2009

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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
Winona County

Compliance

We have audited the compliance of Winona County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Winona County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. 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 Winona County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Winona County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Winona County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Winona County's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 30, 2009. Our audit was performed for the purpose of forming opinions on the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Winona County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 30, 2009

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**WINONA COUNTY
WINONA, MINNESOTA**

Schedule 10

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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	\$ 152,588
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	279,074
Special Nutrition Assistance Program Outreach/Participation Program	10.580	<u>10,000</u>
Total U.S. Department of Agriculture		<u>\$ 441,662</u>
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant/State's Program	14.228	<u>\$ 41,717</u>
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Violence Against Women Formula Grant	16.588	\$ 7,559
Enforcing Underage Drinking Laws Program	16.727	<u>2,000</u>
Total U.S. Department of Justice		<u>\$ 9,559</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 204,193
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	185,937
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>11,800</u>
Total U.S. Department of Transportation		<u>\$ 401,930</u>
U.S. Environmental Protection Agency		
Passed Through Southeast Minnesota Water Resource Board Nonpoint Source Implementation Grant	66.460	\$ 22,750
Passed Through Hiawatha Valley RC&D Association Nonpoint Source Implementation Grant	66.460	<u>26,250</u>
Total U.S. Environmental Protection Agency		<u>\$ 49,000</u>

**WINONA COUNTY
WINONA, MINNESOTA**

***Schedule 10
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

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	\$ 1,100
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	50,537
Temporary Assistance for Needy Families (TANF)	93.558	59,003
Maternal and Child Health Services Block Grant	93.994	51,577
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	111,278
Temporary Assistance for Needy Families (TANF)	93.558	354,299
Child Support Enforcement IVD	93.563	648,289
Refugee and Entrance Assistance Grant	93.566	5,979
Child Care Cluster		
Block Grant - Child Care and Development	93.575	29,983
Child Care Mandatory and Matching Funds	93.596	76,523
Child Welfare Services - State Grants	93.645	21,472
Foster Care Title IV-E	93.658	184,297
Social Services Block Grant Title XX	93.667	268,988
Child Abuse and Neglect State Grants	93.669	1,295
Chafee Foster Care Independence Program	93.674	1,785
Children's Health Insurance Program	93.767	1,509
Medical Assistance	93.778	873,589
Block Grants for Community Mental Health Services	93.958	14,257
Total U.S. Department of Health and Human Services		\$ 2,755,760
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	\$ 19,410
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	788,138
Hazard Mitigation Grant	97.039	175,178
Emergency Planning Grant	97.042	27,904
Homeland Security Grant Program	97.067	583
Total U.S. Department of Homeland Security		\$ 1,011,213
Total Federal Awards		\$ 4,710,841

**WINONA COUNTY
WINONA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Reporting Entity

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

2. Basis of Presentation

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

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

3. Reconciliation to Schedule of Intergovernmental Revenues

Federal grant revenue per Schedule of Intergovernmental Revenues	\$ 6,687,189
Highway Planning and Construction grant deferred in 2007 and recognized in 2008 (CFDA #20.205)	(696,259)
Promoting Safe and Stable Families grant deferred in 2007 and recognized in 2008 (CFDA #93.556)	(8,511)
Temporary Assistance for Needy Families (TANF) grant deferred in 2007 and recognized in 2008 (CFDA #93.55801)	(85,020)
Temporary Assistance for Needy Families (TANF) grant deferred in 2007 and recognized in 2008 (CFDA #93.55801)	(1,818,002)
Special Supplemental Nutrition Program for Women, Infants, and Children grant deferred in 2008 (CFDA #10.557)	11,412
Medical Assistance grant deferred in 2008 (CFDA #93.778)	65,576
Disaster grant deferred in 2008 (CFDA #97.036)	554,456
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	\$ 4,710,841

**WINONA COUNTY
WINONA, MINNESOTA**

4. Passed Through to Subrecipients

During 2008, Winona County did not pass any federal money to subrecipients.

5. Pass-Through Grant Numbers

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