STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

WINONA COUNTY
WINONA, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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WINONA COUNTY
WINONA, MINNESOTA

Year Ended December 31, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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Introductory Section

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WINONA COUNTY
WINONA, MINNESOTA

ORGANIZATION
DECEMBER 31, 2016

Office	Name	Term Expires
Commissioners		
First District	Jim Pomeroy	January 2019
Second District	Marie Kovecsi	January 2019
Third District	Steve Jacob	January 2017
Fourth District	Greg Olson	January 2017
Fifth District	Marcia Ward	January 2019
Officers		
Elected		
Attorney	Karin Sonneman	January 2019
Recorder	Robert Bambenek	January 2019
Sheriff	Ron Ganrude	January 2019
Auditor/Treasurer	Sandra Suchla	January 2019
Appointed		
Administrator	Kenneth Fritz	Indefinite
Assistant County Administrator/ Personnel Director	Maureen Holte	Indefinite
Community Health Director	Beth Wilms	Indefinite
County Assessor	Steven Hacken	December 2020
Planning & Environmental Services Director	Vacant	Indefinite
Building Superintendent	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2019
Information Technology Director	Mark Anderson	Indefinite

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.

Financial Section

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Winona County
Winona, Minnesota

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2017, 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* in considering Winona County's internal control over financial reporting and compliance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2017

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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WINONA COUNTY
WINONA, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(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, 2016. 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 2016, Winona County's assets and deferred outflows of resources exceeded liabilities and deferred inflows by $94.3 million (net position). Of that amount, $6.0 million is restricted; $3.0 million is unrestricted net position and may be used to meet the County's ongoing obligations to citizens and creditors. The remaining $85.3 million is the net investment in capital assets.

- At the close of the current year, the ending fund balances for all governmental funds were $23.7 million. This is a decrease of $2.0 million from the previous year. Of the combined ending fund balances, $13.2 million is unassigned fund balance available for spending by the County.

- At the end of the year, the General Fund's unassigned fund balance was $13,216,027. The County is not able to assign for cash flow and compensated absences due to Governmental Accounting Standards Board (GASB) 54. The County will pay for compensated absences and cash flow from the unassigned fund balance.

- Total long-term debt decreased by $1,007,595, or 25.6 percent, during the year. The decrease was mainly due to reduction in principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three main sections of this report are: introductory, financial, and supplementary. The introductory section 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 presentations for the County's major special revenue funds and the General Fund. Other supplementary information is included to enhance reader understanding of the County's 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 Position presents information on all County assets and deferred outflows of resources (what we own), and liabilities and deferred inflows of resources (what we owe). The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as net position. Over time, changes in net position may be an indication of an improving or deteriorating County financial position.

The Statement of Activities presents information on the change in net position 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. Included in governmental activities are:

- general government,
- public safety,
- highways and streets,
- human services,
- health,
- sanitation,
- culture and recreation,
- conservation of natural resources, and
- economic development.

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 all funds, and budgetary comparison schedules are presented for each fund. The Recycling and Solid Waste Special Revenue Fund was created in 2016.

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 position may be a useful indicator of a government's financial position over time. As of December 31, 2016, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $94.3 million. The following table provides a summary of Winona County's governmental net position.

Governmental Net Position

	2016	2015	Percent Change (%)
Assets			
Current and other assets	$ 29,181,051	$ 32,193,921	(9)
Capital assets	88,185,605	90,441,673	(2)
Total Assets	$ 117,366,656	$ 122,635,594	(4)
Deferred Outflows of Resources			
Deferred pension outflows	$ 12,339,789	$ 1,940,671	536
Liabilities			
Current and other liabilities	$ 2,757,276	$ 2,435,070	13
Long-term liabilities	29,662,094	18,983,879	56
Total Liabilities	$ 32,419,370	$ 21,418,949	51
Deferred Inflows of Resources			
Deferred pension inflows	$ 2,988,509	$ 1,643,484	82
Net position			
Net investment in capital assets	$ 85,268,536	$ 86,559,065	(1)
Restricted	5,965,147	5,537,677	8
Unrestricted	3,064,883	9,417,090	(67)
Total Net Position	$ 94,298,566	$ 101,513,832	(7)

The largest portion of Winona County's net position, 90.4 percent, or $85.3 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 $6.0 million of the County's net position, or 6.3 percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as public safety projects.

The remaining $3.0 million of net position, or 3.3 percent, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2016, Winona County had positive balances in all categories of net position.

Change in net position--In 2016, government-wide expenses exceeded revenues by $7.2 million, thereby decreasing net position. Net position changed as follows:

Change in Net Position

	2016	2015	Percent Change (%)
Revenues			
Program revenues			
Fees, charges, fines, and other	$ 3,065,095	$ 4,462,400	(31)
Operating grants and contributions	15,736,602	15,210,171	3
Capital grants and contributions	281,610	2,642,722	(89)
General revenues			
Property taxes	16,306,011	15,724,256	4
Grants and contributions not restricted to specific programs	2,997,904	2,930,822	2
Unrestricted investment earnings	163,563	168,188	(3)
Other	570,049	588,495	(3)
Total Revenues	$ 39,120,834	$ 41,727,054	(6)
Expenses			
General government	$ 8,791,185	$ 9,267,262	(5)
Public safety	8,905,864	7,032,794	27
Highways and streets	10,660,427	9,856,864	8
Sanitation	1,296,259	1,285,382	1
Human services	13,930,141	12,705,232	10
Health	1,363,787	1,480,487	(8)
Interest	99,189	138,064	(28)
Other	1,289,248	987,902	31
Total Expenses	$ 46,336,100	$ 42,753,987	8

	2016	2015	Percent Change (%)
Change in Net Position	$ (7,215,266)	$ (1,026,933)	(603)
Net Position, Restated - January 1	101,513,832	102,540,765*	(1)
Net Position - December 31	$ 94,298,566	$ 101,513,832	(7)

*Amount includes a change in accounting principles.

The following three statements depict relationships:

- Program revenues indicate the proportion of program revenues available to fund expenses. Program revenues derive from the program itself or outside the County's taxpayers or citizenry and help reduce the cost of the program.

- General revenues by source indicate the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 42 percent of the total revenue for the County.

- Expense by function depicts the relationship between governmental activities functions. Property taxes of $16.3 million are leveraged to provide $46.3 million in services.

Governmental activities decreased Winona County's net position by $7.2 million, which is 18 percent of current year revenues, 16 percent of current year expenses, or 7 percent of beginning net position. The following is the major component of this decrease:

- overall, expenses increased by 8.4 percent from 2015 to 2016 due to an increase in pension expense.

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, 2016, the combined ending fund balances of governmental funds were $23.7 million. Approximately 79.6 percent, or $18.9 million, of the combined ending fund balances consists of unassigned and assigned fund balances. Assigned 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 nonspendable or restricted to indicate that it is not available for new spending because it is restricted or in nonspendable form for the following purposes:

- inventories,
- missing heirs,
- debt service,
- forfeited property,
- donations,
- loans receivable, and
- other restricted for specific purposes.

Winona County has five major governmental funds. These funds are: (1) General Fund, (2) Road and Bridge Special Revenue Fund, (3) Community Services Special Revenue Fund, (4) Recycling and Solid Waste Special Revenue Fund, and (5) Capital Projects Fund.

(1) The General Fund is the primary operating fund of Winona County. The General Fund's fund balance was $15.1 million at the end of 2016. Of that amount, $1.6 million is restricted for such items as forfeited property and donations. Nonspendable fund balance of $134.7 thousand is for loans receivable and missing heirs. In addition, the Board of County Commissioners has assigned $82.5 thousand for employee wellness, tobacco settlement, and master gardeners. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unassigned fund balance is $13,216,027, or 81 percent, of 2016 expenditures, while total fund balance is 92 percent of the same amount. The County is not able to assign fund balance for compensated absences and cash flow due to GASB 54. Winona County will use the unassigned amount to cover compensated absences and cash flow. A listing of compensated absences can be obtained in Note 3.C.2. (Compensated Absences). The second purpose is to compare the unrestricted 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 5 months of expenditures. Winona County's General Fund unrestricted fund balance is sufficient to cover almost 11 months of expenditures.

When compared to 2015, the ending fund balance of the General Fund increased $97,105.

(2) The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a $4.7 million fund balance at the end of 2016 that represented a $0.6 million, or 14 percent, increase from 2015. The increase was due to revenues recognized in the current year for the advancement of highway funds.

(3) The Community Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services and health programs supported by federal, state, and local taxpayer dollars. The fund had a $0.5 million fund balance at the end of 2016 representing a $0.5 million, or 51 percent, decrease from the 2015 fund balance. The decrease was due to increased out-of-home placements and mental health costs offset by a transfer from the Capital Improvement Plan Fund to Community Services Special Revenue Fund in the amount of $1.6 million.

(4) The Recycling and Solid Waste Special Revenue Fund exists to account for recycling and solid waste expenditures. The fund was established in 2016, and the fund balance at the end of 2016 was $234 thousand.

(5) The Capital Projects Fund exists to account for construction and capital purchases. The fund balance at the end of 2016 was $517 thousand. The fund balance decreased by $2.4 million. The decrease is due to the Board decision to transfer funds to the Community Services Special Revenue Fund and General Fund.

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

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

General Fund Budgetary Highlights

The Winona County Board of Commissioners approves the budget for all governmental funds for the next year during a December Board meeting. Approval is done by resolution. The most significant budgeted fund is the General Fund.

For 2016, the Board of County Commissioners adopted the following budget:

General Fund	Revenues	Expenditures	Other Sources
Board-adopted (Original)	$ 17,276,689	$ 18,308,189	$ 994,140
Board-adopted (Final)	16,213,189	16,909,976	674,640
Board-adopted (Actual)	15,986,475	16,392,990	503,620

The adopted budget anticipated revenues of $17,276,689, expenditures of $18,308,189, and other financing sources of $994,140. The County established a separate Recycling and Solid Waste Special Revenue Fund in 2016, and the final budget reflects a reduction of $1.0 million of revenues, $1.4 million of expenditures, and $0.3 million of other financing sources that were moved to the new fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Winona County's investment in capital assets for its governmental activities as of December 31, 2016, was $88.2 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.A.3.

	Capital Assets		
	2016	2015	Percent Change (%)
Capital assets not depreciated			
Land	$ 6,138,087	$ 6,138,087	-
Construction in progress	271,498	278,423	(2)
Total capital assets not depreciated	$ 6,409,585	$ 6,416,510	-
Capital assets depreciated			
Buildings	$ 26,276,304	$ 26,276,304	-
Improvements other than buildings	485,641	485,641	-
Machinery, furniture, and equipment	11,462,071	11,478,722	-
Infrastructure	75,824,278	75,824,278	-
Total capital assets depreciated	$ 114,048,294	$ 114,064,945	-

	Capital Assets		
	2016	2015	Percent Change (%)
Less: accumulated depreciation for			
Buildings	$ 4,477,554	$ 4,198,894	7
Improvements other than buildings	258,458	245,284	5
Machinery, furniture, and equipment	6,972,041	6,449,397	8
Infrastructure	20,564,221	19,146,207	7
Total accumulated depreciation	$ 32,272,274	$ 30,039,782	7
Total capital assets depreciated, net	$ 81,776,020	$ 84,025,163	(3)
Governmental Activities Capital Assets, Net	$ 88,185,605	$ 90,441,673	(2)

Outstanding Long-Term Debt

At the end of the current year, Winona County had three general obligation bond issues, a capital lease, and loans.

Outstanding Long-Term Debt

	Governmental Activities	
	2016	2015
Loans	$ 57,376	$ 71,205
Capital lease	96,234	-
General obligation bonds	2,780,000	3,870,000
Total	$ 2,933,610	$ 3,941,205

The outstanding debt listed above for Winona County decreased $1,007,595 mainly due to principal reduction for the 2016 payment.

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

Additional information about Winona County's long-term debt can be found in Notes 3.C.3. to 3.C.5. in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment

The 12-month average for unemployment in 2016 for the U.S., Minnesota, and Winona County was 4.9 percent, 3.8 percent, and 3.6 percent, respectively. This compared to 2015 averages of 5.3 percent, 3.7 percent, and 3.3 percent.

New Construction

New construction for all of Winona County was valued at $39.1 million in 2016, which is payable in 2017.

State Financial Position

The state forecast is better than it has been in previous years. The county program aid for counties will have a slight increase for all counties. At the present time, counties do not have levy limits. There have been no significant mandate reliefs for counties.

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 2018.

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 requests for additional financial information, should be addressed to Patrick Moga, Finance Director, 177 Main Street, Winona, Minnesota 55987. The telephone number is 507-457-8820.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Assets		
Cash and pooled investments	$	23,586,711
Petty cash and change funds		2,950
Taxes receivable - delinquent		382,997
Special assessments receivable - delinquent		19,795
Accounts receivable - net		825,786
Accrued interest receivable		60,717
Loans receivable		1,063,894
Due from other governments		3,001,380
Inventories		236,821
Capital assets		
Non-depreciable		6,409,585
Depreciable - net of accumulated depreciation		81,776,020
Total Assets	**$**	**117,366,656**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**12,339,789**
Liabilities		
Accounts payable	$	1,159,919
Salaries payable		806,713
Contracts payable		462,419
Due to other governments		271,965
Accrued interest payable		40,635
Customer deposits		15,625
Long-term liabilities		
Due within one year		1,430,517
Due in more than one year		3,545,909
Net pension liability		23,406,194
Net other postemployment benefits obligation		1,279,474
Total Liabilities	**$**	**32,419,370**
Deferred Inflows of Resources		
Advance allotments	$	201,066
Deferred pension inflows		2,787,443
Total Deferred Inflows of Resources	**$**	**2,988,509**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Net Position

Net investment in capital assets	$	85,268,536
Restricted for		
General government		837,566
Public safety		707,329
Highways and streets		1,449,135
Culture and recreation		3,713
Debt service		1,218,871
Economic development		1,460,392
Conservation of natural resources		87,548
Loan receivable - non-expendable		57,376
Human services		143,217
Unrestricted		3,064,883
Total Net Position	**$**	**94,298,566**

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, 2016

		Program Revenues			Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 8,791,185	$ 1,362,777	$ 553,687	$ -	$ (6,874,721)
Public safety	8,905,864	550,519	532,546	-	(7,822,799)
Highways and streets	10,660,427	288	6,562,653	281,610	(3,815,876)
Sanitation	1,296,259	941,065	203,908	-	(151,286)
Human services	13,930,141	(746,694)	6,575,365	-	(8,101,470)
Health	1,363,787	852,188	870,172	-	358,573
Culture and recreation	324,960	1,859	-	-	(323,101)
Conservation of natural resources	746,501	67,764	240,292	-	(438,445)
Economic development	217,787	35,329	197,979	-	15,521
Interest	99,189	-	-	-	(99,189)
Total Governmental Activities	**$ 46,336,100**	**$ 3,065,095**	**$ 15,736,602**	**$ 281,610**	**$ (27,252,793)**

General Revenues	
Property taxes	$ 16,306,011
Mortgage registry and deed tax	40,637
Taxes - other	3,629
Payments in lieu of tax	316,050
Grants and contributions not restricted to specific programs	2,997,904
Unrestricted investment earnings	163,563
Miscellaneous	204,960
Gain on sale of capital assets	4,773
Total general revenues	**$ 20,037,527**
Change in net position	**$ (7,215,266)**
Net Position - Beginning	**101,513,832**
Net Position - Ending	**$ 94,298,566**

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

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

WINONA COUNTY
WINONA, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 15,505,416	$ 5,265,574
Petty cash and change funds	2,850	-
Taxes receivable - delinquent	233,054	40,697
Special assessments - delinquent	-	-
Accounts receivable - net	100,228	1,255
Accrued interest receivable	60,717	-
Loans receivable	57,376	-
Due from other funds	18,831	-
Due from other governments	484,090	1,681,316
Inventories	-	236,821
Total Assets	**$ 16,462,562**	**$ 7,225,663**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 296,182	$ 266,209
Salaries payable	479,605	69,756
Contracts payable	-	462,419
Due to other funds	-	-
Due to other governments	206,877	2,294
Customer deposits	15,625	-
Total Liabilities	**$ 998,289**	**$ 800,678**
Deferred Inflows of Resources		
Unavailable revenue	$ 394,355	$ 1,484,147
Advance allotments	-	201,066
Total Deferred Inflows of Resources	**$ 394,355**	**$ 1,685,213**

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

Special Revenue Funds: Community Services	Special Revenue Funds: Recycling and Solid Waste	Capital Projects	Other Governmental Funds	Total
$ 381,104	$ 254,295	$ 514,633	$ 1,665,689	$ 23,586,711
100	-	-	-	2,950
74,157	-	8,112	26,977	382,997
-	19,795	-	-	19,795
662,967	61,336	-	-	825,786
-	-	-	-	60,717
-	-	-	1,006,518	1,063,894
-	-	-	-	18,831
835,778	196	-	-	3,001,380
-	-	-	-	236,821
$ 1,954,106	**$ 335,622**	**$ 522,745**	**$ 2,699,184**	**$ 29,199,882**
$ 523,047	$ 73,881	$ -	$ 600	$ 1,159,919
247,337	10,015	-	-	806,713
-	-	-	-	462,419
18,831	-	-	-	18,831
62,794	-	-	-	271,965
-	-	-	-	15,625
$ 852,009	**$ 83,896**	**$ -**	**$ 600**	**$ 2,735,472**
$ 621,104	$ 17,752	$ 6,201	$ 19,909	$ 2,543,468
-	-	-	-	201,066
$ 621,104	**$ 17,752**	**$ 6,201**	**$ 19,909**	**$ 2,744,534**

WINONA COUNTY
WINONA, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)	General	Road and Bridge
Fund Balances		
Nonspendable		
Inventories	$ -	$ 236,821
Missing heirs	77,309	-
Loans receivable	57,376	-
Restricted for		
Debt service	-	-
Law library	35,491	-
Apple Blossom Drive	3,713	-
Recorder's unallocated equipment purchases	321,327	-
Recorder's equipment purchases	369,131	-
Enhanced 911	441,830	-
Criminal justice coordination council	3,397	-
Farmer's market	588	-
Safety project	12,490	-
Veterans	15,251	-
Restorative justice	28,254	-
Sheriff's contingency	5,000	-
DARE	6,774	-
Sheriff's forfeited property	4,502	-
Attorney's forfeited property	82,294	-
Explorer post	332	-
Police dog donations	2,222	-
Permits to carry	215,350	-
Child protection	-	-
Aquatic invasive species	87,548	-
Southeast together project	1,250	-
Economic development	-	-
Assigned		
Master gardeners	8,979	-
Highways and streets	-	4,502,951
Capital improvements	-	-
Health and human services	-	-
Recycling	-	-
Employee wellness	13,627	-
Tobacco settlement	59,856	-
Unassigned	13,216,027	-
Total Fund Balances	**$ 15,069,918**	**$ 4,739,772**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 16,462,562**	**$ 7,225,663**

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

Special Revenue Funds: Community Services	Special Revenue Funds: Recycling and Solid Waste	Capital Projects	Other Governmental Funds	Total
$ -	$ -	$ -	$ -	$ 236,821
-	-	-	-	77,309
-	-	-	-	57,376
-	-	-	1,218,871	1,218,871
-	-	-	-	35,491
-	-	-	-	3,713
-	-	-	-	321,327
-	-	-	-	369,131
-	-	-	-	441,830
-	-	-	-	3,397
-	-	-	-	588
-	-	-	-	12,490
-	-	-	-	15,251
-	-	-	-	28,254
-	-	-	-	5,000
-	-	-	-	6,774
-	-	-	-	4,502
-	-	-	-	82,294
-	-	-	-	332
-	-	-	-	2,222
-	-	-	-	215,350
143,217	-	-	-	143,217
-	-	-	-	87,548
-	-	-	-	1,250
-	-	-	1,459,804	1,459,804
-	-	-	-	8,979
-	-	-	-	4,502,951
-	-	516,544	-	516,544
337,776	-	-	-	337,776
-	233,974	-	-	233,974
-	-	-	-	13,627
-	-	-	-	59,856
-	-	-	-	13,216,027
$ 480,993	**$ 233,974**	**$ 516,544**	**$ 2,678,675**	**$ 23,719,876**
$ 1,954,106	**$ 335,622**	**$ 522,745**	**$ 2,699,184**	**$ 29,199,882**

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		**$ 23,719,876**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		88,185,605
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		12,339,789
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.		2,543,468
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	$ (2,780,000)	
Loans payable	(57,376)	
Bond discount	982	
Bond premium	(7,286)	
Capital leases payable	(96,234)	
Net other postemployment benefits obligation	(1,279,474)	
Net pension liability	(23,406,194)	
Accrued interest payable	(40,635)	
Compensated absences	(2,036,512)	(29,702,729)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,787,443)
Net Position of Governmental Activities (Exhibit 1)		**$ 94,298,566**

WINONA COUNTY
WINONA, MINNESOTA

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

	General	Special Road and Bridge
Revenues		
Taxes	$ 9,955,463	$ 1,623,546
Special assessments	-	-
Licenses and permits	269,213	-
Intergovernmental	3,812,807	7,398,607
Charges for services	1,431,566	-
Fines and forfeits	25,631	-
Gifts and contributions	30,748	-
Investment earnings	164,707	-
Miscellaneous	296,340	61,065
Total Revenues	**$ 15,986,475**	**$ 9,083,218**
Expenditures		
Current		
General government	$ 7,939,833	$ 52,681
Public safety	7,156,354	-
Highways and streets	-	8,178,698
Sanitation	-	-
Human services	-	-
Health	99,127	-
Culture and recreation	324,960	-
Conservation of natural resources	657,365	-
Economic development	215,351	-
Intergovernmental		
Highways and streets	-	265,483
Capital outlay		
Public safety	-	-
Highways and streets	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
Total Expenditures	**$ 16,392,990**	**$ 8,496,862**
Excess of Revenues Over (Under) Expenditures	**$ (406,515)**	**$ 586,356**
Other Financing Sources (Uses)		
Transfers in	$ 833,560	$ -
Transfers out	(334,713)	(9,108)
Capital lease issued	-	-
Proceeds from sale of capital assets	4,773	-
Total Other Financing Sources (Uses)	**$ 503,620**	**$ (9,108)**
Change in Fund Balance	**$ 97,105**	**$ 577,248**
Fund Balance - January 1	**14,972,813**	**4,146,860**
Increase (decrease) in reserved for inventories	**-**	**15,664**
Fund Balance - December 31	**$ 15,069,918**	**$ 4,739,772**

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

Revenue Funds Community Services	Recycling and Solid Waste	Capital Projects	Other Governmental Funds	Total
$ 3,335,750	$ -	$ 302,391	$ 1,122,633	$ 16,339,783
-	273,548	-	9,999	283,547
30,400	704	-	-	300,317
8,158,250	203,908	7,352	27,292	19,608,216
819,732	695,768	275,781	-	3,222,847
550	-	-	-	26,181
-	-	-	-	30,748
-	-	-	32,225	196,932
313,329	398	-	1,144	672,276
$ 12,658,011	**$ 1,174,326**	**$ 585,524**	**$ 1,193,293**	**$ 40,680,847**
$ -	$ -	$ 107,531	$ -	$ 8,100,045
-	-	3,390	-	7,159,744
-	-	178,794	-	8,357,492
-	1,275,065	-	-	1,275,065
13,443,105	-	43,750	-	13,486,855
1,269,195	-	-	-	1,368,322
-	-	-	-	324,960
-	-	-	-	657,365
-	-	-	2,436	217,787
-	-	-	-	265,483
-	-	249,789	-	249,789
-	-	85,305	-	85,305
-	-	27,080	1,103,829	1,130,909
-	-	-	116,961	116,961
-	-	-	3,925	3,925
$ 14,712,300	**$ 1,275,065**	**$ 695,639**	**$ 1,227,151**	**$ 42,800,007**
$ (2,054,289)	**$ (100,739)**	**$ (110,115)**	**$ (33,858)**	**$ (2,119,160)**
$ 1,600,000	$ 334,713	$ -	$ -	$ 2,768,273
(55,476)	-	(2,368,976)	-	(2,768,273)
-	-	123,314	-	123,314
-	-	-	-	4,773
$ 1,544,524	**$ 334,713**	**$ (2,245,662)**	**$ -**	**$ 128,087**
$ (509,765)	**$ 233,974**	**$ (2,355,777)**	**$ (33,858)**	**$ (1,991,073)**
990,758	**-**	**2,872,321**	**2,712,533**	**25,695,285**
-	-	-	**-**	**15,664**
$ 480,993	**$ 233,974**	**$ 516,544**	**$ 2,678,675**	**$ 23,719,876**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 6

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

Net change in fund balance - total governmental funds (Exhibit 5)		**$ (1,991,073)**
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 unavailable. 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 unavailable revenue.		
Unavailable revenue - December 31	$ 2,543,468	
Unavailable revenue - January 1	(4,119,594)	(1,576,126)
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	$ 333,059	
Net book value of assets disposed of	(9,446)	
Current depreciation	(2,579,681)	(2,256,068)
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.		
Principal repayments		
General obligation bonds	$ 1,090,000	
Loans	13,829	
Capital lease	27,080	
Loans issued	(123,314)	1,007,595
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 other postemployment benefits obligation	$ (119,136)	
Change in accrued interest payable	15,393	
Change in compensated absences	(58,657)	
Change in net pension liability	(11,514,321)	
Change in deferred outflows of resources	10,399,118	
Change in deferred inflows of resources	(1,143,959)	
Change in inventories	15,664	
Amortization of premiums/discounts	6,304	(2,399,594)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ (7,215,266)**

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

FIDUCIARY FUNDS

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	HC Garvin Private-Purpose Trust	Agency Funds
Assets		
Cash and pooled investments	$ -	$ 1,676,533
Investments	47,715	-
Total Assets	**$ 47,715**	**$ 1,676,533**
Liabilities		
Accounts payable	$ -	$ 511,338
Due to other governments	-	1,165,195
Total Liabilities	**$ -**	**$ 1,676,533**
Net Position		
Net position, held in trust	**$ 47,715**	

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

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	HC Garvin Private-Purpose Trust
Additions	
Interest on investments	$ 247
Deductions	
Payments in accordance with trust agreements	247
Change in net position	**$ -**
Net Position - January 1	**47,715**
Net Position - December 31	**$ 47,715**

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
The Winona County Economic Development Authority (EDA) provides for development within the County pursuant to Minn. Stat. § 469.1082.	The County appoints the EDA Board members, and management of the County has operational responsibility.	Separate financial statements are not prepared.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures, Jointly-Governed Organizations, and Related Organization

The County participates in joint ventures described in Note 5.C. The County also participates in jointly-governed organizations and a related organization described in Note 5.D. and Note 5.E., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government. 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.

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

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.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

The Community Services Special Revenue Fund accounts for restricted revenues from the federal and state government, and other oversight agencies, as well as property tax revenues used for economic assistance and community social services programs.

The Recycling and Solid Waste Special Revenue Fund accounts for restricted and assigned revenues from special assessments, state government, and hauler fees. These revenues are used for recycling and solid waste expenses.

The Capital Projects Fund accounts for financial resources for capital acquisition, construction, or improvement of capital facilities.

Additionally, the County reports the following fund types:

The Debt Service Fund accounts for all financial resources restricted for the payment of principal, interest, and related costs of long-term bonded debt.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Private-Purpose Trust Fund accounts 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.

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 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. Issuances 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.

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

Winona County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2016 were $149,729.

2. Receivables and Payables

Activity between funds 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 nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. There were no advances in 2016.

1. Summary of Significant Accounting Policies

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

      2. Receivables and Payables (Continued)

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.

Accounts receivable is shown net of an allowance for uncollectible balances.

      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.

      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 acquisition 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.

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

Capital Asset Category	Useful Life (Years)
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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual, vacation, 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. The current portion is calculated using the average percentage of employee turnovers in the current and prior years.

1. Summary of Significant Accounting Policies

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

6. Unearned Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. There was no unearned revenue in 2016.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental 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.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, which qualifies for reporting in this category. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, differences between projected and actual earnings on pension plan investments, pension changes in actuarial assumptions, differences between expected and actual economic experience, and pension plan changes in proportionate share. No deferred outflows of resources affect the governmental funds financial statements in the current year.

1. Summary of Significant Accounting Policies

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

      8. Deferred Outflows/Inflows of Resources (Continued)

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

      9. Pension Plan

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

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

Minimum Fund Balance Policy

Winona County has adopted a Minimum Fund Balance Policy. Winona County shall maintain a minimum unrestricted fund balance for all funds excluding fiduciary (trust and pension), special revenue, debt service, and permanent funds, of approximately five months of projected operating expenditures.

12. Use of Estimates

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

During the year ended December 31, 2016, the County increased their estimate of allowance for uncollectible accounts with respect to human service receivables. The County utilized a new collection system and analyzed the collection rates and determined that they should increase the estimate for allowance for uncollectible accounts based on the historical collection rates. The revised method has been applied to the current year and resulted in negative miscellaneous-human service revenues of $1,120,871.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The Debt Service Fund expenditures of $1,224,715 exceeded the final budget of $1,209,810 by $14,905, due to no budget for septic loans.

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 position		
Governmental activities		
Cash and pooled investments	$	23,586,711
Petty cash and change funds		2,950
Statement of fiduciary net position		
Private-purpose trust		
Investments		47,715
Agency		
Cash and pooled investments		1,676,533
Total Cash and Investments	$	25,313,909

Deposits	$	14,443,546
Petty cash and change funds	$	2,950
Negotiable securities	$	7,017,653
Mutual funds		3,849,760
Total investments	$	10,867,413
Total Deposits, Cash on Hand, and Investments	$	25,313,909

a. Deposits

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to follow state law, which requires that all deposits be insured or collateralized. As of December 31, 2016, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. 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%

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2016, the County had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1 to 3 Years
Investments subject to interest rate risk			
Negotiable securities	$ 7,017,653	$ 2,934,338	$ 4,083,315
Investments not subject to interest rate risk			
Mutual funds	3,849,760		
Total Investments	$ 10,867,413		

Credit Risk

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

The County's exposure to credit risk as of December 31, 2016, is as follows:

Standard & Poor's Rating	
AAAm	$ 815,442
Not rated	3,034,318
Not applicable	7,017,653
Total	$ 10,867,413

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy limits the dollar amount invested in securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name to no more than ten percent at any time during the year. As of December 31, 2016, the County has investments exposed to custodial credit risk in the amount of $5,228,531.

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. There are no investments in a single issuer that have more than a five percent concentration of total investments.

Fair Value Measurement

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurement (Continued)

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

		Fair Value Measurements Using		
	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Negotiable certificates of deposit	$ 7,017,653	$ -	$ 7,017,653	$ -
Investments measured at the net asset value (NAV)				
Money market mutual fund	$ 815,442			
MAGIC Portfolio	3,034,318			
Total Investments Measured at the NAV	$ 3,849,760			

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted as a NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurement (Continued)

MAGIC Portfolio is valued using amortized costs. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet the redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

The County invests in money market funds for the benefit of liquid investments that can be readily re-invested or made available for use. Money market funds held by the County seek a constant net asset value (NAV) of $1.00 per share. The money market fund reserves the right to require one or more days' prior notice before permitting withdrawals.

2. Receivables

Receivables as of December 31, 2016, for Winona County's governmental activities, including the applicable allowances for uncollectibles (Community Services Special Revenue Fund) accounts, are as follows:

	Receivable (Gross)	Less: Allowance for Uncollectibles	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	$ 382,997	$ -	$ 382,997	$ -
Special assessments	19,795	-	19,795	-
Accounts	10,308,037	(9,482,251)	825,786	-
Interest	60,717	-	60,717	-
Loans receivable	1,063,894	-	1,063,894	926,842
Due from other governments	3,001,380	-	3,001,380	-
Total Governmental Activities	$ 14,836,820	$ (9,482,251)	$ 5,354,569	$ 926,842

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

The loans receivable of $2,829 in the EDA Loan Special Revenue Fund were made with funding through the State of Minnesota to help qualified businesses directly and adversely affected by the 2007 flood. The principal and interest payments received from the 2007 disaster loans must be used to establish and maintain a revolving loan fund that must be used to further economic development in the County. The County has loaned out $1,003,689 from the revolving loan fund. Also, there are loans receivable of $57,376 in the General Fund. The County received a state grant to assist property owners that had failing septic systems. The loans receivable balance includes $137,052 to be collected in the subsequent year, $125,861 for the EDA Loan Special Revenue Fund loans, and $11,191 for the General Fund loans.

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 6,138,087	$ -	$ -	$ 6,138,087
Construction in progress	278,423	60,040	66,965	271,498
Total capital assets not depreciated	$ 6,416,510	$ 60,040	$ 66,965	$ 6,409,585
Capital assets depreciated				
Buildings	$ 26,276,304	$ -	$ -	$ 26,276,304
Improvements other than buildings	485,641	-	-	485,641
Machinery, furniture, and equipment	11,478,722	339,984	356,635	11,462,071
Infrastructure	75,824,278	-	-	75,824,278
Total capital assets depreciated	$ 114,064,945	$ 339,984	$ 356,635	$ 114,048,294
Less: accumulated depreciation for				
Buildings	$ 4,198,894	$ 278,660	$ -	$ 4,477,554
Improvements other than buildings	245,284	13,174	-	258,458
Machinery, furniture, and equipment	6,449,397	869,833	347,189	6,972,041
Infrastructure	19,146,207	1,418,014	-	20,564,221
Total accumulated depreciation	$ 30,039,782	$ 2,579,681	$ 347,189	$ 32,272,274
Total capital assets depreciated, net	$ 84,025,163	$ (2,239,697)	$ 9,446	$ 81,776,020
Governmental Activities Capital Assets, Net	$ 90,441,673	$ (2,179,657)	$ 76,411	$ 88,185,605

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	$	350,692
Public safety		356,818
Highways and streets, including depreciation of infrastructure assets		1,854,116
Health		1,372
Human services		1,238
Sanitation		5,120
Conservation of natural resources		10,325
Total Depreciation Expense - Governmental Activities	$	2,579,681

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community Services Fund	$ 18,831

These balances reflect the interfund goods and services provided and not paid at year-end but expected to be paid in the subsequent year.

3. Detailed Notes on All Funds

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

2. Interfund Transfers

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

Fund From	Fund To	Amount	
Road and Bridge Fund	General Fund	$ 9,108	Transfer retiree insurance
Community Services Fund	General Fund	55,476	Transfer retiree insurance
Capital Improvement Fund	General Fund	768,976	Transfer funds
Capital Improvement Fund	Human Services Fund	1,600,000	Transfer funds
General Fund	Recycling and Solid Waste Fund	334,713	New fund
Total Transfers		$ 2,768,273	

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2016. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	$ 277,370	$ 13,961

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Compensated Absences

Employees have the option to take a cash payout or to opt for the other postemployment benefits option. Employees who leave in good standing with more than ten years of service and who have a minimum accumulation of 920 hours of unused sick leave may opt for a cash option. Department heads have the cash option with a minimum of 800 hours. This option does not apply to the Professionals Union, and nonunion employees do not qualify.

The value of the compensated absences cash payout option for eligible employees at the end of 2016 is $762,708. For governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, Community Services Special Revenue Fund, and the Recycling and Solid Waste Special Revenue Fund.

3. Long-Term Debt

Bonds

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General obligation bonds					
2010 G.O. Capital Improvement Plan Bonds	2021	$225,000 - $265,000	2.00 - 4.00	$ 2,400,000	$ 1,260,000
2009A G.O. Capital Improvement Plan Refunding Bonds	2024	$25,000 - $445,000	2.00 - 4.00	3,735,000	1,060,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	$400,000 - $460,000	4.00	3,435,000	460,000
Total General Obligation Bonds				$ 9,570,000	$ 2,780,000

Debt payments for the above debt are being made from the Debt Service Fund.

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
South Branch Whitewater River Watershed Bacteria Reduction Project Loan Payable	2018	$3,958 - $7,799	2.00	$ 69,472	$ 26,896
Ag Best Management Loan Program	2024	$3,312 - $6,335	-	36,963	30,480
Total Loans Payable				$ 106,435	$ 57,376

Beginning in 2014, Ag Best funds were received through the Minnesota Department of Agriculture. The loan terms are ten years with no interest. The County is required to repay the Minnesota Department of Agriculture. All loans are secured by special assessments placed on the individual parcels requesting repair of a failing system. Loan payments are made from the General Fund and Debt Service Fund.

Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of certain equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at December 31, 2016.

	Maturity	Installment	Payment Amount	Original	Balance
L-3 video equipment	2020	Yearly	$ 27,080	$ 123,314	$ 96,234

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016, were as follows:

Year Ending December 31	Governmental Activities
2017	$ 27,080
2018	27,080
2019	27,080
2020	27,080
Less: amount representing interest	(12,086)
Present Value of Minimum Lease Payments	$ 96,234

The lease is paid from the Capital Projects Fund.

4. Debt Service Requirements

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

Year Ending December 31	General Obligation Revenue Bonds		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2017	$ 240,000	$ 40,925	$ 895,000	$ 37,237
2018	245,000	32,738	445,000	14,281
2019	250,000	24,075	30,000	6,525
2020	260,000	15,150	25,000	5,500
2021	265,000	5,300	25,000	4,500
2022 - 2026	-	-	100,000	6,200
Total	$ 1,260,000	$ 118,188	$ 1,520,000	$ 74,243

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Year Ending December 31	Loans Payable Principal		Loans Payable Interest	
2017	$	10,907	$	501
2018		11,162		350
2019		11,421		196
2020		7,691		40
2021		3,846		-
2022 - 2026		12,349		-
Total	$	57,376	$	1,087

5. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 3,870,000	$ -	$ 1,090,000	$ 2,780,000	$ 1,135,000
Premium on bonds	14,572	-	7,286	7,286	-
Discounts on bonds	(1,964)	-	(982)	(982)	-
Total bonds payable	$ 3,882,608	$ -	$ 1,096,304	$ 2,786,304	$ 1,135,000
Loans payable	71,205	-	13,829	57,376	10,907
Capital lease payable	-	123,314	27,080	96,234	22,359
Compensated absences	1,977,855	1,644,126	1,585,469	2,036,512	262,251
Governmental Activities Long-Term Liabilities	$ 5,931,668	$ 1,767,440	$ 2,722,682	$ 4,976,426	$ 1,430,517

6. Conduit Debt

The Southeast Minnesota Multi-County HRA issued $2,095,000 Housing Development Revenue Refunding Bonds (Winona County, Minnesota Unlimited Tax General Obligation), Series 2016A, on October 12, 2016. The purpose of the issuance was to refund the Authority's $1,960,000 Housing Development Revenue Refunding Bonds (Winona County, Minnesota Unlimited Tax General Obligation), Series 2007A.

3. Detailed Notes on All Funds (Continued)

D. Deferred Outflows/Inflows of Resources

1. Deferred Outflows

Governmental funds did not report deferred outflows of resources for the year ended December 31, 2016.

2. Deferred Inflows

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

Taxes	$	281,257
Special assessments		17,752
Intergovernmental		1,551,817
Miscellaneous		692,642
Total Unavailable Revenue	$	2,543,468

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

1. 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 General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

1. Plan Description (Continued)

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

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

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

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

2. Benefits Provided (Continued)

consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

2. Benefits Provided (Continued)

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

3. Contributions

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

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

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

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

3. Contributions (Continued)

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

General Employees Retirement Plan	$	940,629
Public Employees Police and Fire Plan		202,823
Public Employees Correctional Plan		129,902

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of $15,573,209 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.1918 percent. It was 0.1965 percent measured as of June 30, 2015. The County recognized pension expense of $1,992,892 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $60,645 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

County's proportionate share of the net pension liability	$	15,573,209
State of Minnesota's proportionate share of the net pension liability associated with the County		60,645
Total	$	15,633,854

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 1,273,279
Changes in actuarial assumptions	3,049,248	-
Difference between projected and actual investment earnings	2,973,156	-
Changes in proportion	-	650,085
Contributions paid to PERA subsequent to the measurement date	481,145	-
Total	$ 6,503,549	$ 1,923,364

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The $481,145 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 1,043,888
2018	1,043,888
2019	1,448,732
2020	562,532

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of $5,056,599 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.126 percent. It was 0.140 percent measured as of June 30, 2015. The County recognized pension expense of $826,499 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $11,340 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 600,725
Changes in actuarial assumptions	2,782,868	-
Difference between projected and actual investment earnings	792,460	-
Changes in proportion	-	233,365
Contributions paid to PERA subsequent to the measurement date	108,125	-
Total	$ 3,683,453	$ 834,090

The $108,125 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 589,834
2018	589,834
2019	589,834
2020	520,545
2021	451,191

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of $2,776,386 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.76 percent. It was 0.76 percent measured as of June 30, 2015. The County recognized pension expense of $785,107 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,174	$ 29,989
Changes in actuarial assumptions	1,768,892	-
Difference between projected and actual investment earnings	311,936	-
Changes in proportion	755	-
Contributions paid to PERA subsequent to the measurement date	69,030	-
Total	$ 2,152,787	$ 29,989

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      4. Pension Costs

         Public Employees Correctional Plan (Continued)

         The $69,030 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 659,844
2018	659,844
2019	674,462
2020	59,618

         Total Pension Expense

         The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was $2,438,105.

      5. Actuarial Assumptions

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

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

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

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2017, estimate of pension liability.

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 22,118,572	4.60%	$ 7,078,568	4.31%	$ 4,180,380
Current	7.50	15,573,209	5.60	5,056,599	5.31	2,776,386
1% Increase	8.50	10,181,611	6.60	3,404,497	6.31	1,680,299

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

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

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

	Employee	Employer
Contribution amount	$ 9,925	$ 9,925
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

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 the Southeast Service Cooperative, is the claims administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible 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.

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, 2016, 21 retirees were receiving health benefits from the County's health plan. As of year-end, the County has 12 participants. Some 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 may convert it to paid-up health insurance for the employee only, according to the following schedule:

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

The County is offering a Phased Retirement Incentive Program (PRIP). The Winona County PRIP is designed to provide employees who wish to retire/resign an option to do so by offering some extra financial incentive. The program is intended to aid the County in responding, in part, to the current budget challenges by offering a phased retirement program contingent upon retirement/resignation with the intent of not filling either the vacated position or another position within the organization as well as recognizing other significant savings. The ultimate goal of the program is to reduce expenditures by working with employees to find system efficiencies within the organization and, therefore, reducing the local tax burden to the citizens.

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 2016-88. The County had no participants in 2016.

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligations

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

ARC	$ 443,818
Interest on net OPEB obligation	46,414
Adjustment to ARC	(65,799)
Annual OPEB cost	$ 424,433
Contributions during the year	(305,297)
Increase (Decrease) in net OPEB obligation	$ 119,136
Net OPEB - Beginning of Year	1,160,338
Net OPEB - End of Year	$ 1,279,474

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed (%)	Net OPEB Obligation
December 31, 2014	$ 474,976	$ 389,614	82.03%	$ 1,081,542
December 31, 2015	420,996	342,170	81.28	1,160,338
December 31, 2016	424,433	305,297	71.93	1,279,474

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

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, 2015	$ -	$ 3,766,447	$ 3,766,447	0.00%	$ 13,685,489	27.52%

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

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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, actuarial valuation, the Projected Unit Credit Actuarial Method was used. The actuarial assumptions included a 4.0 percent discount rate (net of expenses), including an inflation assumption of 2.5 percent and an annual health care cost rate of 7.25 percent initially, and reduced incrementally to an ultimate rate of 5.0 percent after 9 years. The initial unfunded actuarial accrued liability is being amortized as a level dollar amount over a closed period (not to exceed 30 years) beginning in 2008.

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 Intergovernmental 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 $500,000 per claim in 2016 and 2017. 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.

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

Wabasha and Goodhue Counties formed the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (HRA) for the purposes of providing housing and redevelopment services to southeastern Minnesota counties pursuant to Minn. Stat. § 471.59. Winona and Dodge Counties later joined the HRA. The governing body consists of an eight-member Board of Commissioners. Two Commissioners were appointed by each of the County Boards. The HRA adopts its own budget.

In 1994, the Dodge County Commissioners appointed a member to the HRA Board for a five-year term expiring in 1999. The County has not appointed a member for the vacancy starting in 1999. Dodge County has requested to be released from this HRA. Winona County made $121,077 in contributions to the operations of the HRA in 2016 in the form of a tax levy.

Financial statements for the HRA may be obtained at its office at 134 East 2nd Street, Wabasha, Minnesota 55981.

5. Summary of Significant Contingencies and Other Items

   C. Joint Ventures (Continued)

      Winona County Family Service Collaborative

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

      The Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. The Collaborative had $131,300 of expenditures in 2016.

      Separate financial information can be obtained at http://www.winonak12.mn.us, or Winona Area Public Schools, 903 Gilmore Avenue, Winona, Minnesota 55987.

      Southeast Minnesota Regional Emergency Communications Board

      The Southeast Minnesota Regional Emergency Communications Board was established April 16, 2008, as provided by Minn. Stat. §§ 403.39 and 471.59. This joint powers between Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties and the City of Rochester serves to provide regional administration of enhancement to the allied Radio Matrix for Emergency Response (ARMER) system owned and operated by the State of Minnesota and enhance and improve interoperable public safety communications.

      Control of the Southeast Minnesota Regional Emergency Communications Board is vested in a Joint Powers Board that is composed of one County Commissioner from each of the participating counties and one City Council member from the participating city.

      The financial activities of the Board are accounted for by Olmsted County as fiscal agent. During the year, Winona County paid $1,000 to the Board.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southeast Minnesota Violent Crime Enforcement Team

The Southeast Minnesota Violent Crime Enforcement Team was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Wabasha, and Winona Counties along with the Cities of Austin, Kasson, Lake City, Red Wing, and Winona. The Enforcement Team's mission is to work cooperatively in the enforcement of controlled substance laws and violent crime-related offenses.

The Enforcement Team is governed by a governing board with members consisting of the Chief Law Enforcement Officer from each member, or his or her designee, and an attorney appointed by the governing board.

During the year, Winona County paid $6,000 to the Enforcement Team.

Separate financial information can be obtained from Southeast Minnesota Violent Crime Enforcement Team, 101 - 4th Street Southeast, Rochester, Minnesota 55904.

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 Resource Board was formed by Dodge, Fillmore, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of this joint powers board is to receive and expend state and nonprofit grants and other related funds for the purpose of comprehensive water management planning. The governing body consists of 18 members. Two Commissioners were appointed from each of the participating County Boards, except for Mower and Wabasha Counties, who each appoint one member. Olmsted County acts as the fiscal agent. During the year, Winona County made payments of $4,500 to the Board.

Complete financial statements for the Water Resources Board can be obtained at P. O. Box 5838, Winona, Minnesota 55987.

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeast Minnesota Emergency Medical Services

The Southeast Minnesota Emergency Medical Services (SEEMS) Joint Powers Board consists of Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of SEEMS is to ensure quality patient care is available throughout the 11-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each member county appoints one member for the Joint Powers Board. Winona County did not contribute to SEEMS in 2016.

Southeastern Libraries Cooperative

The Southeastern Libraries Cooperative provides library services to counties and cities in southeastern Minnesota. During the year, the County paid $10,984 to the Southeastern Libraries Cooperative.

Southeastern Minnesota Community Action Council

The Southeastern Minnesota Community Action Council (SEMCAC) provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. During the year, Winona County made payments of $113,539 to SEMCAC.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Winona County expended $132,149 to MCCC.

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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 $7,906 payment to the Joint Powers Board.

Southeast Service Cooperative

The Southeast Services Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, Winona County made payments of $1,250 to the Cooperative.

Sentence to Serve Program

Winona County, in conjunction with other local governments, participates in the State of Minnesota's Sentencing to Service (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Winona County has no operational or financial control over the STS program, Winona County budgets 75 percent of the program cost for the Sentence to Serve Program. During the year, Winona County made payments of $120,531.

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

The Region One - Southeast Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. There are 16 counties participating, with one member from each entity being represented on the Joint Powers Board. Winona County's responsibility does not extend beyond making this appointment.

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Minnesota Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Winona County made no payments to the joint powers.

Southeast Minnesota Immunization Connection

The Southeast Minnesota Immunization Connection (SEMIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Winona County did not contribute to the SEMIC during 2016.

E. Related Organization

Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2016, the County settled with Watershed Number One for property taxes collected in the amount of $15,119.

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REQUIRED SUPPLEMENTARY INFORMATION

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 10,123,421	$ 10,123,421	$ 9,955,463	$ (167,958)
Special assessments	280,000	-	-	-
Licenses and permits	203,543	203,543	269,213	65,670
Intergovernmental	3,409,391	3,236,891	3,812,807	575,916
Charges for services	2,583,573	1,995,573	1,431,566	(564,007)
Fines and forfeits	18,850	18,850	25,631	6,781
Gifts and contributions	11,125	11,125	30,748	19,623
Investment earnings	121,000	121,000	164,707	43,707
Miscellaneous	525,786	502,786	296,340	(206,446)
Total Revenues	**$ 17,276,689**	**$ 16,213,189**	**$ 15,986,475**	**$ (226,714)**
Expenditures				
Current				
General government				
Commissioners	$ 187,317	$ 187,317	$ 184,180	$ 3,137
Courts	120,707	120,707	204,928	(84,221)
Law library	45,000	45,000	20,519	24,481
Drug court	95,591	95,591	59,960	35,631
County administration	415,153	415,153	488,681	(73,528)
County auditor/treasurer	224,850	224,850	218,735	6,115
Non-department	222,341	222,341	401,307	(178,966)
License bureau	251,323	251,323	268,053	(16,730)
County treasurer	533,579	533,579	518,464	15,115
Insurances	471,859	471,859	358,411	113,448
Elections	76,800	76,800	92,125	(15,325)
Accounting and auditing	569,700	569,700	535,223	34,477
Data processing	930,773	930,773	795,381	135,392
Personnel	672,459	672,459	627,485	44,974
Attorney	1,477,874	1,477,874	1,213,872	264,002
Recorder	646,463	646,463	430,628	215,835
Planning and zoning	520,337	520,337	535,322	(14,985)
Maintenance	1,046,833	1,046,833	842,203	204,630
Veterans service officer	146,703	146,703	144,356	2,347
Total general government	**$ 8,655,662**	**$ 8,655,662**	**$ 7,939,833**	**$ 715,829**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 2,296,555	$ 2,296,555	$ 2,245,151	$ 51,404
Boat and water safety	33,501	33,501	24,807	8,694
Emergency services	176,253	176,253	125,114	51,139
E-911 system	137,737	137,737	128,337	9,400
County jail	2,446,008	2,446,008	2,657,005	(210,997)
Law enforcement center	1,125,961	1,125,961	1,212,711	(86,750)
Probation and parole	857,141	857,141	763,229	93,912
Total public safety	**$ 7,073,156**	**$ 7,073,156**	**$ 7,156,354**	**$ (83,198)**
Sanitation				
Recycling	**$ 1,406,313**	**$ -**	**$ -**	**$ -**
Health				
Environmental health	**$ 165,976**	**$ 165,976**	**$ 99,127**	**$ 66,849**
Culture and recreation				
Historical society	$ 55,000	$ 55,000	$ 55,000	$ -
Parks	48,031	48,031	50,276	(2,245)
Regional library	219,684	219,684	219,684	-
Total culture and recreation	**$ 322,715**	**$ 322,715**	**$ 324,960**	**$ (2,245)**
Conservation of natural resources				
County extension	$ 159,582	$ 159,582	$ 153,913	$ 5,669
Soil and water conservation	105,000	105,000	105,000	-
Feedlot	88,201	88,201	100,115	(11,914)
Agricultural inspection	3,602	3,602	4,579	(977)
Wetland challenge	37,429	37,429	37,795	(366)
Other	191,458	191,458	217,413	(25,955)
Agricultural society/County fair	38,550	38,550	38,550	-
Total conservation of natural resources	**$ 623,822**	**$ 623,822**	**$ 657,365**	**$ (33,543)**
Economic development				
Other	**$ 60,545**	**$ 68,645**	**$ 215,351**	**$ (146,706)**
Total Expenditures	**$ 18,308,189**	**$ 16,909,976**	**$ 16,392,990**	**$ 516,986**

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

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess of Revenues Over (Under) Expenditures	**$ (1,031,500)**	**$ (696,787)**	**$ (406,515)**	**$ 290,272**
Other Financing Sources (Uses)				
Transfers in	$ 979,140	$ 659,640	$ 833,560	$ 173,920
Transfers out	-	-	(334,713)	(334,713)
Proceeds from sale of capital assets	15,000	15,000	4,773	(10,227)
Total Other Financing Sources (Uses)	**$ 994,140**	**$ 674,640**	**$ 503,620**	**$ (171,020)**
Change in Fund Balance	**$ (37,360)**	**$ (22,147)**	**$ 97,105**	**$ 119,252**
Fund Balance - January 1	**14,972,813**	**14,972,813**	**14,972,813**	**-**
Fund Balance - December 31	**$ 14,935,453**	**$ 14,950,666**	**$ 15,069,918**	**$ 119,252**

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

EXHIBIT A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,655,041	$ 1,655,041	$ 1,623,546	$ (31,495)
Intergovernmental	8,824,088	8,824,088	7,398,607	(1,425,481)
Charges for services	100	100	-	(100)
Miscellaneous	118,600	118,600	61,065	(57,535)
Total Revenues	**$ 10,597,829**	**$ 10,597,829**	**$ 9,083,218**	**$ (1,514,611)**
Expenditures				
Current				
General government				
Surveyor	**$ 51,500**	**$ 51,500**	**$ 52,681**	**$ (1,181)**
Highways and streets				
Administration	$ 345,690	$ 345,690	$ 327,951	$ 17,739
Maintenance	1,988,331	1,988,331	1,813,250	175,081
Construction	7,043,434	7,043,434	5,093,376	1,950,058
Equipment maintenance and shop	468,711	468,711	668,220	(199,509)
Materials and services for resale	443,825	443,825	275,901	167,924
Total highways and streets	**$ 10,289,991**	**$ 10,289,991**	**$ 8,178,698**	**$ 2,111,293**
Intergovernmental	**$ 256,338**	**$ 256,338**	**$ 265,483**	**$ (9,145)**
Total Expenditures	**$ 10,597,829**	**$ 10,597,829**	**$ 8,496,862**	**$ 2,100,967**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 586,356**	**$ 586,356**
Other Financing Sources (Uses)				
Transfers out	-	-	(9,108)	(9,108)
Change in Fund Balance	**$ -**	**$ -**	**$ 577,248**	**$ 577,248**
Fund Balance - January 1	**4,146,860**	**4,146,860**	**4,146,860**	**-**
Increase (decrease) in reserved for inventories	**-**	**-**	**15,664**	**15,664**
Fund Balance - December 31	**$ 4,146,860**	**$ 4,146,860**	**$ 4,739,772**	**$ 592,912**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,409,193	$ 3,409,193	$ 3,335,750	$ (73,443)
Licenses and permits	33,300	33,300	30,400	(2,900)
Intergovernmental	8,203,336	8,203,336	8,158,250	(45,086)
Charges for services	1,109,750	1,109,750	819,732	(290,018)
Fines and forfeits	-	-	550	550
Miscellaneous	417,600	417,600	313,329	(104,271)
Total Revenues	**$ 13,173,179**	**$ 13,173,179**	**$ 12,658,011**	**$ (515,168)**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,577,429	$ 3,577,429	$ 3,908,843	$ (331,414)
Social services	7,862,037	7,862,037	9,316,330	(1,454,293)
Care grant	153,951	153,951	217,932	(63,981)
Total human services	**$ 11,593,417**	**$ 11,593,417**	**$ 13,443,105**	**$ (1,849,688)**
Health				
Nurse services	$ 311,206	$ 311,206	$ 285,156	$ 26,050
Maternal and child health	471,121	471,121	275,229	195,892
County health officer	340,717	340,717	437,807	(97,090)
Health center	456,718	456,718	271,003	185,715
Total health	**$ 1,579,762**	**$ 1,579,762**	**$ 1,269,195**	**$ 310,567**
Total Expenditures	**$ 13,173,179**	**$ 13,173,179**	**$ 14,712,300**	**$ (1,539,121)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (2,054,289)**	**$ (2,054,289)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 1,600,000	$ 1,600,000
Transfers out	-	-	(55,476)	(55,476)
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 1,544,524**	**$ 1,544,524**
Change in Fund Balance	**$ -**	**$ -**	**$ (509,765)**	**$ (509,765)**
Fund Balance - January 1	**990,758**	**990,758**	**990,758**	**-**
Fund Balance - December 31	**$ 990,758**	**$ 990,758**	**$ 480,993**	**$ (509,765)**

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

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
RECYCLING AND SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ -	$ 280,000	$ 273,548	$ (6,452)
Licenses and permits	-	-	704	704
Intergovernmental	-	172,500	203,908	31,408
Charges for services	-	588,000	695,768	107,768
Miscellaneous	-	23,000	398	(22,602)
Total Revenues	**$ -**	**$ 1,063,500**	**$ 1,174,326**	**$ 110,826**
Expenditures				
Current				
Sanitation				
Sustainability	$ -	$ 45,391	$ 45,392	$ (1)
Landfill	-	15,213	13,593	1,620
Recycling	-	1,337,609	1,216,080	121,529
Total Expenditures	**$ -**	**$ 1,398,213**	**$ 1,275,065**	**$ 123,148**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ (334,713)**	**$ (100,739)**	**$ 233,974**
Other Financing Sources (Uses)				
Transfers in	-	319,500	334,713	15,213
Change in Fund Balance	**$ -**	**$ (15,213)**	**$ 233,974**	**$ 249,187**
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	**$ -**	**$ (15,213)**	**$ 233,974**	**$ 249,187**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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, 2011	$ -	$ 3,786,238	$ 3,786,238	0.00%	$ 14,065,939	26.92%
January 1, 2013	-	4,056,205	4,056,205	0.00	13,419,180	30.23
January 1, 2015	-	3,766,447	3,766,447	0.00	13,685,489	27.52

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-6

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Winona County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.1918%	$ 15,573,209	$ 60,645	$ 15,633,854	$ 11,896,295	130.91%	68.91%
2015	0.1965	10,183,649	N/A	10,183,649	11,761,141	86.59	78.20

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-7

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 940,629	$ 940,629	$ -	$ 12,541,727	7.50%
2015	860,121	860,121	-	11,468,280	7.50

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-8

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.126%	$ 5,056,599	$ 1,218,131	415.11%	63.88%
2015	0.140%	1,590,728	1,297,172	122.63%	86.60%

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-9

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 202,823	$ 202,823	$ -	$ 1,251,995	16.20%
2015	199,539	199,539	-	1,231,722	16.20%

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-10

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.76%	$ 2,776,386	$ 1,438,813	192.96%	58.16%
2015	0.76%	117,496	1,363,519	8.62%	96.90%

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-11

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 129,902	$ 129,902	$ -	$ 1,484,596	8.75%
2015	123,879	123,879	-	1,415,760	8.75%

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

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

1. Budgetary Information

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

On or before mid-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, County Administrator, and Assistant County Administrator take the requests to the Board by the end of August. The proposed budget is presented to the County Board for review and preliminary approval. 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 effect 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.

2. Excess of Expenditures Over Budget

The Community Service Fund expenditures of $14,712,300 exceeded the final budget of $13,173,179 by $1,539,121 due to out-of-home placement and mental health services being higher than budgeted.

3. Other Postemployment Benefits

Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero.

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

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

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

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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MAJOR FUND

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 307,607	$ 307,607	$ 302,391	$ (5,216)
Intergovernmental	-	-	7,352	7,352
Charges for services	261,350	261,350	275,781	14,431
Total Revenues	**$ 568,957**	**$ 568,957**	**$ 585,524**	**$ 16,567**
Expenditures				
Current				
General government	$ 209,976	$ 209,976	$ 107,531	$ 102,445
Public safety	-	-	3,390	(3,390)
Highways and streets	247,010	247,010	178,794	68,216
Human services	58,175	58,175	43,750	14,425
Capital outlay				
Public safety	153,796	153,796	249,789	(95,993)
Highways and streets	-	-	85,305	(85,305)
Debt service				
Principal	-	-	27,080	(27,080)
Total Expenditures	**$ 668,957**	**$ 668,957**	**$ 695,639**	**$ (26,682)**
Excess of Revenues Over (Under) Expenditures	**$ (100,000)**	**$ (100,000)**	**$ (110,115)**	**$ (10,115)**
Other Financing Sources (Uses)				
Transfers in	$ 100,000	$ 100,000	$ -	$ (100,000)
Transfers out	-	-	(2,368,976)	(2,368,976)
Capital lease issued	-	-	123,314	123,314
Total Other Financing Sources (Uses)	**$ 100,000**	**$ 100,000**	**$ (2,245,662)**	**$ (2,345,662)**
Change in Fund Balance	**$ -**	**$ -**	**$ (2,355,777)**	**$ (2,355,777)**
Fund Balance - January 1	**2,872,321**	**2,872,321**	**2,872,321**	**-**
Fund Balance - December 31	**$ 2,872,321**	**$ 2,872,321**	**$ 516,544**	**$ (2,355,777)**

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WINONA COUNTY
WINONA, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

The EDA Loan Special Revenue Fund accounts for restricted revenues from federal agencies to provide assistance, in the form of loans, with flood-related expenditures after the 2007 flood.

DEBT SERVICE FUND

The Debt Service Fund accounts for all financial resources restricted for the payment of principal, interest, and related costs of long-term bonded debt.

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	EDA Loan Special Revenue	Debt Service	Total Nonmajor Governmental Funds (Exhibit 3)
Assets			
Cash and pooled investments	$ 453,286	$ 1,212,403	$ 1,665,689
Taxes receivable - delinquent	-	26,977	26,977
Loans receivable	1,006,518	-	1,006,518
Total Assets	**$ 1,459,804**	**$ 1,239,380**	**$ 2,699,184**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	**$ -**	**$ 600**	**$ 600**
Deferred Inflows of Resources			
Unavailable revenue	**$ -**	**$ 19,909**	**$ 19,909**
Fund Balances			
Restricted for			
Debt service	$ -	$ 1,218,871	$ 1,218,871
Economic development	1,459,804	-	1,459,804
Total Fund Balances	**$ 1,459,804**	**$ 1,218,871**	**$ 2,678,675**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 1,459,804**	**$ 1,239,380**	**$ 2,699,184**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT C-2

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

	EDA Loan Special Revenue	Debt Service	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	$ -	$ 1,122,633	$ 1,122,633
Special assessments	-	9,999	9,999
Intergovernmental	-	27,292	27,292
Investment earnings	32,225	-	32,225
Miscellaneous	1,144	-	1,144
Total Revenues	**$ 33,369**	**$ 1,159,924**	**$ 1,193,293**
Expenditures			
Current			
Economic development	$ 2,436	$ -	$ 2,436
Debt service			
Principal	-	1,103,829	1,103,829
Interest	-	116,961	116,961
Administrative (fiscal) charges	-	3,925	3,925
Total Expenditures	**$ 2,436**	**$ 1,224,715**	**$ 1,227,151**
Change in Fund Balance	**$ 30,933**	**$ (64,791)**	**$ (33,858)**
Fund Balance - January 1	**1,428,871**	**1,283,662**	**2,712,533**
Fund Balance - December 31	**$ 1,459,804**	**$ 1,218,871**	**$ 2,678,675**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT C-3

BUDGETARY COMPARISON SCHEDULE
EDA LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Investment earnings	$ 27,050	$ 27,050	$ 32,225	$ 5,175
Miscellaneous	103,529	103,529	1,144	(102,385)
Total Revenues	**$ 130,579**	**$ 130,579**	**$ 33,369**	**$ (97,210)**
Expenditures				
Current				
Economic development				
Other economic development	130,579	130,579	2,436	128,143
Change in Fund Balance	**$ -**	**$ -**	**$ 30,933**	**$ 30,933**
Fund Balance - January 1	**1,428,871**	**1,428,871**	**1,428,871**	**-**
Fund Balance - December 31	**$ 1,428,871**	**$ 1,428,871**	**$ 1,459,804**	**$ 30,933**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT C-4

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,144,719	$ 1,144,719	$ 1,122,633	$ (22,086)
Special assessments	-	-	9,999	9,999
Intergovernmental	2,451	2,451	27,292	24,841
Total Revenues	**$ 1,147,170**	**$ 1,147,170**	**$ 1,159,924**	**$ 12,754**
Expenditures				
Debt service				
Principal	$ 1,090,000	$ 1,090,000	$ 1,103,829	$ (13,829)
Interest	116,310	116,310	116,961	(651)
Administrative (fiscal) charges	3,500	3,500	3,925	(425)
Total Expenditures	**$ 1,209,810**	**$ 1,209,810**	**$ 1,224,715**	**$ (14,905)**
Excess of Revenues Over (Under) Expenditures	**$ (62,640)**	**$ (62,640)**	**$ (64,791)**	**$ (2,151)**
Other Financing Sources (Uses)				
Transfers in	100,000	100,000	-	(100,000)
Change in Fund Balance	**$ 37,360**	**$ 37,360**	**$ (64,791)**	**$ (102,151)**
Fund Balance - January 1	**1,283,662**	**1,283,662**	**1,283,662**	**-**
Fund Balance - December 31	**$ 1,321,022**	**$ 1,321,022**	**$ 1,218,871**	**$ (102,151)**

FIDUCIARY FUNDS

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AGENCY FUNDS

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

The End of Year Liabilities Fund accounts for employee payroll liabilities due as of the end of the year but not disbursed until the following year.

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

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

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

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT D-1

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

	Balance January 1	Additions	Deductions	Balance December 31
EMPLOYEE BENEFIT PLANS				
Assets				
Cash and pooled investments	$ 109,963	$ 991,350	$ 1,004,035	$ 97,278
Liabilities				
Accounts payable	$ 109,963	$ 991,350	$ 1,004,035	$ 97,278
END OF YEAR LIABILITIES				
Assets				
Cash and pooled investments	$ 574,603	$ 414,060	$ 574,603	$ 414,060
Liabilities				
Accounts payable	$ 574,603	$ 414,060	$ 574,603	$ 414,060
SETTLEMENT				
Assets				
Cash and pooled investments	$ 555,312	$ 52,518,249	$ 52,173,388	$ 900,173
Liabilities				
Due to other governments	$ 555,312	$ 52,518,249	$ 52,173,388	$ 900,173

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT D-1
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
Assets				
Cash and pooled investments	**$ 138,503**	**$ 1,697,100**	**$ 1,705,694**	**$ 129,909**
Liabilities				
Due to other governments	**$ 138,503**	**$ 1,697,100**	**$ 1,705,694**	**$ 129,909**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 24,360**	**$ 206,788**	**$ 96,035**	**$ 135,113**
Liabilities				
Due to other governments	**$ 24,360**	**$ 206,788**	**$ 96,035**	**$ 135,113**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 1,402,741**	**$ 55,827,547**	**$ 55,553,755**	**$ 1,676,533**
Liabilities				
Accounts payable	$ 684,566	$ 1,405,410	$ 1,578,638	$ 511,338
Due to other governments	718,175	54,422,137	53,975,117	1,165,195
Total Liabilities	**$ 1,402,741**	**$ 55,827,547**	**$ 55,553,755**	**$ 1,676,533**

OTHER SCHEDULES

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT E-1

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

Appropriations and Shared Revenue		
State		
Highway users tax	$	6,236,764
PERA rate reimbursement		54,309
Disparity reduction aid		40,729
Police aid		141,948
County program aid		2,566,667
County program aid - aquatic		87,548
Agricultural conservation credit		36,241
Market value credit		292,800
Enhanced 911		134,607
SCORE grant		149,365
Performance aid credit		7,158
Total appropriations and shared revenue	**$**	**9,748,136**
Reimbursement for Services		
State		
Minnesota Department of Human Services	$	969,739
Minnesota Department of Health		69,007
Total reimbursement for services	**$**	**1,038,746**
Payments		
Local		
Local contributions	$	33,857
Payments in lieu of taxes		316,050
Total payments	**$**	**349,907**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$	216,342
Health		404,665
Natural Resources		106,985
Human Services		2,363,115
Corrections		111,594
Transportation		37,500
Water and Soil Resources		96,329
Veterans Affairs		16,500
Peace Officer Standards and Training Board		5,941
Minnesota Department of Employment and Economic Development		196,688
Pollution Control Agency		117,044
Total state	**$**	**3,672,703**

EXHIBIT E-1
(Continued)

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

Grants (Continued)		
Federal		
Department of		
Agriculture	$	547,670
Justice		332,808
Transportation		86,377
Environmental Protection		889
Education		1,933
Health and Human Services		3,240,925
Homeland Security		588,122
Total federal	**$**	**4,798,724**
Total state and federal grants	**$**	**8,471,427**
Total Intergovernmental Revenue	**$**	**19,608,216**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT E-2

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00102	$ 145,921
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	401,749
Total U.S. Department of Agriculture			**$ 547,670**
U.S. Department of Justice			
Direct			
Supervised Visitation, Safe Havens for Children	16.527		$ 140,261
Drug Court Discretionary Grant Program	16.585		59,149
Bulletproof Vest Partnership Program	16.607		5,080
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVS-2016-WINONAAO-0069	35,591
Violence Against Women Formula Grants	16.588	A-SMART-2016-WINONAAO-00012	10,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-JAG-2015-WINONACO-00055	77,061
Total U.S. Department of Justice			**$ 327,142**
U.S. Department of Transportation			
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC16-2016-WINONASO-00056	$ 21,433
National Priority Safety Programs	20.616	A-ENFRC16-2016-WINONASO-00056	6,318
(Total expenditures for Highway Safety Cluster $27,751)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC16-2016-WINONASO-0056	10,786
Total U.S. Department of Transportation			**$ 38,537**
U.S. Environmental Protection Agency			
Passed Through Southeast Minnesota Water Resource Board			
Nonpoint Source Implementation Grants	66.460	666693	**$ 17,208**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number		Expenditures
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	12-700-00102	**$**	**1,933**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	12-700-00102	$	63,468
Temporary Assistance for Needy Families	93.558	1601MFTANF		49,902
(Total Temporary Assistance for Needy Families 93.558 $619,980)				
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00102		49,859
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPSS		16,802
Temporary Assistance for Needy Families	93.558	1601MFTANF		570,078
(Total Temporary Assistance for Needy Families 93.558 $619,980)				
Child Support Enforcement	93.563	1604MNCEST		634,746
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCMA		415
Child Care and Development Block Grant	93.575	G1601MNCCDF		19,435
Community-Based Child Abuse Prevention Grants	93.590	G1502MNFRPG		31,707
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS		9,098
Foster Care - Title IV-E	93.658	1601MNFOST		155,954
Social Services Block Grant	93.667	16-01MNSOSR		271,496
Chafee Foster Care Independence Program	93.674	G-1601MNCILP		2,401
Medical Assistance Program	93.778	05-1605MN5ADM		1,412,206
Total U.S. Department of Health and Human Services			**$**	**3,287,567**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	108901	$	8,475
Passed Through Minnesota Department of Public Safety				
Disaster Grants - Public Assistance (Presidentially Declared Disasters	97.036	2000-15956/3000011730		149,822
Emergency Management Performance Grants	97.042	F-EMPG-2016-WINONACO-1838		28,642
Total U.S. Department of Homeland Security			**$**	**186,939**
Total Federal Awards			**$**	**4,406,996**

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

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

1. Reporting Entity

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

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit E-1)	$ 4,798,724
Deferred in 2015, recognized as revenue in 2016	
Child Support Enforcement (CFDA No. 93.563)	(25,500)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	(401,183)
Edward Bryne Memorial Justice Assistance Grant Program (CFDA No. 16.738)	(5,666)
Highway Planning and Construction (CFDA No. 20.205)	(47,840)
Grants received more than 60 days after year-end, deferred in 2016	
Nonpoint Source Implementation Grant (CFDA No. 66.460)	16,319
Promoting Safe and Stable Families (CFDA No. 93.556)	3,003
Temporary Assistance for Needy Families (CFDA No. 93.558)	65,113
Chafee Foster Care Independence Program (CFDA No. 93.674)	817
Child Care and Development Block Grant (CFDA No. 93.575)	1,230
Stephanie Tubbs Jones Child Welfare Service Program (CFDA No. 93.645)	1,979
Expenditures per Schedule of Expenditures of Federal Awards (Exhibit E-2)	$ 4,406,996

Management and Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
Winona County
Winona, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 5, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003, 2015-001, and 2016-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Winona County's Response to Findings

Winona County's responses to the internal control findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2017

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

Independent Auditor's Report

Board of County Commissioners
Winona County
Winona, Minnesota

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Winona County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on the Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003. Our opinion on the major federal program is not modified with respect to this matter.

Winona County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Winona County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003, that we consider to be a significant deficiency.

Winona County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Winona County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

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

/s/Rebecca Otto *//s/Greg Hierlinger*

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2017

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WINONA COUNTY
WINONA, MINNESOTA

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major program is:

Medical Assistance Program	CFDA No. 93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2014-003

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, reclassifications of the financial statements on a timely basis.

Condition: During our audit, we proposed audit reclassifications which resulted in significant changes to Winona County's financial statements. These reclassifications were reviewed and approved by the appropriate staff and are reflected in the financial statements.

Context: Audit reclassifications were necessary to reclassify various expenditure items in the Capital Projects Fund.

Effect: The inability to detect significant reclassifications in the financial statements increases the likelihood the financial statements would not be fairly presented. These reclassification adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

Cause: The County indicated the transactions adjusted were very infrequent to the County and additional training may be required for this type of transaction.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, reclassifications in the financial statements.

View of Responsible Official: Concur

Finding Number 2015-001

Departmental Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record-keeping, custody, and authorization functions should be in place; and, where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel within several Winona County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts. Specifically, we noted this issue in our review of receipting procedures in the Solid Waste Office.

Context: 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.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County does not have the economic resources needed to hire additional accounting staff in order to segregate duties in every department.

Recommendation: We recommend Winona County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

View of Responsible Official: Concur

ITEM ARISING THIS YEAR

Finding Number 2016-001

Disbursement Internal Controls - Approval

Criteria: Management is responsible for establishing and maintaining internal control over the various accounting cycles, including the processing of disbursements. Management is also responsible for the accuracy and completeness of all financial records and related information including, but not limited to, the controls over initiating, authorizing, recording, and processing disbursements in the general ledger system. The County's procedures indicate that disbursements are to be approved by the department head or designee.

Condition: During our testing of disbursements for department head or designee approval, we noted 2 out of 40 invoices tested were approved by the department head or designee for their own expenditures. No other review was performed.

Context: Proper approval by a supervisor who has oversight responsibility is an important function to ensuring amounts are accurate and proper. If the expenditures are for the department head or designee, another County employee should be reviewing and approving the disbursement.

Effect: Lack of review and approval over disbursements for a department head or designee increases the risk that an improper payment will be made with County funds.

Cause: There was a change in how training expenses were approved in accounts payable. More training needs to occur concerning this process.

Recommendation: We recommend all disbursements have an appropriate approval signature. If an expenditure is for a department head or designee, another County employee should be reviewing and signing for approval as well.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2013-003

Program Eligibility Intake Function

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award #1605MN5ADM, 2016

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota DHS maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our review of the Medical Assistance Program, the asset information in the MAXIS system did not match the supporting documentation provided by the client in 4 of the 40 case files tested. We also found that in 2 of the 40 cases, the income information was not appropriately verified.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County to perform the "intake function" (meeting with the social service participant to determine income and categorical eligibility), while the Minnesota DHS maintains the MAXIS system, which supports the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The improper input of information into the MAXIS system increases the risk eligibility will not be properly determined.

Cause: The County indicated the information was not entered appropriately and, in some instances, not verified by the worker.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly input into the MAXIS system.

View of Responsible Official: Concur

IV. PREVIOUSLY REPORTED ITEM(S) RESOLVED

2015-002 Reporting Review (CFDA No. 93.778)

REPRESENTATION OF WINONA COUNTY
WINONA, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2014-003
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Pat Moga, Finance Director

Corrective Action Planned:

The County had reclassifications of $54,451 and $27,080 related to a capital lease issuance in 2016. The County will be considering to report the Capital Projects Fund as non-major in the future. The County will work in 2017 to correct audit reclassifications.

Anticipated Completion Date:

September 30, 2017

Finding Number: 2015-001
Finding Title: Departmental Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Pat Moga, Finance Director

Corrective Action Planned:

Winona County will need to review the cost benefit of hiring additional staff to correct the segregation of duties.

Anticipated Completion Date:

December 31, 2017

Finding Number: 2016-001
Finding Title: Disbursement Internal Controls - Approval

Name of Contact Person Responsible for Corrective Action:

Pat Moga, Finance Director

Corrective Action Planned:

Finance Staff will review invoices to ensure that Department Heads or designees are not signing their own reimbursements.

Anticipated Completion Date:

September 30, 2017

Finding Number: 2013-003
Finding Title: Program Eligibility Intake Function
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Karen Moore, Fiscal Supervisor III

Corrective Action Planned:

Staff will be coached to ensure that MAXIS matches the supporting documentation.

Anticipated Completion Date:

October 31, 2017

REPRESENTATION OF WINONA COUNTY
WINONA, MINNESOTA

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

Finding Number: 2014-003
Finding Title: Audit Adjustments

Summary of Condition: An audit reclassification was proposed for various revenue items in the Community Services Special Revenue Fund totaling $477,274, which resulted in a significant change to Winona County's financial statements. This reclassification was reviewed and approved by the appropriate staff and is reflected in the financial statements.

Summary of Corrective Action Previously Reported: There was a change in MMIS revenues. The Finance Director thought they could be classified as fees instead of State and intergovernmental fees. The change has been made to the financial records for 2016 so this misunderstanding should be corrected.

Status: Not Corrected. The County had reclassifications of $54,451 and $27,080 related to a capital lease issuance in 2016. The County will be considering to report the Capital Projects Fund as non-major in the future. The County will work in 2017 to correct the audit reclassifications. This type of transaction occurs infrequently at the County and additional training may be needed on these transactions.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-001
Finding Title: Departmental Segregation of Duties

Summary of Condition: Due to the limited number of personnel within several Winona County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts. Specifically, we noted this issue in our review of receipting procedures in the Solid Waste Office.

Summary of Corrective Action Previously Reported: Winona County will need to review the cost benefit of hiring additional staff to correct the segregation of duties.

Status: Not Corrected. Due to the cost benefit the County determined that hiring additional staff would not be feasible. Winona County will need to review the cost benefit of hiring additional staff to correct the segregation of duties finding.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2013-003
Finding Title: Program Eligibility Intake Function

Summary of Condition: The Minnesota DHS maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our review of the Medical Assistance Program, the asset information in the MAXIS system did not match the supporting documentation provided by the client in 2 of the 40 case files tested. We also found that in 2 of the 40 cases, a signed application was not on file.

Summary of Corrective Action Previously Reported: These issues were discussed with all staff upon exit of audit personnel. We reviewed the asset policy and what programs required what documentation. We also discussed the importance of making sure MAXIS information matched any supporting documentation. Because we case bank, this area will be reviewed as the case is accessed by the team.

Status: Not Corrected. Staff will be educated on MAXIS and the supporting documentation must be the same. The supporting information must be entered in at the time it is received. During the year, there were staff shortages and larger than normal volume of cases. The Department has started doing case reviews to ensure that documentation is logged into MAXIS.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-002
Finding Title: Reporting Review

Summary of Condition: Review and approval by someone other than the preparer of the DHS-2550 and DHS-2556 reports occurs after the reports have been submitted to DHS. A review before submission by a supervisor or other individual familiar with the program requirements would help to ensure the data reported is accurate and complete.

Summary of Corrective Action Previously Reported: The Finance Director completes the DHS-2556. The Community Services Director would review the report after it was submitted as this report can only be printed once it is submitted. The Community Services Director will review the information before the report is submitted.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___