

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

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

**YEAR ENDED DECEMBER 31, 2015**

## **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 700 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.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**Year Ended December 31, 2015**



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

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	17
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	19
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position--Governmental Activities	4	23
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	26
Fiduciary Funds		
Statement of Fiduciary Net Position - Agency Funds	7	28
Notes to the Financial Statements		29
<b>Required Supplementary Information</b>		
Budgetary Comparison Schedules		
General Fund	A-1	76
Road and Bridge Special Revenue Fund	A-2	79
Social Service Special Revenue Fund	A-3	80
Schedule of Funding Progress - Other Postemployment Benefits	A-4	81
PERA General Employees Retirement Fund		
Schedule of Proportionate Share of Net Pension Liability	A-5	82
Schedule of Contributions	A-6	82

**WABASHA COUNTY  
WABASHA, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
<b>Financial Section</b>		
Required Supplementary Information (Continued)		
PERA Public Employees Police and Fire Fund		
Schedule of Proportionate Share of Net Pension Liability	A-7	83
Schedule of Contributions	A-8	83
PERA Public Employees Correctional Fund		
Schedule of Proportionate Share of Net Pension Liability	A-9	84
Schedule of Contributions	A-10	84
Notes to the Required Supplementary Information		85
Supplementary Information		
Major Fund		
Budgetary Comparison Schedule - Criminal Justice Center		
Debt Service Fund	B-1	86
Nonmajor Governmental Funds		
Combining Balance Sheet	C-1	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	C-2	89
Budgetary Comparison Schedules		
Regional Railroad Special Revenue Fund	C-3	90
Public Health Special Revenue Fund	C-4	91
Fiduciary Funds		
Agency Funds		
Combining Statement of Changes in Assets and Liabilities	D-1	93
Component Unit		
Reads Landing Water and Sanitary District		
Statement of Net Position	E-1	95
Statement of Revenues, Expenses, and Changes in Net Position	E-2	96
Statement of Cash Flows	E-3	97
Schedules		
Schedule of Intergovernmental Revenue	F-1	98
Schedule of Expenditures of Federal Awards	F-2	100
Notes to the Schedule of Expenditures of Federal Awards		103

**WABASHA COUNTY  
WABASHA, MINNESOTA**

TABLE OF CONTENTS  
(Continued)

	<u>Exhibit</u>	<u>Page</u>
<b>Management and Compliance Section</b>		
Wabasha County		
Schedule of Findings and Questioned Costs		105
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		109
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		112
Reads Landing Water and Sanitary District		
Schedule of Findings and Recommendations		115
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		117

This page was left blank intentionally.





This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2015**

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Board Member	Richard H. Hall	District 1	January 2017
Board Member	Brian Goihl	District 2	January 2019
Chair	Donald Springer	District 3	January 2017
Vice Chair	Michael Wobbe	District 4	January 2019
Board Member	Cheryl Key	District 5	January 2019
Attorney	Karrie Kelly		January 2019
Auditor/Treasurer	Denise Anderson		January 2019
County Recorder	Jeffery Aitken		January 2019
County Sheriff	Rodney Bartsh		January 2019
<b>Appointed</b>			
Administrator	Michael Plante		Indefinite
Assessor	Penny Schmit		December 2016
Highway Engineer	Dietrich Flesch		May 2015
Finance Director	Deb Koenig		Indefinite
Social Services Director	John Dahlstrom		Indefinite
Public Health Director	Judy Barton		Indefinite
Court Services Director	Traci Green		Indefinite
Surveyor	David Johnson		January 2017
Veterans Service Officer	Nathan Pelz		June 2017
Zoning Administrator	Kevin Krause		Indefinite

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Wabasha County  
Wabasha, Minnesota

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of South Country Health Alliance (SCHA) for the year ended December 31, 2015, in which Wabasha County has an equity interest. The SCHA is a joint venture discussed in Note 5.B. to the financial statements. The County's investment in the SCHA, \$1,415,498, represents 1.3 percent and 1.7 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits

contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 1.E. to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

### ***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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an



appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2016, on our consideration of Wabasha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wabasha County's internal control over financial reporting and compliance. It does not include the South Country Health Alliance, which was audited by other auditors.

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

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 20, 2016

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

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
(Unaudited)**

**INTRODUCTION**

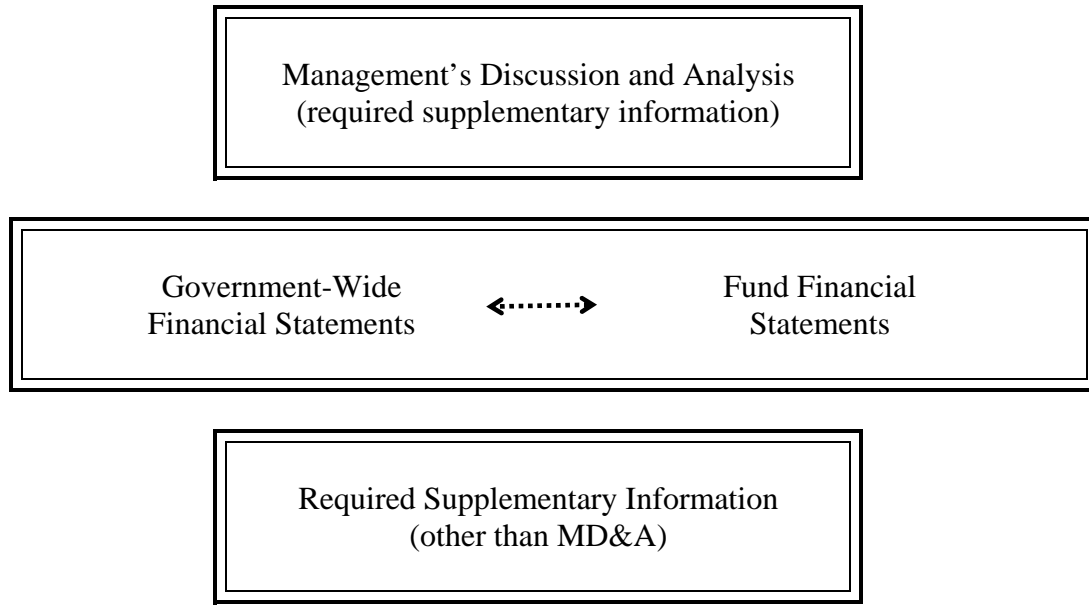
Wabasha County's Management's Discussion and Analysis (MD&A) provides the readers of Wabasha County's financial statements with a narrative overview and analysis of the financial activities of Wabasha County for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information in the financial statements, including the information in the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- At the end of 2015, the assets of Wabasha County exceeded its liabilities by \$85,051,983. Of this amount, \$7,254,117 represents unrestricted net position that may be used to meet the County's ongoing obligation to citizens and creditors. The remaining \$77,797,866 is invested in capital assets or restricted to specific purposes.
- The County's net position increased \$3,650,499 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the restatement can be found in Note 1.E. to the financial statements.
- At the end of the fiscal year, Wabasha County's governmental funds reported a combined ending fund balance of \$18,121,981.
- Wabasha County's total long-term liabilities increased by \$6,469,292 during the fiscal year. The key factor in this increase is attributed to implementing GASB Statements 68 and 71.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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



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

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

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

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

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

### **Fund Financial Statements**

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

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

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

## The County as a Whole

The County's combined net position is \$85,051,983 as of December 31, 2015. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

**Table 1  
Net Position**

	Governmental Activities	
	2015	2014
<b>Assets</b>		
Current and other assets	\$ 23,234,829	\$ 20,270,872
Capital assets	89,641,400	90,128,415
<b>Total Assets</b>	<b>\$ 112,876,229</b>	<b>\$ 110,399,287</b>
<b>Deferred Outflows of Resources</b>		
Deferred pension outflows	\$ 1,303,946	\$ -
<b>Liabilities</b>		
Long-term liabilities outstanding	\$ 25,368,919	\$ 18,899,627
Other liabilities	2,197,713	1,998,593
<b>Total Liabilities</b>	<b>\$ 27,566,632</b>	<b>\$ 20,898,220</b>
<b>Deferred Inflows of Resources</b>		
Advance allotments	\$ 657,786	\$ 1,326,546
Deferred pension inflows	903,774	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,561,560</b>	<b>\$ 1,326,546</b>
<b>Net position</b>		
Net investment in capital assets	\$ 73,496,937	\$ 73,206,471
Restricted	4,300,929	3,418,981
Unrestricted	7,254,117	11,549,069
<b>Total Net Position, as reported</b>	<b>\$ 85,051,983</b>	<b>\$ 88,174,521</b>
Change in accounting principle*		(6,773,037)
<b>Total Net Position, as restated</b>		<b>\$ 81,401,484</b>

\*This is the first year the County implemented the new pension accounting and financial reporting standards in GASB Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.



Net position of the County's governmental activities increased 4.48 percent (\$85,051,983 compared to \$81,401,484, as restated). Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from \$11,549,069 at December 31, 2014, to \$7,254,117 at the end of 2015.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2015	2014
Revenues		
Program revenues		
Fees, fines, charges, and other	\$ 1,918,578	\$ 1,852,392
Operating grants and contributions	9,009,442	8,686,506
Capital grants and contributions	1,316,924	2,644,691
General revenues		
Property taxes	12,958,367	12,165,806
Other taxes	259,914	23,457
Grants and contributions	1,213,048	1,040,811
Other general revenues	594,182	800,779
Total Revenues	<u>\$ 27,270,455</u>	<u>\$ 27,214,442</u>
Program expenses		
General government	\$ 3,530,686	\$ 3,911,790
Public safety	6,367,531	6,081,355
Highways and streets	5,787,164	9,076,952
Sanitation	177,601	186,915
Human services	4,665,337	4,520,753
Health	1,418,556	1,374,028
Culture and recreation	410,614	464,951
Conservation of natural resources	458,896	301,723
Economic development	124,641	237,674
Interest	678,930	717,784
Total Program Expenses	<u>\$ 23,619,956</u>	<u>\$ 26,873,925</u>
Increase (Decrease) in Net Position	\$ 3,650,499	\$ 340,517
Net Position - January 1, as restated	<u>81,401,484*</u>	<u>87,834,004</u>
Net Position - December 31	<u>\$ 85,051,983</u>	<u>\$ 88,174,521</u>

\*Amount includes a change in accounting principles.

### Governmental Activities

Revenues for the County's governmental activities were \$27,270,455, while expenses were \$23,619,956. This resulted in a \$3,650,499 increase in net position for the year ended December 31, 2015.

The cost of all governmental activities in 2015 was \$23,619,956, compared to \$26,873,925 in 2014. However, as shown in the Statement of Activities, Exhibit 2, the amount that our taxpayers ultimately financed for these activities through County taxes and other general revenues was only \$11,375,012 because some of the cost was paid by those who directly benefited from the programs (\$1,918,578) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10,326,366). Overall, the County’s governmental program revenues, including intergovernmental aid and fees for services, decreased from \$13,183,589 in 2014 to \$12,244,944 in 2015, primarily caused by a decrease in grants and contributions. The County paid for the remaining “public benefit” portion of governmental activities with \$15,025,511 in general revenues, primarily taxes.

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

**Table 3  
Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
Public safety	\$ 6,367,531	\$ 6,081,355	\$ 5,337,686	\$ 4,890,485
Highways and streets	5,787,164	9,076,952	(354,841)	1,807,504
Human services	4,665,337	4,520,753	1,900,623	1,957,874
General government	3,530,686	3,911,790	3,015,923	3,442,518
Health	1,418,556	1,374,028	114,495	243,727
All others	1,850,682	1,909,047	1,361,126	1,348,228
Totals	<u>\$ 23,619,956</u>	<u>\$ 26,873,925</u>	<u>\$ 11,375,012</u>	<u>\$ 13,690,336</u>

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Wabasha County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$85,051,983 at the end of 2015, an increase of \$3,650,499, after the restatement for GASB 68 and 71.

The County’s \$73,496,937 net investment in capital assets is 86 percent of total net position. Wabasha County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Wabasha County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate liabilities.

Five percent of Wabasha County’s net position (\$4,300,929) is subject to restrictions on how it may be used. The remaining nine percent (\$7,254,117) of unrestricted net position may be used to meet Wabasha County’s ongoing obligations to citizens and creditors.

Wabasha County’s total liabilities (\$27,566,632) are 24 percent of total assets and 119 percent of current assets.

## **Financial Analysis of the Government's Funds**

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

As of the end of 2015, Wabasha County's governmental funds report combined fund balances of \$18,121,981. This is an increase of \$3,311,951 from the prior year. Approximately 54 percent of this amount (\$9,720,226) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned for specific purposes.

The General Fund is the chief operating fund of Wabasha County. At the end of 2015, the unassigned fund balance was \$9,720,226, while the total fund balance was \$10,728,515. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 89 percent of total General Fund expenditures, while total fund balance represents approximately 98 percent of the same amount.

The Road and Bridge Special Revenue Fund ended the year with a fund balance of \$1,818,980. This was an increase of \$2,555,761. There was an increase in the Social Service Special Revenue Fund balance of \$603,636, with a total fund balance of \$2,306,908. The fund balance in the Criminal Justice Center Debt Service Fund increased by \$102,398, with an ending fund balance of \$2,449,262.

### **General Fund Budgetary Highlights**

Wabasha County did not make revisions to the General Fund budget during 2015. The General Fund's actual revenues were \$53,486 above budget, and expenditures were below budget by \$41,627.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Wabasha County's investment in capital assets as of December 31, 2015, amounts to \$89,641,400 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and software. (See Table 4.)

The net decrease in Wabasha County's investment in capital assets for the current year was \$487,015. More detailed information about the County's capital assets is presented in Note 2.A. to the financial statements.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land (not depreciated)	\$ 5,760,196	\$ 5,652,691
Construction in process (not depreciated)	1,325,911	2,151,560
Buildings and improvements	18,715,821	18,915,391
Machinery, vehicles, furniture, and equipment	1,579,033	1,653,730
Infrastructure	62,260,439	61,722,668
Software	-	32,375
Total	<u>\$ 89,641,400</u>	<u>\$ 90,128,415</u>

Construction in process relates to an unfinished project by the County Highway Department.

**Debt**

At the end of 2015, the County had total debt outstanding in the amount of \$15,974,555 as shown in Table 5. More detailed information about the County's long-term liabilities is presented in Note 2.C. to the financial statements.

**Table 5**  
**Outstanding Debt**

	Governmental Activities	
	2015	2014
General obligation jail bonds (net of unamortized discount)	\$ 10,448,779	\$ 11,052,531
Certificates of participation (net of unamortized discount)	5,504,488	5,823,680
Capital leases	21,288	45,733
Total	<u>\$ 15,974,555</u>	<u>\$ 16,921,944</u>

The County's general obligation bond rating is "AA," a rating assigned by national rating agencies to the County's debt. Minnesota Statute § 475.53 limits the amount of general obligation debt a county can incur to no more than three percent of the estimated taxable market value without the approval of the majority of the voters of the county voting on the questions of issuing the obligation at an election. The County's outstanding net debt is significantly below the state-imposed limit of \$90,989,685 based on the 2014 estimated market value of \$3,032,989,500.

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

## ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The County’s elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged.

- The Wabasha County Board of Commissioners uses a conservative approach to budgeting. Expenditures are reduced where possible, and new revenue sources are explored. All capital expenditures are thoroughly reviewed initially by the budget committee and again by the Board of Commissioners.
- The unemployment rate in Wabasha County decreased from 3.6 percent at the end of 2014 to 3.5 percent at the end of 2015. At the end of 2015, the Minnesota rate was 3.7 percent, and the U.S. rate was 4.8 percent. Unemployment rates can have a direct bearing on what services are requested by County residents.
- The 2016 County budget was adopted on December 28, 2015. The budgeted expenditures increased by 8.06 percent (\$2,144,350), and revenues increased by 7.97 percent (\$2,133,367). The County’s Road and Bridge Fund expenditures for 2016 are budgeted to increase by \$1,766,528 and General Fund expenditures by \$250,103 over the 2015 original budget. Income received from intergovernmental revenues is projected to increase in 2016 by \$1,931,681, and income received through taxes is increasing by \$507,447.
- The property tax levy increased 4.0 percent (\$520,447) from 2015. The County tax rate increased from 52.558 percent to 53.910 percent.

### County Tax Rate and Levy History

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

## REQUESTS FOR INFORMATION

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

This page was left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	<b>Primary Government Governmental Activities</b>	<b>Reads Landing Water and Sanitary District Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 19,492,164	\$ 24,535
Petty cash and change funds	3,225	-
Investment in joint venture	1,415,498	-
Taxes receivable		
Prior	251,850	-
Special assessments receivable	-	10,643
Accounts receivable - net	161,360	7,836
Accrued interest receivable	18,882	-
Due from other governments	1,779,526	-
Inventories	112,324	-
Capital assets		
Non-depreciable	7,086,107	-
Depreciable - net of accumulated depreciation	82,555,293	914,167
<b>Total Assets</b>	<b>\$ 112,876,229</b>	<b>\$ 957,181</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred pension outflows	<b>\$ 1,303,946</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 354,571	\$ 194
Salaries payable	543,246	-
Contracts payable	186,662	-
Due to other governments	311,921	3,662
Accrued interest payable	273,005	-
Unearned revenue	528,308	310
Long-term liabilities		
Net OPEB obligation	659,481	-
Net pension liability	7,380,946	-
Due within one year	1,067,524	1,625
Due in more than one year	16,260,968	84,447
<b>Total Liabilities</b>	<b>\$ 27,566,632</b>	<b>\$ 90,238</b>
<b><u>Deferred Inflows of Resources</u></b>		
Advance allotments	\$ 657,786	\$ -
Deferred pension inflows	903,774	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,561,560</b>	<b>\$ -</b>

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

Page 15

**WABASHA COUNTY  
WABASHA, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	<u>Primary Government Governmental Activities</u>	<u>Reads Landing Water and Sanitary District Component Unit</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$ 73,496,937	\$ 828,095
Restricted for		
General government	375,123	-
Public safety	54,517	-
Highways and streets	1,360,973	-
Human services	41,505	-
Health	19,549	-
Debt service	2,449,262	22,004
Equipment replacement	-	2,531
Unrestricted	<u>7,254,117</u>	<u>14,313</u>
<b>Total Net Position</b>	<b><u>\$ 85,051,983</u></b>	<b><u>\$ 866,943</u></b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 3,530,686	\$ 418,928
Public safety	6,367,531	511,608
Highways and streets	5,787,164	118,033
Sanitation	177,601	37,098
Human services	4,665,337	319,468
Health	1,418,556	481,349
Culture and recreation	410,614	32,084
Conservation of natural resources	458,896	10
Economic development	124,641	-
Interest	678,930	-
<b>Total Governmental Activities</b>	<b><u>\$ 23,619,956</u></b>	<b><u>\$ 1,918,578</u></b>
<b>Component unit</b>		
Reads Landing Water and Sanitary District	<b><u>\$ 92,199</u></b>	<b><u>\$ 67,146</u></b>

**General Revenues**

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

**Total general revenues**

**Change in net position**

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

**Net Position - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Reads Landing Water and Sanitary District Component Unit</b>
\$ 95,835	\$ -	\$ (3,015,923)	
518,237	-	(5,337,686)	
4,843,583	1,180,389	354,841	
71,280	-	(69,223)	
2,445,246	-	(1,900,623)	
822,712	-	(114,495)	
34,946	136,535	(207,049)	
177,603	-	(281,283)	
-	-	(124,641)	
-	-	(678,930)	
<b>\$ 9,009,442</b>	<b>\$ 1,316,924</b>	<b>\$ (11,375,012)</b>	
<b>\$ -</b>	<b>\$ -</b>		<b>\$ (25,053)</b>
		\$ 12,958,367	\$ -
		16,923	-
		242,991	-
		258,201	-
		1,213,048	-
		155,317	14
		164,846	-
		15,818	-
		<b>\$ 15,025,511</b>	<b>\$ 14</b>
		<b>\$ 3,650,499</b>	<b>\$ (25,039)</b>
		<b>81,401,484</b>	<b>891,982</b>
		<b>\$ 85,051,983</b>	<b>\$ 866,943</b>

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.



**GOVERNMENTAL FUNDS**

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 11,043,136	\$ 2,651,925
Petty cash and change funds	3,225	-
Taxes receivable		
Prior	147,473	28,745
Accounts receivable - net	5,452	6,651
Accrued interest receivable	17,623	-
Due from other governments	196,497	947,104
Inventories	-	112,324
	-	112,324
<b>Total Assets</b>	<b>\$ 11,413,406</b>	<b>\$ 3,746,749</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 148,496	\$ 37,543
Salaries payable	309,654	72,203
Contracts payable	16,754	169,908
Due to other governments	33,524	3,004
Unearned revenue	44,228	286,514
	44,228	286,514
<b>Total Liabilities</b>	<b>\$ 552,656</b>	<b>\$ 569,172</b>
<b>Deferred Inflows of Resources (Note 2.D.)</b>		
Unavailable revenue	\$ 132,535	\$ 700,811
Advance allotments	-	657,786
	-	657,786
<b>Total Deferred Inflows of Resources</b>	<b>\$ 132,535</b>	<b>\$ 1,358,597</b>

**EXHIBIT 3**

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,627,757	\$ 2,441,360	\$ 727,986	\$ 19,492,164
-	-	-	3,225
36,357	34,023	5,252	251,850
29,591	-	119,666	161,360
-	1,259	-	18,882
511,646	-	124,279	1,779,526
-	-	-	112,324
<b><u>\$ 3,205,351</u></b>	<b><u>\$ 2,476,642</u></b>	<b><u>\$ 977,183</u></b>	<b><u>\$ 21,819,331</u></b>
\$ 166,973	\$ -	\$ 1,559	\$ 354,571
105,363	-	56,026	543,246
-	-	-	186,662
275,044	-	349	311,921
180,366	-	17,200	528,308
<b><u>\$ 727,746</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 75,134</u></b>	<b><u>\$ 1,924,708</u></b>
\$ 170,697	\$ 27,380	\$ 83,433	\$ 1,114,856
-	-	-	657,786
<b><u>\$ 170,697</u></b>	<b><u>\$ 27,380</u></b>	<b><u>\$ 83,433</u></b>	<b><u>\$ 1,772,642</u></b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
(Continued)		
<b>Fund Balances</b>		
<b>Nonspendable</b>		
Inventories	\$ -	\$ 112,324
<b>Restricted for</b>		
Law library	75,163	-
Recorder's unallocated fund	194,318	-
Recorder's technology fund	38,861	-
Veteran's programs	8,647	-
Sheriff's contingency	1,720	-
Sheriff's forfeited property	4,805	-
Attorney's forfeited property	50,405	-
Jail stone preservation	200	-
County state-aid highway system	-	768,906
Sheriff's permit to carry	47,992	-
Health	-	-
Tobacco settlement	7,529	-
Human services/health care	-	-
Debt service	-	-
<b>Assigned to</b>		
Human services	-	-
Public health	-	-
Road and bridge	-	937,750
Regional Railroad Authority	-	-
Public safety	281,330	-
Equipment purchases	13,250	-
Building projects	26,000	-
Data processing projects	257,769	-
<b>Unassigned</b>	<b>9,720,226</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>\$ 10,728,215</b>	<b>\$ 1,818,980</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 11,413,406</b>	<b>\$ 3,746,749</b>

**EXHIBIT 3**  
**(Continued)**

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 112,324
-	-	-	75,163
-	-	-	194,318
-	-	-	38,861
-	-	-	8,647
-	-	-	1,720
-	-	-	4,805
-	-	-	50,405
-	-	-	200
-	-	-	768,906
-	-	-	47,992
-	-	19,549	19,549
-	-	-	7,529
41,505	-	-	41,505
-	2,449,262	-	2,449,262
2,265,403	-	-	2,265,403
-	-	773,777	773,777
-	-	-	937,750
-	-	25,290	25,290
-	-	-	281,330
-	-	-	13,250
-	-	-	26,000
-	-	-	257,769
-	-	-	9,720,226
<u>\$ 2,306,908</u>	<u>\$ 2,449,262</u>	<u>\$ 818,616</u>	<u>\$ 18,121,981</u>
<u>\$ 3,205,351</u>	<u>\$ 2,476,642</u>	<u>\$ 977,183</u>	<u>\$ 21,819,331</u>

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2015**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 18,121,981</b>
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.		89,641,400
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		1,415,498
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,114,856
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		1,303,946
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (10,465,000)	
Certificates of participation	(5,580,000)	
Bond discount	91,733	
Capital leases	(21,288)	
Accrued interest payable	(273,005)	
Net OPEB obligation	(659,481)	
Net pension liability	(7,380,946)	
Compensated absences	(1,353,937)	(25,641,924)
		(903,774)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(903,774)
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b>\$ 85,051,983</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b>Revenues</b>		
Taxes	\$ 7,476,224	\$ 1,641,671
Licenses and permits	128,502	-
Intergovernmental	2,038,556	6,131,379
Charges for services	696,115	70,198
Fines and forfeits	14,036	-
Gifts and contributions	27,681	-
Investment earnings	149,726	-
Miscellaneous	316,284	46,565
	<b>\$ 10,847,124</b>	<b>\$ 7,889,813</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 3,797,242	\$ -
Public safety	5,693,256	-
Highways and streets	301,968	5,081,978
Sanitation	176,612	-
Human services	-	-
Health	-	-
Culture and recreation	379,577	-
Conservation of natural resources	456,967	-
Economic development	124,641	-
<b>Intergovernmental</b>		
Highways and streets	-	198,976
<b>Debt service</b>		
Principal	24,445	-
Interest	2,505	-
Administrative (fiscal) charges	-	-
	<b>\$ 10,957,213</b>	<b>\$ 5,280,954</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (110,089)</b>	<b>\$ 2,608,859</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(2,925)	-
Proceeds from sale of capital assets	50,564	-
	<b>\$ 47,639</b>	<b>\$ -</b>
<b>Change in Fund Balance</b>	<b>\$ (62,450)</b>	<b>\$ 2,608,859</b>
<b>Fund Balance - January 1</b>	<b>10,790,665</b>	<b>(736,781)</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(53,098)</b>
<b>Fund Balance - December 31</b>	<b>\$ 10,728,215</b>	<b>\$ 1,818,980</b>

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



**EXHIBIT 5**

<u>Social Service Special Revenue</u>	<u>Criminal Justice Center Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 2,181,906	\$ 1,670,484	\$ 236,790	\$ 13,207,075
8,450	-	-	136,952
2,670,027	40,463	847,956	11,728,381
202,190	-	431,097	1,399,600
-	-	-	14,036
2,164	-	1,666	31,511
-	5,591	-	155,317
154,845	-	1,072	518,766
<b><u>\$ 5,219,582</u></b>	<b><u>\$ 1,716,538</u></b>	<b><u>\$ 1,518,581</u></b>	<b><u>\$ 27,191,638</u></b>
\$ -	\$ -	\$ -	\$ 3,797,242
-	-	-	5,693,256
-	-	-	5,383,946
-	-	-	176,612
4,615,946	-	-	4,615,946
-	-	1,404,122	1,404,122
-	-	4,778	384,355
-	-	-	456,967
-	-	-	124,641
-	-	-	198,976
-	930,000	-	954,445
-	678,840	-	681,345
-	5,300	-	5,300
<b><u>\$ 4,615,946</u></b>	<b><u>\$ 1,614,140</u></b>	<b><u>\$ 1,408,900</u></b>	<b><u>\$ 23,877,153</u></b>
<b><u>\$ 603,636</u></b>	<b><u>\$ 102,398</u></b>	<b><u>\$ 109,681</u></b>	<b><u>\$ 3,314,485</u></b>
\$ -	\$ -	\$ 2,925	\$ 2,925
-	-	-	(2,925)
-	-	-	50,564
<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,925</u></b>	<b><u>\$ 50,564</u></b>
\$ 603,636	\$ 102,398	\$ 112,606	\$ 3,365,049
1,703,272	2,346,864	706,010	14,810,030
-	-	-	(53,098)
<b><u>\$ 2,306,908</u></b>	<b><u>\$ 2,449,262</u></b>	<b><u>\$ 818,616</u></b>	<b><u>\$ 18,121,981</u></b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 3,365,049**

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

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

Deferred inflows of resources - December 31	\$ 1,114,856	
Deferred inflows of resources - January 1	(1,063,219)	51,637

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

Expenditures for general capital assets and infrastructure	\$ 2,774,194	
Net book value of assets sold	(92,768)	
Current year depreciation	(3,168,441)	(487,015)

In the statement of net position, an asset is reported for the equity interest in joint ventures. The change in net position differs from the change in fund balance by the increases or decreases in the investment in joint venture. 55,238

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

Principal repayments		
General obligation bonds	\$ 605,000	
Certificates of participation	325,000	
Capital lease	24,445	954,445

**WABASHA COUNTY  
WABASHA, MINNESOTA**

***EXHIBIT 6  
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

Change in accrued interest payable	\$	14,771	
Amortization of discounts		(7,056)	
Change in compensated absences		29,725	
Change in net OPEB obligation		(65,460)	
Change in net pension liability, as restated		(246,689)	
Change in deferred outflows of resources, as restated		942,726	
Change in deferred inflows of resources		(903,774)	
Change in inventories		(53,098)	(288,855)
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>			<b><u>\$ 3,650,499</u></b>

This page was left blank intentionally.

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2015**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 642,257</u>
 <u>Liabilities</u>	
Accounts payable	\$ 45,612
Due to other governments	<u>596,645</u>
<b>Total Liabilities</b>	<b><u>\$ 642,257</u></b>

This page was left blank intentionally.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

---

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Wabasha County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Wabasha County (primary government) and its component units for which Wabasha County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. As of December 31, 2015, the County Administrator, appointed by the Board, served as the clerk of the Board of Commissioners but had no vote.

Blended Component Unit

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

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

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, Wabasha County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Director for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2015 were \$123,354.

2. Receivables and Payables

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

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

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

3. Inventories

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	15 - 50
Personal property	3 - 12
Infrastructure	10 - 50
Intangible assets	5 - 20

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Unearned/Unavailable Revenue

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

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 funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations (Continued)

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

8. 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.

9. Deferred Outflows/Inflows of Resources

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



**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

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

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.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

11. Classifications of Fund Balances

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

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

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

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

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

11. Classifications of Fund Balances (Continued)

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

12. Minimum Fund Balance

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

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

13. Stabilization Arrangement

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

13. Stabilization Arrangement (Continued)

balance drops below this level, the County Board is to develop a plan and a time frame to replenish the fund. As of December 31, 2015, the County has not committed any funds for a stabilization arrangement.

14. Use of Estimates

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

E. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employer's unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	Governmental Activities
Net Position, January 1, 2015, as previously reported	\$ 88,174,521
Change in accounting principles	(6,773,037)
Net Position, January 1, 2015, as restated	\$ 81,401,484

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 19,492,164
Petty cash and change funds	3,225
Reads Landing Water and Sanitary District component unit	
Cash and pooled investments	24,535
Fiduciary funds	
Cash and pooled investments - agency funds	642,257
Total Cash and Investments	\$ 20,162,181

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2015, the County's deposits were not exposed to custodial credit risk.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. In establishing specific diversification strategies, the County policy states portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy states the Chief Financial Officer or appointed person shall, after careful study of potential additional costs to the County, attempt to structure all investments and deposits so that the custodial risk is in accordance with GASB Statement 3 and only to the extent there is sufficient Security Investor Protection Corporation (SIPC) and excess SIPC coverage available. As of December 31, 2015, the County's investments were not exposed to custodial credit risk.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposits and investment balances at December 31, 2015, and information relating to potential investment risk.

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Mortgage Corporation	AA+	S&P	23.6%	05/25/2021	\$ 1,350,000
Federal Home Loan Bank	AA+	S&P	16.9%	12/24/2020	967,470
Total U.S. government agency securities					\$ 2,317,470
Negotiable certificates of deposit with brokers	N/A	N/A	N/A	Various	3,394,000
Wells Fargo Advantage Government Money Market Fund	Aaa	Moody's	N/A	N/A	5,681
Total investments					\$ 5,717,151
Deposits					14,441,805
Petty cash and change funds					3,225
Total Cash and Investments					\$ 20,162,181

**WABASHA COUNTY  
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, for Wabasha County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 896,998
Less: allowance for uncollectible accounts	<u>(735,638)</u>
Net Accounts Receivable	<u>\$ 161,360</u>

Net receivables for governmental activities are collectible within the year.

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,709,812	\$ 40,900	\$ -	\$ 1,750,712
Land highway right-of-way	3,942,879	115,645	49,040	4,009,484
Construction in process	<u>2,151,560</u>	<u>1,325,911</u>	<u>2,151,560</u>	<u>1,325,911</u>
Total capital assets not depreciated	<u>\$ 7,804,251</u>	<u>\$ 1,482,456</u>	<u>\$ 2,200,600</u>	<u>\$ 7,086,107</u>
Capital assets depreciated				
Buildings	\$ 20,781,481	\$ 260,818	\$ -	\$ 21,042,299
Improvements other than buildings	1,324,183	-	-	1,324,183
Machinery, furniture, and equipment	6,800,661	390,441	315,147	6,875,955
Software	277,500	-	-	277,500
Infrastructure - trails	525,178	-	-	525,178
Infrastructure - highways	<u>115,484,343</u>	<u>2,792,039</u>	<u>1,074,936</u>	<u>117,201,446</u>
Total capital assets depreciated	<u>\$ 145,193,346</u>	<u>\$ 3,443,298</u>	<u>\$ 1,390,083</u>	<u>\$ 147,246,561</u>
Less: accumulated depreciation for				
Buildings	\$ 2,933,150	\$ 419,080	\$ -	\$ 3,352,230
Improvements other than buildings	257,123	41,308	-	298,431
Machinery, furniture, and equipment	5,146,931	421,410	271,419	5,296,922
Software	245,125	32,375	-	277,500
Infrastructure - trails	367,624	26,259	-	393,883
Infrastructure - highways	<u>53,919,229</u>	<u>2,228,009</u>	<u>1,074,936</u>	<u>55,072,302</u>
Total accumulated depreciation	<u>\$ 62,869,182</u>	<u>\$ 3,168,441</u>	<u>\$ 1,346,355</u>	<u>\$ 64,691,268</u>
Total capital assets depreciated, net	<u>\$ 82,324,164</u>	<u>\$ 274,857</u>	<u>\$ 43,728</u>	<u>\$ 82,555,293</u>
Governmental Activities Capital Assets, Net	<u>\$ 90,128,415</u>	<u>\$ 1,757,313</u>	<u>\$ 2,244,328</u>	<u>\$ 89,641,400</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

2. 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	\$ 40,522
Public safety	649,342
Highways and streets, including depreciation of infrastructure assets	2,412,029
Human services	39,276
Culture and recreation	26,259
Health	<u>1,013</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,168,441</u>

B. Interfund Receivables, Payables, and Transfers

Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfer to Regional Railroad Special Revenue Fund from General Fund	\$	<u>2,925</u>	Minnesota High-Speed Rail Commission membership
--	----	--------------	---

C. Liabilities

1. 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, 2015.

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Kitchen equipment	2016	Monthly	\$ 2,450	\$ 205,800	\$ 22,050

**WABASHA COUNTY  
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

1. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

Year Ending December 31	Governmental Activities
2016	\$ 22,050
Less: amount representing interest	(762)
Present Value of Minimum Lease Payments	\$ 21,288

2. Bonded Debt and Certificates of Participation

Type of Indebtedness	Final Maturity	Principal Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2007A G.O. Jail Bonds	2028	\$200,000 - \$725,000	4.00 - 4.10	\$ 10,000,000	\$ 7,475,000
Less: unamortized discount				-	(1,109)
2008A G.O. Jail Bonds	2028	\$80,000 - \$190,000	3.00 - 4.10	2,255,000	1,550,000
Less: unamortized discount				-	(13,549)
2009A G.O. Jail Bonds	2028	\$60,000 - \$135,000	2.00 - 4.15	1,915,000	1,440,000
Less: unamortized discount				-	(1,563)
General Obligation Bonds, Net				\$ 14,170,000	\$ 10,448,779
2008B Certificates of Participation	2028	\$280,000 - \$545,000	4.00 - 4.75	\$ 7,745,000	\$ 5,580,000
Less: unamortized discount					(75,512)
Certificates of Participation, Net					\$ 5,504,488

**WABASHA COUNTY  
WABASHA, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

2. Bonded Debt and Certificates of Participation (Continued)

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation Jail Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2016	\$ 630,000	\$ 401,502	\$ 335,000	\$ 240,772
2017	655,000	377,020	350,000	227,073
2018	680,000	351,269	365,000	212,590
2019	710,000	324,790	375,000	197,232
2020	735,000	297,469	390,000	181,070
2021 - 2025	4,140,000	1,022,820	2,200,000	628,093
2026 - 2028	2,915,000	182,471	1,565,000	113,519
Total	<u>\$ 10,465,000</u>	<u>\$ 2,957,341</u>	<u>\$ 5,580,000</u>	<u>\$ 1,800,349</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation jail bonds	\$ 11,070,000	\$ -	\$ 605,000	\$ 10,465,000	\$ 630,000
Certificates of participation	5,905,000	-	325,000	5,580,000	335,000
Less: deferred amounts for issuance discounts	(98,789)	-	(7,056)	(91,733)	-
Total bonds payable	\$ 16,876,211	\$ -	\$ 922,944	\$ 15,953,267	\$ 965,000
Capital leases	45,733	-	24,445	21,288	21,288
Compensated absences	1,383,662	116,439	146,164	1,353,937	81,236
Governmental Activities Long-Term Liabilities	<u>\$ 18,305,606</u>	<u>\$ 116,439</u>	<u>\$ 1,093,553</u>	<u>\$ 17,328,492</u>	<u>\$ 1,067,524</u>

General obligation and certificates of participation are liquidated by the Debt Service Fund. The capital lease is paid from the General Fund. Compensated absences obligations are generally liquidated by the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and Public Health Special Revenue Fund.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Construction Commitments

The County has active road construction projects and commitments as of December 31, 2015.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road and bridge projects	\$ 1,336,411	\$ 4,751,183

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

D. Deferred Outflows/Inflows of Resources

Governmental funds did not report deferred outflows of resources for the year ended December 31, 2015. Two types of deferred inflows of resources are reported in the governmental funds as of December 31, 2015.

As of December 31, 2015, there were various components of unavailable revenue as follows:

Taxes		\$ 200,742
Intergovernmental		797,474
Charges for services		95,311
Miscellaneous		15,120
Other		6,209
Total Unavailable Revenue		\$ 1,114,856

Advance allotments consist of state aid received by the County but not yet appropriated by the State of Minnesota. Total advance allotments at December 31, 2015, are \$657,786.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. 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 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 Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each 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. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement Fund 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 Fund and Public Employees Correctional Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. 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 and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

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

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$ 510,667
Public Employees Police and Fire Fund	189,120
Public Employees Correctional Fund	81,872

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$5,928,803 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.1144 percent. It was 0.1244 percent measured as of June 30, 2014. The County recognized pension expense of \$670,845 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 298,912
Difference between projected and actual investment earnings	561,252	-
Changes in proportion	-	352,312
Contributions paid to PERA subsequent to the measurement date	256,846	-
Total	\$ 818,098	\$ 651,224

A total of \$256,846 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, 2016. 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
2016	\$ (76,762)
2017	(76,762)
2018	(76,763)
2019	140,313

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$1,374,843 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.121 percent. It was 0.116 percent measured as of June 30, 2014. The County recognized pension expense of \$245,897 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$10,890 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 Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The County reported its proportionate share of the Public Employees Police and Fire Fund'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	\$ -	\$ 222,955
Difference between projected and actual investment earnings	239,544	-
Changes in proportion	45,002	-
Contributions paid to PERA subsequent to the measurement date	95,393	-
Total	\$ 379,939	\$ 222,955

A total of \$95,393 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, 2016. 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
2016	\$ 24,295
2017	24,295
2018	24,296
2019	24,296
2020	(35,591)

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$77,300 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.50 percent. It was 0.50 percent measured as of June 30, 2014. The County recognized pension expense of \$83,844 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 29,595
Difference between projected and actual investment earnings	64,435	-
Contributions paid to PERA subsequent to the measurement date	<u>41,474</u>	<u>-</u>
Total	<u>\$ 105,909</u>	<u>\$ 29,595</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

A total of \$41,474 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 6,244
2017	6,244
2018	6,243
2019	16,109

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended June 30, 2015, was \$1,000,586.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans

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 were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



**WABASHA COUNTY  
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. 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, each of the pension plan's fiduciary net position 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.

7. 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:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 9,322,184	\$ 5,928,803	\$ 3,126,390
Public Employees Police and Fire Fund net pension liability	2,679,584	1,374,843	296,900
Public Employees Correctional Fund net pension liability (asset)	538,330	77,300	(291,710)

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. 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](http://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.

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,415	\$ 4,415
Percentage of covered payroll	5%	5%

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description and Funding Policy

The County provides health insurance benefits for certain retired employees under a single-employer, self-insured health care plan, financed and administered by the Southeast Service Cooperative and Wabasha County. Blue Cross and Blue Shield of Minnesota (BCBSM), under contract with the Southeast Service Cooperative, is the Claims Administrator. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the County when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate subsidy. As of January 1, 2015, six retirees were receiving health benefits from the County's health plan. The postemployment benefit is funded on a pay-as-you go basis.

During 2015, the County paid 95 percent (\$663.57) of the monthly single medical premium for a police officer pursuant to Minn. Stat. § 299A.465, subd. 1d. The State of Minnesota reimbursed the County 51 percent of this cost.

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, 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 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

**WABASHA COUNTY  
WABASHA, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligations (Continued)

ARC	\$	125,087
Interest on net OPEB obligation		26,731
Adjustment to ARC		(35,674)
Annual OPEB cost	\$	116,144
Contribution during the year		(50,684)
Increase in net OPEB obligation	\$	65,460
Net OPEB - Beginning of Year		594,021
Net OPEB - End of Year	\$	659,481

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, 2013, 2014, and 2015, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ 116,955	\$ 62,113	53.10%	\$ 530,376
December 31, 2014	115,600	51,955	44.94	594,021
December 31, 2015	116,144	50,684	43.64	659,481

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

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2013	\$ -	\$ 841,865	\$ 841,865	0.00%	\$ 7,794,722	10.80%

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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.

Actuarial Methods and Assumptions

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

In the January 1, 2013, actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 4.5 percent discount rate (net of investment expenses) and an annual medical trend rate of 7.5 percent in 2013, reduced incrementally to an ultimate rate of 5.0 percent over 5 years. The unfunded actuarial accrued liability is being amortized on a closed basis not to exceed 30 years.

D. MSRS Health Care Savings Plan

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

3. Employee Retirement Systems and Pension Plans

D. MSRS Health Care Savings Plan (Continued)

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

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

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

4. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 in 2015 and \$500,000 in 2016.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

4. Risk Management (Continued)

Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Southeastern Minnesota Multi-County Housing and Redevelopment Authority

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

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Family Services Collaborative

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

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

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

South Country Health Alliance

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

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



**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Country Health Alliance (Continued)

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2015, was \$1,415,498. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as Human Services.

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

Southeast Minnesota Regional Emergency Communications Board

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

The financial activities of the Board are accounted for by Olmsted County as the fiscal agent. During 2015, the County paid \$1,000 for an annual membership to the Board.

Southeast Minnesota Violent Crime Enforcement Team (SEMVCET)

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Southeast Minnesota Violent Crime Enforcement Team (SEMV CET) (Continued)

Olmsted County has been appointed as the fiscal agent for SEMVCET. During 2015, Wabasha County paid \$6,000 to the SEMVCET.

C. Jointly-Governed Organizations

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

Minnesota Counties Computer Cooperative

The Minnesota Counties Computer Cooperative provides computer programming service to several counties. During 2015, the County paid \$116,191 for dues, membership, and services.

Southeast Services Cooperative

The Southeast Services Cooperative provides employee insurance programs to members. During 2015, the County paid \$150 for an annual membership fee to the Cooperative.

Southeast Minnesota Water Resources Board

The Southeast Minnesota Water Resources Board provides regional water quality services to member counties. During 2015, Wabasha County made no payments to the Board.

Region One--Southeast Minnesota Homeland Security Emergency Management Organization

The Region One--Southeast Minnesota Homeland Security Emergency Management Organization was established to regionally coordinate efforts to better respond to emergencies and natural or other disasters within the region. During 2015, the County paid \$1,000 for an annual membership to the Organization.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Southeastern Minnesota Library

The Southeastern Minnesota Library provides library services to several counties. During 2015, Wabasha County paid \$141,500 to the Library.

Whitewater Watershed Project

The Whitewater Watershed Project provides services to three counties and three soil and water conservation districts. During 2015, Wabasha County paid \$4,973 to the Project.

Three Rivers Community Action

Three Rivers Community Action provides various programs to several counties. During 2015, Wabasha County paid \$41,406 to Three Rivers.

Minnesota Workforce Development, Inc.

Minnesota Workforce Development, Inc., provides various job training services to several counties. During 2015, the County paid \$172,063 to this organization.

Olmsted-Wabasha Lake Zumbro Joint Powers Board

The Olmsted-Wabasha Lake Zumbro Joint Powers Board was established to develop, adopt, and enforce ordinances regulating the use and oversee funding for the restoration of Lake Zumbro. During 2015, Wabasha County made no payments to the Board.

Southeastern Minnesota Emergency Medical Services Joint Powers Board

Southeastern Minnesota Emergency Medical Services provides various health services to several counties. During 2015, the County made no payments to the Board.

Zumbro Watershed Partnership

The Zumbro Watershed Partnership was formed to promote the protection and improvement of the Zumbro River Watershed. During 2015, the County did not provide any funding to the partnership.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

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

D. Related Organization

Wabasha County appoints Board members to the Bear Valley Watershed. The County has no other control over this Board. During 2015, the County paid \$6,084 to the Bear Valley Watershed.

6. Subsequent Events

On April 13, 2016, the County issued \$8,515,000 in General Obligation Jail Refunding Bonds, Series 2016A, with an interest rate of 2.00 percent, to provide funds to refund in an advance crossover refunding, and to prepay the County's General Obligation Jail Bonds, Series 2007A, Series 2008A, and Series 2009A. The purpose of refunding is to enable the County to achieve a debt service savings of \$1,016,157.50 (\$937,858.96 on a present value basis). Standard & Poors raised its rating to AA+ on the existing general obligation bonds and assigned a rating of AA+ to the 2016 G.O. Jail Refunding Bonds.

On June 28, 2016, the County Board approved a contract with Honeywell Building Solutions for the purpose of upgrading HVAC equipment located in various County-owned buildings. The cost of the project is \$1,201,000 to be paid in seven annual installments.

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Cash and Pooled Investments

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

Receivables

Receivables are shown net of an allowance for uncollectibles.

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

Restricted Assets

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

7. Reads Landing Water and Sanitary District - Component Unit

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Unearned Revenue

Unearned revenue is made up of prepaid sewer usage fees.

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

1. Capital Assets

Component unit capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Infrastructure - sewer lines	\$ 1,366,978	\$ -	\$ -	\$ 1,366,978
Less: accumulated depreciation	<u>(418,637)</u>	<u>(34,174)</u>	<u>-</u>	<u>(452,811)</u>
Total Capital Assets, Net	<u>\$ 948,341</u>	<u>\$ (34,174)</u>	<u>\$ -</u>	<u>\$ 914,167</u>

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

7. Reads Landing Water and Sanitary District - Component Unit

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

2. Long-Term Debt

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

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Principal Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2015</u>
General obligation bonds	2043	\$972 - \$5,166	4.375	\$ 101,000	<u>\$ 86,072</u>

3. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,625	\$ 3,766
2017	1,697	3,694
2018	1,771	3,620
2019	1,848	3,543
2020	1,929	3,462
2021 - 2025	10,990	15,967
2026 - 2030	13,610	13,344
2031 - 2035	16,860	10,094
2036 - 2040	20,886	6,069
2041 - 2043	<u>14,856</u>	<u>1,319</u>
Total	<u>\$ 86,072</u>	<u>\$ 64,878</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	<u>\$ 87,629</u>	<u>\$ -</u>	<u>\$ 1,557</u>	<u>\$ 86,072</u>	<u>\$ 1,625</u>

This page was left blank intentionally.



**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 7,531,312	\$ 7,531,312	\$ 7,476,224	\$ (55,088)
Licenses and permits	142,319	142,319	128,502	(13,817)
Intergovernmental	1,850,329	1,850,329	2,038,556	188,227
Charges for services	826,048	826,048	696,115	(129,933)
Fines and forfeits	6,000	6,000	14,036	8,036
Gifts and contributions	1,120	1,120	27,681	26,561
Investment earnings	100,000	100,000	149,726	49,726
Miscellaneous	336,510	336,510	316,284	(20,226)
<b>Total Revenues</b>	<b>\$ 10,793,638</b>	<b>\$ 10,793,638</b>	<b>\$ 10,847,124</b>	<b>\$ 53,486</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 202,150	\$ 202,150	\$ 198,229	\$ 3,921
Courts	58,000	58,000	68,713	(10,713)
Other courts	8,955	8,955	3,998	4,957
County administrator	424,936	424,936	353,888	71,048
County auditor/treasurer	304,296	304,296	281,195	23,101
County assessor	386,825	386,825	358,822	28,003
Elections	11,900	11,900	2,748	9,152
Data processing	471,228	471,228	304,148	167,080
Attorney	497,477	497,477	439,775	57,702
Law library	6,300	6,300	8,253	(1,953)
Recorder	392,858	392,858	445,841	(52,983)
Surveyor	30,000	30,000	30,000	-
Planning and zoning	307,309	307,309	259,293	48,016
Geographic information systems (GIS)	97,220	97,220	95,761	1,459
Buildings and plant	494,178	494,178	444,622	49,556
Veterans service officer	225,369	225,369	241,865	(16,496)
Other general government	256,206	256,206	260,091	(3,885)
<b>Total general government</b>	<b>\$ 4,175,207</b>	<b>\$ 4,175,207</b>	<b>\$ 3,797,242</b>	<b>\$ 377,965</b>
<b>Public safety</b>				
Sheriff	\$ 3,078,418	\$ 3,078,418	\$ 3,054,643	\$ 23,775
Boat and water safety	16,685	16,685	15,206	1,479
Emergency services	133,850	133,850	116,201	17,649
Coroner	70,000	70,000	60,681	9,319
E-911 system	86,350	86,350	65,398	20,952
County jail	1,881,204	1,881,204	1,765,843	115,361
Community corrections	621,466	621,466	615,284	6,182
<b>Total public safety</b>	<b>\$ 5,887,973</b>	<b>\$ 5,887,973</b>	<b>\$ 5,693,256</b>	<b>\$ 194,717</b>

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

Page 76

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Highways and streets</b>				
Equipment maintenance and shops	\$ -	\$ -	\$ 301,968	\$ (301,968)
<b>Sanitation</b>				
Hazardous waste	\$ 17,100	\$ 17,100	\$ 7,778	\$ 9,322
SCORE	66,700	66,700	102,792	(36,092)
Environmental services	85,397	85,397	66,042	19,355
<b>Total sanitation</b>	<b>\$ 169,197</b>	<b>\$ 169,197</b>	<b>\$ 176,612</b>	<b>\$ (7,415)</b>
<b>Culture and recreation</b>				
Historical society	\$ 6,000	\$ 6,000	\$ 173,548	\$ (167,548)
Snowmobile	85,000	85,000	62,529	22,471
Senior citizens	2,000	2,000	2,000	-
County/regional library	141,500	141,500	141,500	-
<b>Total culture and recreation</b>	<b>\$ 234,500</b>	<b>\$ 234,500</b>	<b>\$ 379,577</b>	<b>\$ (145,077)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 124,347	\$ 124,347	\$ 114,554	\$ 9,793
Soil and water conservation	133,000	133,000	134,225	(1,225)
Agricultural inspections	225	225	-	225
Agricultural society/County fair	20,120	20,120	20,120	-
Water planning	6,240	6,240	-	6,240
Wetland challenge	-	-	15,354	(15,354)
Other	105,014	105,014	172,714	(67,700)
<b>Total conservation of natural resources</b>	<b>\$ 388,946</b>	<b>\$ 388,946</b>	<b>\$ 456,967</b>	<b>\$ (68,021)</b>
<b>Economic development</b>				
Housing development	\$ 110,517	\$ 110,517	\$ 122,041	\$ (11,524)
Tourism	3,100	3,100	2,600	500
<b>Total economic development</b>	<b>\$ 113,617</b>	<b>\$ 113,617</b>	<b>\$ 124,641</b>	<b>\$ (11,024)</b>
<b>Debt service</b>				
Principal	\$ 26,707	\$ 26,707	\$ 24,445	\$ 2,262
Interest	2,693	2,693	2,505	188
<b>Total debt service</b>	<b>\$ 29,400</b>	<b>\$ 29,400</b>	<b>\$ 26,950</b>	<b>\$ 2,450</b>
<b>Total Expenditures</b>	<b>\$ 10,998,840</b>	<b>\$ 10,998,840</b>	<b>\$ 10,957,213</b>	<b>\$ 41,627</b>

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

Page 77

**WABASHA COUNTY  
WABASHA, MINNESOTA**

***EXHIBIT A-1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (205,202)	\$ (205,202)	\$ (110,089)	\$ 95,113
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ (2,625)	\$ (2,625)	\$ (2,925)	\$ (300)
Proceeds from sale of capital assets	5,000	5,000	50,564	45,564
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 2,375</u>	<u>\$ 2,375</u>	<u>\$ 47,639</u>	<u>\$ 45,264</u>
<b>Net Change in Fund Balance</b>	\$ (202,827)	\$ (202,827)	\$ (62,450)	\$ 140,377
<b>Fund Balance - January 1</b>	<u>10,790,665</u>	<u>10,790,665</u>	<u>10,790,665</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 10,587,838</u>	<u>\$ 10,587,838</u>	<u>\$ 10,728,215</u>	<u>\$ 140,377</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,651,484	\$ 1,651,484	\$ 1,641,671	\$ (9,813)
Intergovernmental	6,146,355	6,146,355	6,131,379	(14,976)
Charges for services	16,250	16,250	70,198	53,948
Miscellaneous	30,000	30,000	46,565	16,565
<b>Total Revenues</b>	<b>\$ 7,844,089</b>	<b>\$ 7,844,089</b>	<b>\$ 7,889,813</b>	<b>\$ 45,724</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 328,703	\$ 328,703	\$ 325,007	\$ 3,696
Engineering	515,380	515,380	438,003	77,377
Maintenance	1,543,455	1,543,455	2,034,540	(491,085)
Construction	4,204,000	4,204,000	1,571,942	2,632,058
Equipment maintenance and shop	822,551	822,551	712,486	110,065
<b>Total highways and streets</b>	<b>\$ 7,414,089</b>	<b>\$ 7,414,089</b>	<b>\$ 5,081,978</b>	<b>\$ 2,332,111</b>
<b>Intergovernmental</b>				
Highways and streets	190,000	190,000	198,976	(8,976)
<b>Total Expenditures</b>	<b>\$ 7,604,089</b>	<b>\$ 7,604,089</b>	<b>\$ 5,280,954</b>	<b>\$ 2,323,135</b>
<b>Net Change in Fund Balance</b>	<b>\$ 240,000</b>	<b>\$ 240,000</b>	<b>\$ 2,608,859</b>	<b>\$ 2,368,859</b>
<b>Fund Balance - January 1</b>	<b>(736,781)</b>	<b>(736,781)</b>	<b>(736,781)</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(53,098)</b>	<b>(53,098)</b>
<b>Fund Balance - December 31</b>	<b>\$ (496,781)</b>	<b>\$ (496,781)</b>	<b>\$ 1,818,980</b>	<b>\$ 2,315,761</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,198,135	\$ 2,198,135	\$ 2,181,906	\$ (16,229)
Licenses and permits	7,000	7,000	8,450	1,450
Intergovernmental	2,569,379	2,569,379	2,670,027	100,648
Charges for services	177,100	177,100	202,190	25,090
Gifts and contributions	3,000	3,000	2,164	(836)
Miscellaneous	130,375	130,375	154,845	24,470
<b>Total Revenues</b>	<b>\$ 5,084,989</b>	<b>\$ 5,084,989</b>	<b>\$ 5,219,582</b>	<b>\$ 134,593</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,480,083	\$ 1,480,083	\$ 1,497,666	\$ (17,583)
Social services	3,604,906	3,604,906	3,118,280	486,626
<b>Total Expenditures</b>	<b>\$ 5,084,989</b>	<b>\$ 5,084,989</b>	<b>\$ 4,615,946</b>	<b>\$ 469,043</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 603,636</b>	<b>\$ 603,636</b>
<b>Fund Balance - January 1</b>	<b>1,703,272</b>	<b>1,703,272</b>	<b>1,703,272</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,703,272</b>	<b>\$ 1,703,272</b>	<b>\$ 2,306,908</b>	<b>\$ 603,636</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

***EXHIBIT A-4***

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	\$ -	\$ 749,441	\$ 749,441	0.00%	\$ 6,372,223	11.76%
January 1, 2010	-	782,216	782,216	0.00	8,017,063	9.76
January 1, 2013	-	841,865	841,865	0.00	7,794,722	10.80



**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-5*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2015**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.1144%	\$ 5,928,803	\$ 6,696,357	88.54%	78.20%

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2015**

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-7*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND  
DECEMBER 31, 2015**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.121%	\$ 1,374,843	\$ 1,107,162	124.18%	86.60%

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-8*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND  
DECEMBER 31, 2015**

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

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-9*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND  
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.500%	\$ 77,300	\$ 900,618	8.58%	96.90%

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT A-10*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND  
DECEMBER 31, 2015**

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

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

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015**

---

---

1. Budgetary Information

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

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

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

2. Other Postemployment Benefits Funded Status

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

See Note 3.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

This page was left blank intentionally.

**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.



**MAJOR FUND**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT B-1*

**BUDGETARY COMPARISON SCHEDULE  
CRIMINAL JUSTICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,685,702	\$ 1,685,702	\$ 1,670,484	\$ (15,218)
Intergovernmental	40,463	40,463	40,463	-
Investment earnings	3,700	3,700	5,591	1,891
<b>Total Revenues</b>	<b>\$ 1,729,865</b>	<b>\$ 1,729,865</b>	<b>\$ 1,716,538</b>	<b>\$ (13,327)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 930,000	\$ 930,000	\$ 930,000	\$ -
Interest	678,841	678,841	678,840	1
Administrative (fiscal) charges	5,300	5,300	5,300	-
<b>Total Expenditures</b>	<b>\$ 1,614,141</b>	<b>\$ 1,614,141</b>	<b>\$ 1,614,140</b>	<b>\$ 1</b>
<b>Net Change in Fund Balance</b>	<b>\$ 115,724</b>	<b>\$ 115,724</b>	<b>\$ 102,398</b>	<b>\$ (13,326)</b>
<b>Fund Balance - January 1</b>	<b>2,346,864</b>	<b>2,346,864</b>	<b>2,346,864</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,462,588</b>	<b>\$ 2,462,588</b>	<b>\$ 2,449,262</b>	<b>\$ (13,326)</b>

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT C-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>Special Revenue Funds</b>		<b>Total (Exhibit 3)</b>
	<b>Regional Railroad</b>	<b>Public Health</b>	
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 25,290	\$ 702,696	\$ 727,986
Taxes receivable			
Prior	-	5,252	5,252
Accounts receivable - net	-	119,666	119,666
Due from other governments	-	124,279	124,279
	<b>\$ 25,290</b>	<b>\$ 951,893</b>	<b>\$ 977,183</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 1,559	\$ 1,559
Salaries payable	-	56,026	56,026
Due to other governments	-	349	349
Unearned revenue	-	17,200	17,200
	<b>\$ -</b>	<b>\$ 75,134</b>	<b>\$ 75,134</b>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue (Note 2.D.)	\$ -	\$ 83,433	\$ 83,433
 <b>Fund Balances</b>			
Restricted for			
Health	\$ -	\$ 19,549	\$ 19,549
Assigned to			
Public health	-	773,777	773,777
Regional Railroad Authority	25,290	-	25,290
	<b>\$ 25,290</b>	<b>\$ 793,326</b>	<b>\$ 818,616</b>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 25,290</b>	<b>\$ 951,893</b>	<b>\$ 977,183</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT C-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Special Revenue Funds</u>		<u>Total (Exhibit 5)</u>
	<u>Regional Railroad</u>	<u>Public Health</u>	
<b>Revenues</b>			
Taxes	\$ -	\$ 236,790	\$ 236,790
Intergovernmental	-	847,956	847,956
Charges for services	-	431,097	431,097
Gifts and contributions	-	1,666	1,666
Miscellaneous	1,072	-	1,072
<b>Total Revenues</b>	<b>\$ 1,072</b>	<b>\$ 1,517,509</b>	<b>\$ 1,518,581</b>
<b>Expenditures</b>			
<b>Current</b>			
Health	\$ -	\$ 1,404,122	\$ 1,404,122
Culture and recreation	4,778	-	4,778
<b>Total Expenditures</b>	<b>\$ 4,778</b>	<b>\$ 1,404,122</b>	<b>\$ 1,408,900</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (3,706)</b>	<b>\$ 113,387</b>	<b>\$ 109,681</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,925	-	2,925
<b>Net Change in Fund Balance</b>	<b>\$ (781)</b>	<b>\$ 113,387</b>	<b>\$ 112,606</b>
<b>Fund Balance - January 1</b>	<b>26,071</b>	<b>679,939</b>	<b>706,010</b>
<b>Fund Balance - December 31</b>	<b>\$ 25,290</b>	<b>\$ 793,326</b>	<b>\$ 818,616</b>



**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
REGIONAL RAILROAD SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ 2,703	\$ 2,703	\$ 1,072	\$ (1,631)
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Trails	\$ 2,703	\$ 2,703	\$ 1,853	\$ 850
Minnesota High Speed Rail Commission	2,625	2,625	2,925	(300)
<b>Total Expenditures</b>	<b>\$ 5,328</b>	<b>\$ 5,328</b>	<b>\$ 4,778</b>	<b>\$ 550</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,625)</b>	<b>\$ (2,625)</b>	<b>\$ (3,706)</b>	<b>\$ (1,081)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,625	2,625	2,925	300
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (781)</b>	<b>\$ (781)</b>
<b>Fund Balance - January 1</b>	<b>26,071</b>	<b>26,071</b>	<b>26,071</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 26,071</b>	<b>\$ 26,071</b>	<b>\$ 25,290</b>	<b>\$ (781)</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 239,252	\$ 239,252	\$ 236,790	\$ (2,462)
Licenses and permits	100	100	-	(100)
Intergovernmental	730,398	730,398	847,956	117,558
Charges for services	449,195	449,195	431,097	(18,098)
Gifts and contributions	1,500	1,500	1,666	166
	<u>1,420,445</u>	<u>1,420,445</u>	<u>1,517,509</u>	<u>97,064</u>
<b>Total Revenues</b>	<b>\$ 1,420,445</b>	<b>\$ 1,420,445</b>	<b>\$ 1,517,509</b>	<b>\$ 97,064</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	\$ 505,477	\$ 505,477	\$ 521,586	\$ (16,109)
Family health	208,792	208,792	223,454	(14,662)
Disease prevention	48,806	48,806	44,983	3,823
Health education	226,225	226,225	247,540	(21,315)
Community health services	431,145	431,145	366,559	64,586
	<u>1,420,445</u>	<u>1,420,445</u>	<u>1,404,122</u>	<u>16,323</u>
<b>Total Expenditures</b>	<b>\$ 1,420,445</b>	<b>\$ 1,420,445</b>	<b>\$ 1,404,122</b>	<b>\$ 16,323</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,387</b>	<b>\$ 113,387</b>
<b>Fund Balance - January 1</b>	<b>679,939</b>	<b>679,939</b>	<b>679,939</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 679,939</b>	<b>\$ 679,939</b>	<b>\$ 793,326</b>	<b>\$ 113,387</b>

**FIDUCIARY FUNDS**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**AGENCY FUNDS**

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

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

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

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

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>REVOLVING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>50,402</u>	\$ <u>685,148</u>	\$ <u>678,486</u>	\$ <u>57,064</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>50,402</u>	\$ <u>685,148</u>	\$ <u>678,486</u>	\$ <u>57,064</u>
 <b><u>FAMILY SERVICE COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>165,273</u>	\$ <u>56,449</u>	\$ <u>84,790</u>	\$ <u>136,932</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>165,273</u>	\$ <u>56,449</u>	\$ <u>84,790</u>	\$ <u>136,932</u>
 <b><u>PRE-TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>182,016</u>	\$ <u>2,210,631</u>	\$ <u>2,203,621</u>	\$ <u>189,026</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ <u>182,016</u>	\$ <u>2,210,631</u>	\$ <u>2,203,621</u>	\$ <u>189,026</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT D-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 214,510	\$ 31,075,257	\$ 31,030,532	\$ 259,235
Due from other governments	1,435	-	1,435	-
<b>Total Assets</b>	<b><u>\$ 215,945</u></b>	<b><u>\$ 31,075,257</u></b>	<b><u>\$ 31,031,967</u></b>	<b><u>\$ 259,235</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 49,266	\$ 108,050	\$ 111,704	\$ 45,612
Due to other funds	-	13,261,398	13,261,398	-
Due to other governments	166,679	17,705,809	17,658,865	213,623
<b>Total Liabilities</b>	<b><u>\$ 215,945</u></b>	<b><u>\$ 31,075,257</u></b>	<b><u>\$ 31,031,967</u></b>	<b><u>\$ 259,235</u></b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 612,201	\$ 34,027,485	\$ 33,997,429	\$ 642,257
Due from other governments	1,435	-	1,435	-
<b>Total Assets</b>	<b><u>\$ 613,636</u></b>	<b><u>\$ 34,027,485</u></b>	<b><u>\$ 33,998,864</u></b>	<b><u>\$ 642,257</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 49,266	\$ 108,050	\$ 111,704	\$ 45,612
Due to other funds	-	13,261,398	13,261,398	-
Due to other governments	564,370	20,658,037	20,625,762	596,645
<b>Total Liabilities</b>	<b><u>\$ 613,636</u></b>	<b><u>\$ 34,027,485</u></b>	<b><u>\$ 33,998,864</u></b>	<b><u>\$ 642,257</u></b>



## **COMPONENT UNIT**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT E-1*

**STATEMENT OF NET POSITION  
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT  
DECEMBER 31, 2015**

**Assets**

**Current assets**

Cash and pooled investments	\$	24,535
Special assessments receivable		
Current		10,643
Accounts receivable - net		7,836
		7,836

**Total current assets** **\$ 43,014**

**Noncurrent assets**

Capital assets		
Depreciable - net		914,167
		914,167

**Total Assets** **\$ 957,181**

**Liabilities**

**Current liabilities**

Accounts payable	\$	194
Due to other governments		3,662
Unearned revenue		310
Revenue bonds payable - current		1,625
		1,625

**Total current liabilities** **\$ 5,791**

**Noncurrent liabilities**

Revenue bonds payable - long-term		84,447
		84,447

**Total Liabilities** **\$ 90,238**

**Net Position**

Net investment in capital assets	\$	828,095
Restricted for		
Equipment replacement		2,531
Debt service		22,004
Unrestricted		14,313
		14,313

**Total Net Position** **\$ 866,943**

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT E-2*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Operating Revenues</b>	
Charges for services	\$ 58,982
Special assessments	<u>8,164</u>
<b>Total Operating Revenues</b>	<b><u>\$ 67,146</u></b>
<b>Operating Expenses</b>	
Contracted services	\$ 44,103
Machinery and equipment, repair, and maintenance	6,256
Other services and charges	76
Telephone	447
Utilities	1,363
Insurance	1,946
Depreciation	<u>34,174</u>
<b>Total Operating Expenses</b>	<b><u>\$ 88,365</u></b>
<b>Operating Income (Loss)</b>	<b><u>\$ (21,219)</u></b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 14
Interest expense	<u>(3,834)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>\$ (3,820)</u></b>
<b>Change in Net Position</b>	<b>\$ (25,039)</b>
<b>Net Position - January 1</b>	<b><u>891,982</u></b>
<b>Net Position - December 31</b>	<b><u><u>\$ 866,943</u></u></b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT E-3*

**STATEMENT OF CASH FLOWS  
READS LANDING WATER AND SANITARY DISTRICT COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2015  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 64,139
Payments to suppliers	<u>(54,209)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 9,930</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (1,557)
Interest paid on long-term debt	<u>(3,834)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (5,391)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<u>\$ 14</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 4,553</b>
<b>Cash and Cash Equivalents at January 1</b>	<u>19,982</u>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 24,535</u></u></b>
<b>Cash and Cash Equivalents - Exhibit E-1</b>	
Cash and pooled investments	<u>\$ 24,535</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss) - Exhibit E-2</b>	<b><u>\$ (21,219)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 34,174
(Increase) decrease in special assessments receivable	(2,820)
(Increase) decrease in accounts receivable	(477)
Increase (decrease) in accounts payable	(18)
Increase (decrease) in unearned revenue	<u>290</u>
<b>Total adjustments</b>	<b><u>\$ 31,149</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ 9,930</u></u></b>

This page was left blank intentionally.

## **SCHEDULES**

This page was left blank intentionally.



**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT F-1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Shared Revenue**

**State**

Highway users tax	\$	4,706,378
PERA rate reimbursement		22,637
Disparity reduction aid		13,709
Police aid		134,921
SCORE		69,692
County program aid		866,384
Market value credit		310,318
Enhanced 911		96,241
Aquatic Invasive Species Aid		100,032
		100,032

**Total shared revenue** **\$ 6,320,312**

**Reimbursement for Services**

Minnesota Department of Human Services	\$	588,575
		588,575

**Payments**

**Local**

Local contributions	\$	97,034
Payments in lieu of taxes		258,201
		258,201

**Total payments** **\$ 355,235**

**Grants**

**State**

Minnesota Department of		
Corrections	\$	183,201
Public Safety		18,072
Health		245,118
Natural Resources		83,037
Human Services		998,103
Veterans Services		10,003
Transportation		292,273
Historical Society		136,535
Water and Soil Resources Board		34,946
Pollution Control Agency		1,588
Peace Officer Standards and Training Board		5,664
		5,664

**Total state** **\$ 2,008,540**

**WABASHA COUNTY  
WABASHA, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 292,904
Commerce	497
Justice	1,424
Transportation	1,000,139
Education	2,492
Health and Human Services	1,110,945
Homeland Security	47,296
Social Security Administration	22
	<hr/>
<b>Total federal</b>	<b>\$ 2,455,719</b>
	<hr/>
<b>Total state and federal grants</b>	<b>\$ 4,464,259</b>
	<hr/>
<b>Total Intergovernmental Revenue</b>	<b>\$ 11,728,381</b>
	<hr/> <hr/>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT F-2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00099	\$ 74,484
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN10152514	<u>199,502</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 273,986</u></b>
<b>U.S. Department of Commerce</b>			
Passed Through Southeast Minnesota Regional Emergency Communications Board State and Local Implementation Grant Program	11.549	10846	<u>\$ 497</u>
<b>U.S. Department of Justice</b>			
Direct Bulletproof Vest Partnership Program	16.607		<u>\$ 1,976</u>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	99979	\$ 1,052,239
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	WABCTPH-00018	<u>19,766</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 1,072,005</u></b>
<b>U.S. Department of Education</b>			
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	81110114221	<u>\$ 2,492</u>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**EXHIBIT F-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through National Association of County and City Health Officials			
Medical Reserve Corps Small Grant Program	93.008	MRC 15 1538	\$ 3,500
Passed Through Southeastern Minnesota Area Agency on Aging			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	310-15-003D-043	600
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	65507	21,075
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Not provided	368
Universal Newborn Hearing Screening	93.251	20705	400
Immunization Cooperative Agreements	93.268	52925	1,150
Temporary Assistance for Needy Families	93.558	12-700-00099	27,873
(Total Temporary Assistance for Needy Families 93.558 \$154,670)			
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00099	25,976
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1401MNFPS	2,715
Temporary Assistance for Needy Families	93.558	1502MNTANF	126,797
(Total Temporary Assistance for Needy Families 93.558 \$154,670)			
Child Support Enforcement	93.563	1504MN4005	219,176
Refugee and Entrant Assistance - State Administered Programs	93.566	1501MNRCA	190
Child Care and Development Block Grant	93.575	G1501MNCCDF	6,242
Community-Based Child Abuse Prevention Grants	93.590	1302MNFPRG	13,574
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1401MNCWSS	789
Foster Care - Title IV-E	93.658	1501MNFOS	87,765
Social Services Block Grant	93.667	1501MNSOS	118,268
Chafee Foster Care Independence Program	93.674	1401MN1420	3,455
Children's Health Insurance Program	93.767	1405MN5021	66
Medical Assistance Program	93.778	1505MN5ADM	462,866
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 1,122,845</b>

**WABASHA COUNTY  
WABASHA, MINNESOTA**

*EXHIBIT F-2  
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Social Security Administration</b>			
Passed Through Minnesota Department of Employment and Economic Development			
Social Security - Disability Insurance	96.001	Not provided	\$ <u>22</u>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	43848	\$ 5,875
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	WABASHACO-00086	19,653
Passed Through Southeast Minnesota Regional Emergency Communications Board			
Homeland Security Grant Program	97.067	12438	<u>745</u>
<b>Total U.S. Department of Homeland Security</b>			<b>\$ <u>26,273</u></b>
<b>Total Federal Awards</b>			<b>\$ <u><u>2,500,096</u></u></b>

The County did not pass through any federal awards to subrecipients during the year ended December 31, 2015.

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

---

---

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wabasha County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wabasha County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Wabasha County.

3. Summary of Significant Accounting Policies

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

**WABASHA COUNTY  
WABASHA, MINNESOTA**

---

---

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit F-1)	\$ 2,455,719
Deferred in 2014, recognized as revenue in 2015	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(34,241)
Highway Planning and Construction	(6,286)
Child Care and Development Block Grant	(400)
Emergency Management Performance Grants	(21,023)
Grants received more than 60 days after year-end, deferred in 2015	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	15,323
Bulletproof Vest Partnership Program	552
Highway Planning and Construction	78,152
Child Support Enforcement	<u>12,300</u>
 Expenditures per Schedule of Expenditures of Federal Awards (Exhibit F-2)	 <u><u>\$ 2,500,096</u></u>





This page was left blank intentionally.

**WABASHA COUNTY**

This page was left blank intentionally.

**WABASHA COUNTY  
WABASHA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

The major federal program is:

Highway Planning and Construction

CFDA No. 20.205

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS RESOLVED

**Workstation Security (2013-001)**

The County did not require employees to lock access to their workstations when unattended. Some workstations' security settings were not set to properly protect data and programs from unauthorized access.

**Resolution**

The County implemented a policy requiring employees to lock their workstations when unattended and properly set security settings to protect data and programs from unauthorized access.

**Segregation of Duties - County Departments (2013-002)**

Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts, as well as reconciling bank accounts.

**Resolution**

Wabasha County implemented oversight procedures to ensure the internal control policies and procedures are being implemented by staff.

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

None.

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MINNESOTA LEGAL COMPLIANCE

###### ITEM ARISING THIS YEAR

Finding 2015-001

###### Insufficient Collateral

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

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

**Context:** Deposits in excess of the FDIC were \$8,578,971 on May 31, 2015.

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

**Cause:** The County indicated deposits at the bank had a large increase for tax collections in May.

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

###### Client's Response:

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

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

**Disaster Recovery Plan (1996-010)**

While reviewing the Information Technology Department, we noted Wabasha County has a data processing disaster recovery agreement with Goodhue County but has no disaster recovery plan to ensure continued operation if a disaster or major computer breakdown were to occur.

**Resolution**

The County Board approved a completed Continuity of Government Plan.





REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

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

### Independent Auditor's Report

Board of County Commissioners  
Wabasha County  
Wabasha, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Wabasha County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 20, 2016. Our report includes reference to other auditors who audited the financial statements of the South Country Health Alliance joint venture as described in our report on Wabasha County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*. The results of our testing of the Reads Landing Water and Sanitary District component unit's internal control over financial reporting and on compliance and other matters are reported on separately within this Management and Compliance Report.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

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

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

## **Wabasha County's Response to Finding**

Wabasha County's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 20, 2016

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

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

### Independent Auditor's Report

Board of County Commissioners  
Wabasha County  
Wabasha, Minnesota

### **Report on Compliance for the Major Federal Program**

We have audited Wabasha County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2015. Wabasha County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, Wabasha County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

**Report on Internal Control Over Compliance**

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

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

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

## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 20, 2016

This page was left blank intentionally.



**READS LANDING WATER AND SANITARY DISTRICT**

This page was left blank intentionally.

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding 2015-001

Insufficient Collateral

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

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

**Context:** The Reads Landing Water and Sanitary District is a component unit of Wabasha County, and the financial information is included in Wabasha County's financial statements, which are prepared by County staff. Deposits in excess of the FDIC were \$8,578,971 on May 31, 2015. Reads Landing Water and Sanitary District's cash balance on May 31, 2015, was \$22,369.

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

**Cause:** The County indicated deposits at the bank had a large increase for tax collections in May.

**Recommendation:** We recommend the County, which includes Reads Landing Water and Sanitary District, establish procedures to monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

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



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

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

### Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wabasha County, Minnesota, which include as supplementary information, the financial statements of the Reads Landing Water and Sanitary District, a discretely presented component unit, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 20, 2016.

### **Internal Control Over Financial Reporting**

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

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

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

## **Reads Landing Water and Sanitary District's Response to Finding**

Reads Landing Water and Sanitary District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 20, 2016