STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

WINONA COUNTY
WINONA, 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.

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WINONA COUNTY
WINONA, MINNESOTA

Year Ended December 31, 2015

Audit Practice Division
Office of the State Auditor
State of Minnesota

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WINONA, MINNESOTA

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Introductory Section

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WINONA COUNTY
WINONA, MINNESOTA

ORGANIZATION
DECEMBER 31, 2015

Office	Name	Term Expires
Commissioners		
First District	Jim Pomeroy	January 2019
Second District	Marie Kovecsi	January 2019
Third District	Steve Jacob	January 2017
Fourth District	Greg Olson	January 2017
Fifth District	Marcia Ward	January 2019
Officers		
Elected		
Attorney	Karin Sonneman	January 2019
Recorder	Robert Bambenek	January 2019
Sheriff	Ron Ganrude	January 2019
Auditor/Treasurer	Sandra Suchla	January 2019
Appointed		
Administrator	Kenneth Fritz	Indefinite
Assistant County Administrator/ Personnel Director	Maureen Holte	Indefinite
Community Health Director	Beth Wilms	Indefinite
County Assessor	Steven Hacken	December 2016
Planning & Environmental Services Director	Eric Evensen-Marden	Indefinite
Building Superintendent	Michael Krage	Indefinite
Finance Director	Patrick Moga	Indefinite
Highway Engineer	David Kramer	May 2015
Information Technology Director	Mark Anderson	Indefinite

WINONA COUNTY
WINONA, MINNESOTA

ORGANIZATION OF THE COUNTY

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

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

Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Winona County
Winona, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 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 Winona County's basic financial statements. The supplementary information section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2016, on our consideration of Winona County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Winona County's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 13, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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WINONA COUNTY
WINONA, MINNESOTA

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

In the Management's Discussion and Analysis (MD&A), we will provide readers with a narrative overview and both a short-term and long-term analysis of the financial activities of Winona County, Minnesota, for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements, including the notes, to enhance their understanding of the County's financial activity and performance. All amounts are expressed in dollars, unless specifically noted.

FINANCIAL HIGHLIGHTS

- At the end of 2015, Winona County's assets and deferred outflows of resources exceeded liabilities and deferred inflows by $101.5 million (net position). Of that amount, $5.5 million is restricted; $9.4 million is unrestricted net position and may be used to meet the County's ongoing obligations to citizens and creditors. The remaining $86.6 million is the net investment in capital assets.

- At the close of the current year, the ending fund balances for all governmental funds were $25.7 million. This is a decrease of $0.1 million from the previous year. Of the combined ending fund balances, $12.8 million is unassigned fund balance available for spending by the County.

- At the end of the year, the General Fund's unassigned fund balance was $12,835,787. The County is not able to assign for cash flow and compensated absences due to Governmental Accounting Standards Board (GASB) 54. The County will pay for compensated absences and cash flow from the unassigned fund balance.

- Total long-term debt decreased by $1,061,075, or 21.2 percent, during the year. The decrease was due to reduction in principal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The principal support for governmental activities for Winona County is property taxes and intergovernmental revenue. Included in governmental activities are:

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

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

Budgetary comparisons--Winona County adopts an annual budget for all funds, and budgetary comparison schedules are presented for each fund. The EDA Loan Special Revenue Fund was created in 2008.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A useful tool for analyzing financial statements is comparative information from previous years. Net position may be a useful indicator of a government's financial position over time. As of December 31, 2015, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $101.5 million. The following table provides a summary of Winona County's governmental net position.

Governmental Net Position

	2015	2014	Percent Change (%)
Assets			
Current and other assets	$ 32,193,921	$ 31,784,309	1
Capital assets	90,441,673	92,258,082	(2)
Total Assets	$ 122,635,594	$ 124,042,391	(1)
Deferred Outflows of Resources			
Deferred pension outflows	$ 1,940,671	$ -	100
Liabilities			
Current and other liabilities	$ 2,435,070	$ 2,063,740	18
Long-term liabilities	18,983,879	8,142,700	133
Total Liabilities	$ 21,418,949	$ 10,206,440	110
Deferred Inflows of Resources	$ 1,643,484	$ -	100
Net position			
Net investment in capital assets	$ 86,559,065	$ 87,314,170	(1)
Restricted	5,537,677	5,076,365	9
Unrestricted	9,417,090	21,445,416	(56)
Total Net Position	$ 101,513,832	$ 113,835,951	(11)
Change in accounting principles*		(11,295,186)	
Total Net Position, as restated		$ 102,540,765	

*This is the first year the County implemented the new pension accounting and financial reporting standards in GASB Statements 68 and 71. 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.

The largest portion of Winona County's net position, 85.3 percent, or $86.6 million, represents investments in capital assets, less any related debt used to acquire those assets. Capital assets are investments in land, buildings, machinery and equipment, and roads and bridges. These assets are used to provide services and utilities to County citizens and, consequently, are not available for future spending. Capital assets are reported net of related debt; however, resources needed to repay the debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional $5.5 million of the County's net position, or 5.5 percent, represents resources that are subject to external restrictions on how they may be used. Included in this category are items such as public safety projects.

The remaining $9.4 million of net position, or 9.3 percent, represents unrestricted net position that may be used to meet ongoing obligations to citizens and creditors.

At the end of 2015, Winona County had positive balances in all categories of net position.

Change in net position--In 2015, government-wide expenses exceeded revenues by $1.0 million, thereby decreasing net position. Net position changed as follows:

Change in Net Position

	2015	2014	Percent Change (%)
Revenues			
Program revenues			
Fees, charges, fines, and other	$ 4,462,400	$ 5,835,609	(24)
Operating grants and contributions	15,210,171	13,917,525	9
Capital grants and contributions	2,642,722	649,715	307
General revenues			
Property taxes	15,724,256	15,844,049	(1)
Grants and contributions not restricted to specific programs	2,930,822	2,818,004	4
Unrestricted investment earnings	168,188	183,254	(8)
Other	588,495	644,681	(9)
Total Revenues	$ 41,727,054	$ 39,892,837	5
Expenses			
General government	$ 9,267,262	$ 6,964,959	33
Public safety	7,032,794	7,294,212	(4)
Highways and streets	9,856,864	10,134,315	(3)
Sanitation	1,285,382	1,308,623	(2)
Human services	12,705,232	11,586,633	10
Health	1,480,487	1,959,041	(24)
Interest	138,064	171,290	(19)
Other	987,902	1,078,004	(8)
Total Expenses	$ 42,753,987	$ 40,497,077	6

	2015	2014	Percent Change (%)
Change in Net Position	$ (1,026,933)	$ (604,240)	(70)
Net Position Restated - January 1	102,540,765*	114,440,191	(10)
Net Position - December 31	$ 101,513,832	$ 113,835,951	(11)

*Amount includes a change in accounting principles.

The following three statements depict relationships:

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

- General revenues by source indicate the proportion of revenue obtained from various unrestricted sources. Most notable is the fact that property taxes supply only 38 percent of the total revenue for the County.

- Expense by function depicts the relationship between governmental activities functions. Property taxes of $15.7 million are leveraged to provide $42.8 million in services.

Governmental activities decreased Winona County's net position by $1.0 million, which is 2 percent of current year revenues, 2 percent of current year expenses, or 1 percent of beginning net position as restated. The following is the major component of this decrease:

- overall, expenses increased by 6 percent from 2014 to 2015.

FUND LEVEL FINANCIAL ANALYSIS

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

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

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

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

For the year ended December 31, 2015, the combined ending fund balances of governmental funds were $25.7 million. Approximately 82.3 percent, or $21.1 million, of the combined ending fund balances consists of unassigned and assigned fund balances. Assigned fund balances are available as working capital and for current spending consistent with the purposes of each of the specific funds. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending because it is restricted or in nonspendable form for the following purposes:

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

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

(1) The General Fund is the primary operating fund of Winona County. The General Fund's fund balance was $15.0 million at the end of 2015. Of that amount, $1.5 million is restricted for such items as forfeited property and donations. Nonspendable fund balance of $71.2 thousand is for loans receivable. In addition, the Board of County Commissioners has assigned $0.5 million for recycling, employee wellness, tobacco settlement, and specific future projects. The comparison of fund balance to expenditures is useful for two purposes. The first purpose is to measure liquidity. Unassigned fund balance is $12,835,787, or 77 percent, of 2015 expenditures, while total fund balance is 90 percent of the same amount. The County is not able to assign fund balance for compensated absences and cash flow due to GASB 54. Winona County will use the unassigned amount to cover compensated absences and cash flow. A listing of compensated absences can be obtained in Note 3.C.2. (Compensated Absences). The second purpose is to compare the unrestricted fund balance percentages to

the recommended percentage given by the Office of the State Auditor. The recommendations are 35 to 50 percent of operating revenues, or no less than five months of expenditures. Winona County's General Fund unrestricted fund balance is sufficient to cover over nine months of expenditures.

When compared to 2014, the ending fund balance of the General Fund increased $492,428.

(2) The Road and Bridge Special Revenue Fund accounts for maintenance and improvements to the infrastructure of the County. The fund had a $4.1 million fund balance at the end of 2015 that represented a $1.3 million, or 44 percent, increase from 2014. The increase was due to revenues recognized in the current year related to expenditures incurred in the previous year.

(3) The Community Services Special Revenue Fund exists to account for resources expended to operate income maintenance and social services and health programs supported by federal, state, and local taxpayer dollars. The fund had a $1.0 million fund balance at the end of 2015 that represented a $1.8 million, or 64 percent, decrease from the 2014 fund balance due to increased out-of-home placements and mental health costs.

(4) The Capital Projects Fund exists to account for construction and capital purchases. The fund balance at the end of 2015 was $2.9 million. The fund balance decreased by $0.2 million. The decrease is due to the Board decision to spend capital reserve funds.

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

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

General Fund Budgetary Highlights

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

For 2015, the Board of County Commissioners adopted the following budget:

General Fund	Revenues	Expenditures	Other Sources
Board-adopted (Original)	$ 16,914,484	$ 17,642,546	$ 694,512

The adopted General Fund budget anticipated using $33,550 of fund balance. General Fund actual revenues were $96,923 above final budget, and actual expenditures were $1,031,227 below final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Winona County's investment in capital assets for its governmental activities as of December 31, 2015, was $90.4 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, furniture and equipment, infrastructure, and construction in progress.

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

	Capital Assets		
	2015	2014	Percent Change (%)
Capital assets not depreciated			
Land	$ 6,138,087	$ 6,138,087	-
Construction in progress	278,423	1,632,942	(83)
Total capital assets not depreciated	$ 6,416,510	$ 7,771,029	(17)
Capital assets depreciated			
Buildings	$ 26,276,304	$ 24,962,523	(5)
Improvements other than buildings	485,641	485,641	-
Machinery, furniture, and equipment	11,478,722	11,314,116	1
Infrastructure	75,824,278	75,595,560	-
Total capital assets depreciated	$ 114,064,945	$ 112,357,840	2
Less: accumulated depreciation for			
Buildings	$ 4,198,894	$ 3,959,409	6
Improvements other than buildings	245,284	232,073	6
Machinery, furniture, and equipment	6,449,397	5,948,316	8
Infrastructure	19,146,207	17,730,989	8
Total accumulated depreciation	$ 30,039,782	$ 27,870,787	8
Total capital assets depreciated, net	$ 84,025,163	$ 84,487,053	(1)
Governmental Activities Capital Assets, Net	$ 90,441,673	$ 92,258,082	(2)

Outstanding Long-Term Debt

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

Outstanding Long-Term Debt

	Governmental Activities	
	2015	2014
Loans	$ 71,205	$ 77,280
General obligation bonds	3,870,000	4,925,000
Total	$ 3,941,205	$ 5,002,280

The outstanding debt listed above for Winona County decreased $1,061,075 due to principal reduction for the 2015 payment.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Unemployment

The 12-month average for unemployment in 2015 for the U.S., Minnesota, and Winona County was 5.3 percent, 3.7 percent, and 3.3 percent, respectively. This compared to 2014 averages of 6.17 percent, 4.09 percent, and 3.64 percent.

New Construction

New construction for all of Winona County was valued at $27.1 million in 2015, which is payable in 2016.

State Financial Position

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

Budgeting Approach

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

All of these factors are being considered in preparing the Winona County budget for 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Winona County's finances for those with an interest in the government's financial activities. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Patrick Moga, Finance Director, 177 Main Street, Winona, Minnesota 55987. The telephone number is 507-457-8820.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Assets		
Cash and pooled investments	$	24,434,486
Petty cash and change funds		2,950
Taxes receivable - delinquent		353,619
Special assessments receivable - delinquent		19,282
Accounts receivable - net		2,201,794
Accrued interest receivable		62,123
Loans receivable		1,214,447
Due from other governments		3,684,063
Inventories		221,157
Capital assets		
Non-depreciable		6,416,510
Depreciable - net of accumulated depreciation		84,025,163
Total Assets	**$**	**122,635,594**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**1,940,671**
Liabilities		
Accounts payable	$	1,175,530
Salaries payable		580,046
Contracts payable		205,970
Due to other governments		404,996
Accrued interest payable		56,028
Customer deposits		12,500
Long-term liabilities		
Due within one year		1,416,798
Due in more than one year		4,514,870
Net pension liability		11,891,873
Net OPEB obligation		1,160,338
Total Liabilities	**$**	**21,418,949**
Deferred Inflows of Resources		
Deferred pension inflows	**$**	**1,643,484**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Net Position

Net investment in capital assets	$	86,559,065
Restricted for		
General government		781,759
Public safety		664,780
Highways and streets		1,213,100
Culture and recreation		6,396
Debt service		1,283,662
Economic development		1,428,871
Conservation of natural resources		87,904
Loan receivable - non-expendable		71,205
Unrestricted		9,417,090
Total Net Position	**$**	**101,513,832**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

		Program Revenues			
	Expenses	**Fees, Charges, Fines, and Other**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 9,267,262	$ 1,375,612	$ 615,851	$ -	$ (7,275,799)
Public safety	7,032,794	214,560	645,570	-	(6,172,664)
Highways and streets	9,856,864	10,987	5,915,460	2,642,722	(1,287,695)
Sanitation	1,285,382	933,924	-	-	(351,458)
Human services	12,705,232	1,009,764	6,585,353	-	(5,110,115)
Health	1,480,487	812,381	1,010,194	-	342,088
Culture and recreation	296,788	1,992	-	-	(294,796)
Conservation of natural resources	608,864	66,504	341,450	-	(200,910)
Economic development	82,250	36,676	96,293	-	50,719
Interest	138,064	-	-	-	(138,064)
Total Governmental Activities	**$ 42,753,987**	**$ 4,462,400**	**$ 15,210,171**	**$ 2,642,722**	**$ (20,438,694)**

General Revenues	
Property taxes	$ 15,724,256
Mortgage registry and deed tax	31,987
Taxes - other	3,699
Payments in lieu of tax	306,771
Grants and contributions not restricted to specific programs	2,930,822
Unrestricted investment earnings	168,188
Miscellaneous	243,844
Gain on sale of capital assets	2,194
Total general revenues	**$ 19,411,761**
Change in net position	**$ (1,026,933)**
Net Position - Beginning, as restated (Note 1.E.)	**102,540,765**
Net Position - Ending	**$ 101,513,832**

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

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

WINONA COUNTY
WINONA, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Special Road and Bridge
Assets		
Cash and pooled investments	$ 15,287,497	$ 4,014,523
Petty cash and change funds	2,850	-
Taxes receivable - delinquent	220,521	39,678
Special assessments - delinquent	19,282	-
Accounts receivable - net	115,836	498
Accrued interest receivable	62,123	-
Loans receivable	71,205	-
Due from other funds	12,167	-
Due from other governments	436,051	1,926,548
Inventories	-	221,157
Total Assets	**$ 16,227,532**	**$ 6,202,404**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 390,763	$ 87,473
Salaries payable	324,653	52,265
Contracts payable	-	205,970
Due to other funds	-	-
Due to other governments	310,416	14,369
Customer deposits	12,500	-
Total Liabilities	**$ 1,038,332**	**$ 360,077**
Deferred Inflows of Resources		
Unavailable revenue	**$ 216,387**	**$ 1,695,467**

Revenue Funds Community Services		Capital Projects		Other Governmental Funds		Total	
$	849,462	$	2,720,005	$	1,562,999	$	24,434,486
	100		-		-		2,950
	58,672		8,561		26,187		353,619
	-		-		-		19,282
	2,085,460		-		-		2,201,794
	-		-		-		62,123
	-		-		1,143,242		1,214,447
	-		-		-		12,167
	1,170,975		150,489		-		3,684,063
	-		-		-		221,157
$	**4,164,669**	**$**	**2,879,055**	**$**	**2,732,428**	**$**	**32,206,088**
$	697,294	$	-	$	-	$	1,175,530
	203,128		-		-		580,046
	-		-		-		205,970
	12,167		-		-		12,167
	80,211		-		-		404,996
	-		-		-		12,500
$	**992,800**	**$**	**-**	**$**	**-**	**$**	**2,391,209**
$	**2,181,111**	**$**	**6,734**	**$**	**19,895**	**$**	**4,119,594**

WINONA COUNTY
WINONA, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Special Road and Bridge
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)		
Fund Balances		
Nonspendable		
Inventories	$ -	$ 221,157
Loans receivable	71,205	-
Restricted for		
Debt service	-	-
Law library	9,607	-
Apple Blossom Drive	6,396	-
Recorder's unallocated equipment purchases	316,675	-
Recorder's equipment purchases	330,441	-
Enhanced 911	434,698	-
Sheriff's contingency	5,000	-
DARE	18,024	-
Sheriff's forfeited property	7,388	-
Attorney's forfeited property	68,212	-
Explorer post	332	-
Police dog donations	2,678	-
Permits to carry	196,641	-
Aquatic invasive species	87,904	-
Dive and rescue	351	-
Southeast wellness project	18,650	-
Southeast together project	37,842	-
Economic development	-	-
Assigned		
Specific projects	127,330	-
Recycling	319,500	-
Highways and streets	-	3,925,703
Capital improvements	-	-
Health and human services	-	-
Employee wellness	18,296	-
Tobacco settlement	59,856	-
Unassigned	12,835,787	-
Total Fund Balances	**$ 14,972,813**	**$ 4,146,860**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 16,227,532**	**$ 6,202,404**

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

EXHIBIT 3
(Continued)

Revenue Funds			
Community Services	**Capital Projects**	**Other Governmental Funds**	**Total**
$ -	$ -	$ -	$ 221,157
-	-	-	71,205
-	-	1,283,662	1,283,662
-	-	-	9,607
-	-	-	6,396
-	-	-	316,675
-	-	-	330,441
-	-	-	434,698
-	-	-	5,000
-	-	-	18,024
-	-	-	7,388
-	-	-	68,212
-	-	-	332
-	-	-	2,678
-	-	-	196,641
-	-	-	87,904
-	-	-	351
-	-	-	18,650
-	-	-	37,842
-	-	1,428,871	1,428,871
-	-	-	127,330
-	-	-	319,500
-	-	-	3,925,703
-	2,872,321	-	2,872,321
990,758	-	-	990,758
-	-	-	18,296
-	-	-	59,856
-	-	-	12,835,787
$ 990,758	**$ 2,872,321**	**$ 2,712,533**	**$ 25,695,285**
$ 4,164,669	**$ 2,879,055**	**$ 2,732,428**	**$ 32,206,088**

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		**$ 25,695,285**
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.		90,441,673
Deferred outflows of resources resulting from pension obligation are not available resources and, therefore, are not reported in governmental funds.		1,940,671
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.		4,119,594
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	$ (3,870,000)	
Loans payable	(71,205)	
Bond discount	1,964	
Bond premium	(14,572)	
Net OPEB obligation	(1,160,338)	
Net pension liability	(11,891,873)	
Accrued interest payable	(56,028)	
Compensated absences	(1,977,855)	(19,039,907)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(1,643,484)
Net Position of Governmental Activities (Exhibit 1)		**$ 101,513,832**

WINONA COUNTY
WINONA, MINNESOTA

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

	General	Special Road and Bridge
Revenues		
Taxes	$ 9,837,418	$ 1,730,813
Special assessments	271,737	-
Licenses and permits	242,950	-
Intergovernmental	3,940,740	8,857,806
Charges for services	2,085,623	-
Fines and forfeits	29,949	-
Gifts and contributions	48,526	-
Investment earnings	168,188	-
Miscellaneous	386,276	92,237
Total Revenues	**$ 17,011,407**	**$ 10,680,856**
Expenditures		
Current		
General government	$ 7,464,223	$ 16,430
Public safety	6,693,114	-
Highways and streets	-	9,068,682
Sanitation	1,287,004	-
Human services	-	-
Health	172,574	-
Culture and recreation	292,314	-
Conservation of natural resources	623,739	-
Economic development	78,351	-
Intergovernmental		
Highways and streets	-	256,338
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
Total Expenditures	**$ 16,611,319**	**$ 9,341,450**
Excess of Revenues Over (Under) Expenditures	**$ 400,088**	**$ 1,339,406**
Other Financing Sources (Uses)		
Transfers in	$ 89,019	$ -
Transfers out	-	(21,951)
Proceeds from loans issued	1,127	-
Proceeds from sale of capital assets	2,194	-
Total Other Financing Sources (Uses)	**$ 92,340**	**$ (21,951)**
Change in Fund Balance	**$ 492,428**	**$ 1,317,455**
Fund Balance - January 1	**14,480,385**	**2,873,378**
Increase (decrease) in reserved for inventories	**-**	**(43,973)**
Fund Balance - December 31	**$ 14,972,813**	**$ 4,146,860**

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

Revenue Funds Community Services	Capital Projects	Other Governmental Funds	Total
$ 2,959,714	$ 4,070	$ 1,218,957	$ 15,750,972
-	-	15,870	287,607
29,950	-	-	272,900
8,116,110	337	31,215	20,946,208
803,833	291,203	-	3,180,659
-	-	-	29,949
-	-	-	48,526
-	-	29,533	197,721
298,085	55,483	1,313	833,394
$ 12,207,692	**$ 351,093**	**$ 1,296,888**	**$ 41,547,936**
$ -	$ 175,237	$ -	$ 7,655,890
-	159,448	-	6,852,562
-	210,436	-	9,279,118
-	-	-	1,287,004
12,521,450	18,750	-	12,540,200
1,380,293	-	-	1,552,867
-	4,474	-	296,788
-	-	-	623,739
-	-	3,899	82,250
-	-	-	256,338
-	-	1,062,202	1,062,202
-	-	153,006	153,006
-	-	5,800	5,800
$ 13,901,743	**$ 568,345**	**$ 1,224,907**	**$ 41,647,764**
$ (1,694,051)	**$ (217,252)**	**$ 71,981**	**$ (99,828)**
$ -	$ -	$ -	$ 89,019
(67,068)	-	-	(89,019)
-	-	-	1,127
-	-	-	2,194
$ (67,068)	**$ -**	**$ -**	**$ 3,321**
$ (1,761,119)	**$ (217,252)**	**$ 71,981**	**$ (96,507)**
2,751,877	**3,089,573**	**2,640,552**	**25,835,765**
-	**-**	**-**	**(43,973)**
$ 990,758	**$ 2,872,321**	**$ 2,712,533**	**$ 25,695,285**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 6

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

Net change in fund balance - total governmental funds (Exhibit 5)		**$ (96,507)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are unavailable. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.		
Unavailable revenue - December 31	$ 4,119,594	
Unavailable revenue - January 1	(3,955,270)	164,324
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, the gain or loss on the disposal of assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of the assets sold.		
Expenditures for general capital assets and infrastructure	$ 797,412	
Net book value of assets disposed of	(74,912)	
Current depreciation	(2,538,909)	(1,816,409)
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.		
Principal repayments		
General obligation bonds	$ 1,055,000	
Loans	7,202	
Loans issued	(1,127)	1,061,075
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in OPEB obligation	$ (78,796)	
Change in accrued interest payable	14,438	
Change in compensated absences	62,111	
Change in net pension liability, as restated	(7,396)	
Change in deferred outflows of resources, as restated	1,351,380	
Change in deferred inflows of resources	(1,643,484)	
Change in inventories	(43,973)	
Amortization of premiums/discounts	6,304	(339,416)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ (1,026,933)**

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

FIDUCIARY FUNDS

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	HC Garvin Private-Purpose Trust	Agency Funds
Assets		
Cash and pooled investments	$ -	$ 1,402,741
Investments	47,715	-
Total Assets	**$ 47,715**	**$ 1,402,741**
Liabilities		
Accounts payable	$ -	$ 684,566
Due to other governments	-	718,175
Total Liabilities	**$ -**	**$ 1,402,741**
Net Position		
Net position, held in trust	**$ 47,715**	

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	HC Garvin Private-Purpose Trust
Additions	
Interest on investments	$ 134
Deductions	
Payments in accordance with trust agreements	134
Change in net position	**$ -**
Net Position - January 1	**47,715**
Net Position - December 31	**$ 47,715**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) 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

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

Component Units

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

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

1. Summary of Significant Accounting Policies

   A. Financial Reporting Entity (Continued)

      Joint Ventures, Jointly-Governed Organizations, and Related Organization

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

   B. Basic Financial Statements

      1. Government-Wide Statements

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

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

         Winona County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements (Continued)

      2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

Additionally, the County reports the following fund types:

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Private-Purpose Trust Fund accounts for resources legally held in trust for others.

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

C. Measurement Focus and Basis of Accounting

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

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

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

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 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 $136,101.

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

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. There were no advances in 2015.

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

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

1. Summary of Significant Accounting Policies

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

6. Unearned Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. There was no unearned revenue in 2015.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

1. Summary of Significant Accounting Policies

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

      8. 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. The County has one item, deferred pension outflows, which qualifies for reporting in this category. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, differences between projected and actual earnings on pension plan investments, and pension plan changes in proportionate share. No deferred outflows of resources affect the governmental funds financial statements in the current year.

         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 has two types, unavailable revenue and deferred pension inflows, that qualify for reporting in this category. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. 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 a full accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share.

      9. Pension Plan

         For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose,

1. Summary of Significant Accounting Policies

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

      9. Pension Plan (Continued)

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.

      10. Classification of Net Position

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

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

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

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

      11. Classification of Fund Balances

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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 (resolution) it employed to previously commit those amounts.

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

Minimum Fund Balance Policy

Winona County has adopted a Minimum Fund Balance Policy. Therefore, Winona County shall maintain a minimum fund balance for cash flow of not less than 50 percent, nor more than 75 percent of the following: the sum of the most recent budget year's property tax levy, plus the previous year's (or projected) County Program Aid, plus the previous year's (or projected) County Social Services Aid (CSSA), and other state aids received by Winona County from the State of Minnesota. In no case shall this amount be less than 40 percent of the most recent budget year's operating expenditures.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets 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.

1. Summary of Significant Accounting Policies

E. Change in Accounting Standards (Continued)

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.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement 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 employers' 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	$ 113,835,951
Change in accounting principles	(11,295,186)
Net Position, January 1, 2015, as restated	$ 102,540,765

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The Debt Service Fund expenditures of $1,221,008 exceeded the final budget of $1,213,713 by $7,295, due to no budget for septic loans.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	24,434,486
Petty cash and change funds		2,950
Statement of fiduciary net position		
Private-purpose trust		
Investments		47,715
Agency		
Cash and pooled investments		1,402,741
Total Cash and Investments	$	25,887,892
Deposits	$	11,161,750
Petty cash and change funds	$	2,950
Negotiable securities	$	11,547,819
Mutual funds		3,175,373
Total investments	$	14,723,192
Total Deposits, Cash on Hand, and Investments	$	25,887,892

a. Deposits

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to follow state law which requires that all deposits be insured or collateralized. As of December 31, 2015, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

(4) bankers' acceptances of United States banks;

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

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

Interest Rate Risk

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

Maturity	Maximum Investment
Less than three years	100%

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2015, the County had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1 to 3 Years
Investments subject to interest rate risk			
Negotiable securities	$ 11,547,819	$ 2,980,370	$ 8,567,449
Investments not subject to interest rate risk			
Mutual funds	3,175,373		
Total Investments	$ 14,723,192		

Credit Risk

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

The County’s exposure to credit risk as of December 31, 2015, is as follows:

Standard & Poor’s Rating	Fair Value
AAA	$ 105,944
Not rated	3,069,429
Not applicable	11,547,819
Total	$ 14,723,192

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy limits the dollar amount invested in securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name to no more than ten percent at any time during the year. As of December 31, 2015, the County does not have any investments exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit. There are no investments in a single issuer that have more than a five percent concentration of total investments.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, for Winona County's governmental activities, including the applicable allowances for uncollectibles (Community Services Special Revenue Fund) accounts, are as follows:

	Receivable (Gross)	Less: Allowance for Uncollectibles	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	$ 353,619	$ -	$ 353,619	$ -
Special assessments	19,282	-	19,282	-
Accounts	9,424,285	(7,222,491)	2,201,794	-
Interest	62,123	-	62,123	-
Loans receivable	1,214,447	-	1,214,447	1,102,615
Due from other governments	3,684,063	-	3,684,063	-
Total Governmental Activities	$ 14,757,819	$ (7,222,491)	$ 7,535,328	$ 1,102,615

The loans receivable of $40,084 in the EDA Loan Special Revenue Fund were made with funding through the State of Minnesota to help qualified businesses directly and adversely affected by the 2007 flood. The principal and interest payments received from the 2007 disaster loans must be used to establish and maintain a revolving loan fund that must be used to further economic development in the County. The County has loaned out $1,103,158 from the revolving loan fund. Also, there are loans receivable of $71,205 in the General Fund. The County received a state grant to assist property owners that had failing septic systems. The loans receivable balance includes $111,832 to be collected in the subsequent year, $98,003 for the EDA Loan Special Revenue Fund loans, and $13,829 for the General Fund loans.

3. Detailed Notes on All Funds

A. Assets (Continued)

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	$ 6,138,087	$ -	$ -	$ 6,138,087
Construction in progress	1,632,942	259,103	1,613,622	278,423
Total capital assets not depreciated	$ 7,771,029	$ 259,103	$ 1,613,622	$ 6,416,510
Capital assets depreciated				
Buildings	$ 24,962,523	$ 1,376,281	$ 62,500	$ 26,276,304
Improvements other than buildings	485,641	-	-	485,641
Machinery, furniture, and equipment	11,314,116	546,932	382,326	11,478,722
Infrastructure	75,595,560	228,718	-	75,824,278
Total capital assets depreciated	$ 112,357,840	$ 2,151,931	$ 444,826	$ 114,064,945
Less: accumulated depreciation for				
Buildings	$ 3,959,409	$ 268,182	$ 28,697	$ 4,198,894
Improvements other than buildings	232,073	13,211	-	245,284
Machinery, furniture, and equipment	5,948,316	842,298	341,217	6,449,397
Infrastructure	17,730,989	1,415,218	-	19,146,207
Total accumulated depreciation	$ 27,870,787	$ 2,538,909	$ 369,914	$ 30,039,782
Total capital assets depreciated, net	$ 84,487,053	$ (386,978)	$ 74,912	$ 84,025,163
Governmental Activities Capital Assets, Net	$ 92,258,082	$ (127,875)	$ 1,688,534	$ 90,441,673

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

Governmental Activities	
General government	$ 350,317
Public safety	324,995
Highways and streets, including depreciation of infrastructure assets	1,846,462
Human services	3,118
Sanitation	4,767
Conservation of natural resources	9,250
Total Depreciation Expense - Governmental Activities	$ 2,538,909

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community Services Fund	$ 12,167

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

2. Interfund Transfers

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

Fund From	Fund To	Amount	
Road and Bridge Fund	General Fund	$ 21,951	Transfer retiree insurance
Community Services Fund	General Fund	67,068	Transfer retiree insurance
Total Transfers		$ 89,019	

C. Liabilities

1. Construction Commitments

The government has active construction projects as of December 31, 2015. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	$ 2,397,246	$ 205,971

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Compensated Absences

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

The value of the compensated absences cash payout option for eligible employees at the end of 2015 is $811,601.

3. Long-Term Debt

Bonds

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2010 G.O. Capital Improvement Plan Bonds	2021	$225,000 - $265,000	2.00 - 4.00	$ 2,400,000	$ 1,495,000
2009A G.O. Capital Improvement Plan Refunding Bonds	2024	$25,000 - $445,000	2.00 - 4.00	3,735,000	1,480,000
2007A G.O. Capital Improvement Plan Refunding Bonds	2017	$400,000 - $460,000	4.00	3,435,000	895,000
Total General Obligation Bonds				$ 9,570,000	$ 3,870,000

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

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
South Branch Whitewater River Watershed Bacteria Reduction Project Loan Payable	2018	$3,958 - $7,799	2.00	$ 69,472	$ 34,242
Ag Best Management Loan Program	2024	$3,312 - $6,335	-	36,963	36,963
Total Loans Payable				$ 106,435	$ 71,205

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

4. Debt Service Requirements

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

Year Ending December 31	General Obligation Revenue Bonds		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2016	$ 235,000	$ 48,350	$ 855,000	$ 67,963
2017	240,000	40,925	895,000	37,237
2018	245,000	32,738	445,000	14,281
2019	250,000	24,075	30,000	6,525
2020	260,000	15,150	25,000	5,500
2021 - 2024	265,000	5,300	125,000	10,700
Total	$ 1,495,000	$ 166,538	$ 2,375,000	$ 142,206

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

Year Ending December 31	Loans Payable Principal		Loans Payable Interest	
2016	$	13,829	$	648
2017		10,907		501
2018		11,162		350
2019		11,421		195
2020		7,691		40
2021 - 2025		16,195		-
Total	$	71,205	$	1,734

5. 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 bonds	$	4,925,000	$	-	$	1,055,000	$	3,870,000	$	1,090,000
Premium on bonds		21,858		-		7,286		14,572		-
Discounts on bonds		(2,946)		-		(982)		(1,964)		-
Total bonds payable	$	4,943,912	$	-	$	1,061,304	$	3,882,608	$	1,090,000
Loans payable		77,280		1,127		7,202		71,205		13,829
Compensated absences		2,039,966		1,377,397		1,439,508		1,977,855		312,969
Governmental Activities Long-Term Liabilities	$	7,061,158	$	1,378,524	$	2,508,014	$	5,931,668	$	1,416,798

3. Detailed Notes on All Funds (Continued)

D. Deferred Inflows/Outflows of Resources

1. Deferred Outflows

Governmental funds did not report deferred outflows of resources for the year ended December 31, 2015.

2. Deferred Inflows

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

Taxes	$	270,763
Special assessments		17,200
Intergovernmental		1,870,775
Miscellaneous		1,960,856
Total Unavailable Revenue	$	4,119,594

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

1. Plan Description

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

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Plans

      1. Plan Description (Continued)

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.

      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.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plans

2. Benefits Provided (Continued)

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.

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.

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans (Continued)

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.

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

General Employees Retirement Fund	$	860,121
Public Employees Police and Fire Fund		199,539
Public Employees Correctional Fund		123,879

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

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of $10,183,649 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 0.1965 percent. It was 0.2164 percent measured as of June 30, 2014. The County recognized pension expense of $1,120,672 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 513,429
Difference between projected and actual investment earnings	964,039	-
Changes in proportion	-	701,102
Contributions paid to PERA subsequent to the measurement date	432,738	-
Total	$ 1,396,777	$ 1,214,531

4. Pension Plans and Other Postemployment Benefits (OPEB)

   A. Defined Benefit Pension Plans

      4. Pension Costs

General Employees Retirement Fund (Continued)

A total of $432,738 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	$ (163,834)
2017	(163,834)
2018	(163,834)
2019	241,010

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of $1,590,728 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 0.140 percent. It was 0.154 percent measured as of June 30, 2014. The County recognized pension expense of $248,928 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized $12,600 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.

4. Pension Plans and Other Postemployment Benefits (OPEB)

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	$ -	$ 257,964
Difference between projected and actual investment earnings	277,158	-
Changes in proportion	-	126,005
Contributions paid to PERA subsequent to the measurement date	102,639	-
Total	$ 379,797	$ 383,969

A total of $102,639 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	$ (7,504)
2017	(7,504)
2018	(7,504)
2019	(7,504)
2020	(76,795)

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of $117,496 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 0.76 percent. It was 0.74 percent measured as of June 30, 2014. The County recognized pension expense of $126,039 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 44,984
Difference between projected and actual investment earnings	97,941	-
Changes in proportion	1,132	-
Contributions paid to PERA subsequent to the measurement date	65,024	-
Total	$ 164,097	$ 44,984

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

A total of $65,024 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	$ 9,868
2017	9,868
2018	9,868
2019	24,485

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was $1,495,639.

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

4. Pension Plans and Other Postemployment Benefits (OPEB)

   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:

4. Pension Plans and Other Postemployment Benefits (OPEB)

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 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:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	$ 16,012,317	$ 10,183,649	$ 5,370,066
Public Employees Police and Fire Fund net pension liability	3,100,345	1,590,728	343,521
Public Employees Correctional Fund net pension liability	818,262	117,496	(443,399)

4. Pension Plans and Other Postemployment Benefits (OPEB)

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

	Employee	Employer
Contribution amount	$ 4,801	$ 4,801
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

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

Retirees are required to pay 100 percent of the total group rate. The premium is a blended rate determined on the entire active and retiree population. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate "subsidy." As of January 1, 2013, 35 retirees were receiving health benefits from the County's health plan. As of year-end, the County has 25 participants. Some employees who leave in good standing with more than ten years of service and who have a minimum accumulation of 100 days of unused sick leave may convert it to paid-up health insurance for the employee only, according to the following schedule:

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

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Elected Officials

After completing two full terms as an elected County Commissioner and being at least 50 years of age, a Commissioner may receive one year of single health insurance. This benefit is provided pursuant to County Board Resolution 95-27. The County had no participants in 2015.

Annual OPEB Cost and Net OPEB Obligations

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities or (funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	$ 443,818
Interest on net OPEB obligations	43,262
Adjustment to ARC	(66,114)
Annual OPEB cost	$ 420,996
Contribution during the year	(342,170)
Increase (Decrease) in net OPEB obligation	$ 78,796
Net OPEB - Beginning of Year	1,081,542
Net OPEB - End of Year	$ 1,160,338

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

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	$ 477,928	$ 348,570	72.93%	$ 996,180
December 31, 2014	474,976	389,614	82.03	1,081,542
December 31, 2015	$ 420,996	342,170	81.28	1,160,338

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2015	$ -	$ 3,766,447	$ 3,766,447	0.00%	$ 13,685,489	27.52%

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

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

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

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $490,000 per claim in 2015 and $500,000 in 2016. If any insurance and self-insurance is exhausted, the shares of all remaining insurance and self-insurance will be equal until the loss is paid.

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

Premiums are paid by the fund receiving the benefits.

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

B. Contingent Liabilities

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

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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

C. Joint Ventures

Southeastern Minnesota Multi-County HRA

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

In 1994, the Dodge County Commissioners appointed a member to the HRA Board for a five-year term expiring in 1999. The County has not appointed a member for the vacancy starting in 1999. Dodge County has requested to be released from this HRA. Winona County made $120,439 in contributions to the operations of the HRA in 2015 in the form of a tax levy.

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

Winona County Family Service Collaborative

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

The Collaborative was established to support and nurture individuals and families through prevention and intervention so as to ensure success for every child. The Collaborative had $139,650 of expenditures in 2015.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Winona County Family Service Collaborative (Continued)

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

Southeast Minnesota Regional Emergency Communications Board

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

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

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

Southeastern Minnesota Violent Crime Enforcement Team

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

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

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

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Southeastern Minnesota Violent Crime Enforcement Team (Continued)

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

D. Jointly-Governed Organizations

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

Southeast Minnesota Water Resources Board

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

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

Southeast Minnesota Emergency Medical Services

The Southeast Minnesota Emergency Medical Services (SEEMS) Joint Powers Board consists of Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona Counties. The purpose of SEEMS is to ensure quality patient care is available throughout the eleven-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each member county appoints one member for the Joint Powers Board. The County did not contribute to SEEMS in 2015.

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Southeastern Libraries Cooperative

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

Southeastern Community Action Council

The Southeastern Community Action Council (SEMCAC) provides various services on behalf of member counties to assist people to achieve or maintain independence and self-reliance through their own and community resources. SEMCAC provides services in Dodge, Fillmore, Freeborn, Houston, Mower, Steele, and Winona Counties. During the year, the County made payments of $104,854 to SEMCAC.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Winona County expended $122,414 to MCCC.

Whitewater Joint Powers Board

The Whitewater Joint Powers Board is composed of three counties and three county soil and water conservation boards. It provides soil and water conservation services to its members. During the year, Winona County made a $7,907 payment to the Joint Powers Board.

Southeast Service Cooperative

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

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Sentence to Serve Program

Winona County, in conjunction with other local governments, participates in the State of Minnesota's Sentencing to Service (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Winona County has no operational or financial control over the STS program, Winona County budgets 75 percent of the program cost for the Sentence to Serve Program. During the year, Winona County made payments of $118,421.

Region One - Southeast Minnesota Homeland Security Emergency Management Organization

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

Minnesota Criminal Justice Data Communications Network

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

5. Summary of Significant Contingencies and Other Items

   D. Jointly-Governed Organizations (Continued)

   Southeast Minnesota Immunization Connection

   The Southeast Minnesota Immunization Connection (SEMIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SEMIC during 2015.

   E. Related Organization

   Winona County appoints Board members to Watershed Number One. The County has no other control over this Board. During 2015, the County settled with Watershed Number One for property taxes collected in the amount of $15,099.

REQUIRED SUPPLEMENTARY INFORMATION

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 9,943,200	$ 9,943,200	$ 9,837,418	$ (105,782)
Special assessments	273,606	273,606	271,737	(1,869)
Licenses and permits	221,906	221,906	242,950	21,044
Intergovernmental	3,280,841	3,280,841	3,940,740	659,899
Charges for services	2,525,046	2,525,046	2,085,623	(439,423)
Fines and forfeits	12,350	12,350	29,949	17,599
Gifts and contributions	7,169	7,169	48,526	41,357
Investment earnings	150,000	150,000	168,188	18,188
Miscellaneous	500,366	500,366	386,276	(114,090)
Total Revenues	**$ 16,914,484**	**$ 16,914,484**	**$ 17,011,407**	**$ 96,923**
Expenditures				
Current				
General government				
Commissioners	$ 197,513	$ 197,513	$ 190,680	$ 6,833
Courts	139,451	139,451	154,495	(15,044)
Law library	45,000	45,000	48,011	(3,011)
County administration	458,381	458,381	241,724	216,657
County auditor/treasurer	325,000	325,000	239,547	85,453
License bureau	202,655	202,655	208,245	(5,590)
County assessor	484,711	484,711	443,359	41,352
Elections	21,050	21,050	19,026	2,024
Accounting and auditing	544,131	544,131	518,255	25,876
Data processing	897,071	897,071	860,710	36,361
Personnel	657,820	657,820	612,824	44,996
Attorney	1,585,489	1,585,489	1,378,331	207,158
Recorder	407,249	407,249	409,490	(2,241)
Planning and zoning	537,977	537,977	481,906	56,071
Maintenance	1,036,317	1,036,317	794,194	242,123
Veterans service officer	144,929	144,929	144,928	1
Other general government	739,688	739,688	718,498	21,190
Total general government	**$ 8,424,432**	**$ 8,424,432**	**$ 7,464,223**	**$ 960,209**

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

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 2,234,666	$ 2,234,666	$ 2,310,532	$ (75,866)
Boat and water safety	33,878	33,878	30,864	3,014
Emergency services	173,377	173,377	66,184	107,193
E-911 system	137,737	137,737	87,592	50,145
County jail	2,314,374	2,314,374	2,580,429	(266,055)
Law enforcement center	1,121,720	1,121,720	793,301	328,419
Probation and parole	745,733	745,733	817,987	(72,254)
DARE program	3,000	3,000	6,225	(3,225)
Total public safety	**$ 6,764,485**	**$ 6,764,485**	**$ 6,693,114**	**$ 71,371**
Sanitation				
Recycling	**$ 1,370,801**	**$ 1,370,801**	**$ 1,287,004**	**$ 83,797**
Health				
Environmental health	**$ 160,048**	**$ 160,048**	**$ 172,574**	**$ (12,526)**
Culture and recreation				
Historical society	$ 55,000	$ 55,000	$ 55,000	$ -
Parks	12,927	12,927	17,630	(4,703)
Regional library	219,684	219,684	219,684	-
Total culture and recreation	**$ 287,611**	**$ 287,611**	**$ 292,314**	**$ (4,703)**
Conservation of natural resources				
County extension	$ 154,707	$ 154,707	$ 156,727	$ (2,020)
Soil and water conservation	105,000	105,000	105,000	-
Feedlot	92,500	92,500	84,900	7,600
Agricultural inspection	3,772	3,772	3,781	(9)
Wetland challenge	37,507	37,507	32,903	4,604
Other	190,488	190,488	201,878	(11,390)
Agricultural society/County fair	38,550	38,550	38,550	-
Total conservation of natural resources	**$ 622,524**	**$ 622,524**	**$ 623,739**	**$ (1,215)**
Economic development				
Other	**$ 12,645**	**$ 12,645**	**$ 78,351**	**$ (65,706)**
Total Expenditures	**$ 17,642,546**	**$ 17,642,546**	**$ 16,611,319**	**$ 1,031,227**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess of Revenues Over (Under) Expenditures	**$ (728,062)**	**$ (728,062)**	**$ 400,088**	**$ 1,128,150**
Other Financing Sources (Uses)				
Transfers in	$ 679,512	$ 679,512	$ 89,019	$ (590,493)
Proceeds from loans issued	-	-	1,127	1,127
Proceeds from sale of capital assets	15,000	15,000	2,194	(12,806)
Total Other Financing Sources (Uses)	**$ 694,512**	**$ 694,512**	**$ 92,340**	**$ (602,172)**
Change in Fund Balance	**$ (33,550)**	**$ (33,550)**	**$ 492,428**	**$ 525,978**
Fund Balance - January 1	**14,480,385**	**14,480,385**	**14,480,385**	**-**
Fund Balance - December 31	**$ 14,446,835**	**$ 14,446,835**	**$ 14,972,813**	**$ 525,978**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,766,462	$ 1,766,462	$ 1,730,813	$ (35,649)
Intergovernmental	8,610,082	8,610,082	8,857,806	247,724
Charges for services	2,250	2,250	-	(2,250)
Miscellaneous	113,000	113,000	92,237	(20,763)
Total Revenues	**$ 10,491,794**	**$ 10,491,794**	**$ 10,680,856**	**$ 189,062**
Expenditures				
Current				
General government				
Surveyor	**$ 56,000**	**$ 56,000**	**$ 16,430**	**$ 39,570**
Highways and streets				
Administration	$ 392,450	$ 392,450	$ 352,941	$ 39,509
Maintenance	1,994,208	1,994,208	1,692,299	301,909
Construction	6,872,816	6,872,816	6,249,517	623,299
Equipment maintenance and shop	491,645	491,645	518,912	(27,267)
Materials and services for resale	441,675	441,675	255,013	186,662
Total highways and streets	**$ 10,192,794**	**$ 10,192,794**	**$ 9,068,682**	**$ 1,124,112**
Intergovernmental	**$ 243,000**	**$ 243,000**	**$ 256,338**	**$ (13,338)**
Total Expenditures	**$ 10,491,794**	**$ 10,491,794**	**$ 9,341,450**	**$ 1,150,344**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 1,339,406**	**$ 1,339,406**
Other Financing Sources (Uses)				
Transfers out	-	-	(21,951)	(21,951)
Change in Fund Balance	**$ -**	**$ -**	**$ 1,317,455**	**$ 1,317,455**
Fund Balance - January 1	**2,873,378**	**2,873,378**	**2,873,378**	**-**
Increase (decrease) in reserved for inventories	**-**	**-**	**(43,973)**	**(43,973)**
Fund Balance - December 31	**$ 2,873,378**	**$ 2,873,378**	**$ 4,146,860**	**$ 1,273,482**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,026,757	$ 3,026,757	$ 2,959,714	$ (67,043)
Licenses and permits	33,300	33,300	29,950	(3,350)
Intergovernmental	7,580,583	7,580,583	8,116,110	535,527
Charges for services	1,158,250	1,158,250	803,833	(354,417)
Miscellaneous	421,400	421,400	298,085	(123,315)
Total Revenues	**$ 12,220,290**	**$ 12,220,290**	**$ 12,207,692**	**$ (12,598)**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,365,077	$ 3,365,077	$ 3,776,541	$ (411,464)
Social services	6,561,286	6,561,286	8,583,854	(2,022,568)
Care grant	68,951	68,951	161,055	(92,104)
Total human services	**$ 9,995,314**	**$ 9,995,314**	**$ 12,521,450**	**$ (2,526,136)**
Health				
Nurse services	$ 268,895	$ 268,895	$ 309,112	$ (40,217)
Maternal and child health	373,034	373,034	346,705	26,329
County health officer	273,650	273,650	339,331	(65,681)
Health center	1,309,397	1,309,397	385,145	924,252
Total health	**$ 2,224,976**	**$ 2,224,976**	**$ 1,380,293**	**$ 844,683**
Total Expenditures	**$ 12,220,290**	**$ 12,220,290**	**$ 13,901,743**	**$ (1,681,453)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (1,694,051)**	**$ (1,694,051)**
Other Financing Sources (Uses)				
Transfers out	-	-	(67,068)	(67,068)
Change in Fund Balance	**$ -**	**$ -**	**$ (1,761,119)**	**$ (1,761,119)**
Fund Balance - January 1	**2,751,877**	**2,751,877**	**2,751,877**	**-**
Fund Balance - December 31	**$ 2,751,877**	**$ 2,751,877**	**$ 990,758**	**$ (1,761,119)**

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

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 Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2011	$ -	$ 3,786,238	$ 3,786,238	0.00%	$ 14,065,939	26.90%
January 1, 2013	-	4,056,205	4,056,205	0.00	13,419,180	30.20
January 1, 2015	-	3,766,447	3,766,447	0.00	13,685,489	27.52

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1965%	$ 10,183,649	$ 11,761,141	86.59%	78.20%

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-6

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

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

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-7

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

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

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-8

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

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

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-9

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.760%	$ 117,496	$ 1,363,519	8.62%	96.90%

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT A-10

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

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

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

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
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. All annual appropriations lapse at fiscal year-end.

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

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

2. Excess of Expenditures Over Budget

The Community Service Fund expenditures of $13,901,743 exceeded the final budget of $12,220,290 by $1,681,453 due to out-of-home placement and mental health services being higher than budgeted.

3. Other Postemployment Benefits

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

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

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SUPPLEMENTARY INFORMATION

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MAJOR FUND

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ -	$ -	$ 4,070	$ 4,070
Intergovernmental	-	-	337	337
Charges for services	220,184	220,184	291,203	71,019
Miscellaneous	-	-	55,483	55,483
Total Revenues	**$ 220,184**	**$ 220,184**	**$ 351,093**	**$ 130,909**
Expenditures				
Current				
General government	$ 279,000	$ 194,000	$ 175,237	$ 18,763
Public safety	154,000	154,000	159,448	(5,448)
Highways and streets	182,000	182,000	210,436	(28,436)
Human services	109,104	109,104	18,750	90,354
Culture and recreation	6,800	6,800	4,474	2,326
Total Expenditures	**$ 730,904**	**$ 645,904**	**$ 568,345**	**$ 77,559**
Excess of Revenues Over (Under) Expenditures	**$ (510,720)**	**$ (425,720)**	**$ (217,252)**	**$ 208,468**
Other Financing Sources (Uses)				
Transfers in	510,720	425,720	-	(425,720)
Change in Fund Balance	**$ -**	**$ -**	**$ (217,252)**	**$ (217,252)**
Fund Balance - January 1	**3,089,573**	**3,089,573**	**3,089,573**	**-**
Fund Balance - December 31	**$ 3,089,573**	**$ 3,089,573**	**$ 2,872,321**	**$ (217,252)**

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WINONA COUNTY
WINONA, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUND

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

DEBT SERVICE FUND

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

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT C-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	EDA Loan Special Revenue	Debt Service	Total Nonmajor Governmental Funds (Exhibit 3)
Assets			
Cash and pooled investments	$ 285,629	$ 1,277,370	$ 1,562,999
Taxes receivable - delinquent	-	26,187	26,187
Loans receivable	1,143,242	-	1,143,242
Total Assets	**$ 1,428,871**	**$ 1,303,557**	**$ 2,732,428**
Deferred Inflows of Resources and Fund Balances			
Deferred Inflows of Resources			
Unavailable revenue	**$ -**	**$ 19,895**	**$ 19,895**
Fund Balances			
Restricted for			
Debt service	$ -	$ 1,283,662	$ 1,283,662
Economic development	1,428,871	-	1,428,871
Total Fund Balances	**$ 1,428,871**	**$ 1,283,662**	**$ 2,712,533**
Total Deferred Inflows of Resources and Fund Balances	**$ 1,428,871**	**$ 1,303,557**	**$ 2,732,428**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT C-2

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

	EDA Loan Special Revenue	Debt Service	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	$ -	$ 1,218,957	$ 1,218,957
Special assessments	-	15,870	15,870
Intergovernmental	-	31,215	31,215
Investment earnings	29,533	-	29,533
Miscellaneous	1,313	-	1,313
Total Revenues	**$ 30,846**	**$ 1,266,042**	**$ 1,296,888**
Expenditures			
Current			
Economic development	$ 3,899	$ -	$ 3,899
Debt service			
Principal	-	1,062,202	1,062,202
Interest	-	153,006	153,006
Administrative (fiscal) charges	-	5,800	5,800
Total Expenditures	**$ 3,899**	**$ 1,221,008**	**$ 1,224,907**
Change in Fund Balance	**$ 26,947**	**$ 45,034**	**$ 71,981**
Fund Balance - January 1	**1,401,924**	**1,238,628**	**2,640,552**
Fund Balance - December 31	**$ 1,428,871**	**$ 1,283,662**	**$ 2,712,533**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT C-3

BUDGETARY COMPARISON SCHEDULE
EDA LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Investment earnings	$ 10,108	$ 10,108	$ 29,533	$ 19,425
Miscellaneous	219,892	219,892	1,313	(218,579)
Total Revenues	**$ 230,000**	**$ 230,000**	**$ 30,846**	**$ (199,154)**
Expenditures				
Current				
Economic development				
Other economic development	230,000	230,000	3,899	226,101
Change in Fund Balance	**$ -**	**$ -**	**$ 26,947**	**$ 26,947**
Fund Balance - January 1	**1,401,924**	**1,401,924**	**1,401,924**	**-**
Fund Balance - December 31	**$ 1,401,924**	**$ 1,401,924**	**$ 1,428,871**	**$ 26,947**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT C-4

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,244,713	$ 1,244,713	$ 1,218,957	$ (25,756)
Special assessments	-	-	15,870	15,870
Intergovernmental	2,550	2,550	31,215	28,665
Total Revenues	**$ 1,247,263**	**$ 1,247,263**	**$ 1,266,042**	**$ 18,779**
Expenditures				
Debt service				
Principal	$ 1,055,000	$ 1,055,000	$ 1,062,202	$ (7,202)
Interest	152,213	152,213	153,006	(793)
Administrative (fiscal) charges	6,500	6,500	5,800	700
Total Expenditures	**$ 1,213,713**	**$ 1,213,713**	**$ 1,221,008**	**$ (7,295)**
Change in Fund Balance	**$ 33,550**	**$ 33,550**	**$ 45,034**	**$ 11,484**
Fund Balance - January 1	**1,238,628**	**1,238,628**	**1,238,628**	**-**
Fund Balance - December 31	**$ 1,272,178**	**$ 1,272,178**	**$ 1,283,662**	**$ 11,484**

FIDUCIARY FUNDS

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AGENCY FUNDS

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

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

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

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

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

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT D-1

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

	Balance January 1	Additions	Deductions	Balance December 31
EMPLOYEE BENEFIT PLANS				
Assets				
Cash and pooled investments	$ 126,616	$ 975,502	$ 992,155	$ 109,963
Liabilities				
Accounts payable	$ 126,616	$ 975,502	$ 992,155	$ 109,963
END OF YEAR LIABILITIES				
Assets				
Cash and pooled investments	$ 594,184	$ 574,603	594,184	$ 574,603
Liabilities				
Accounts payable	$ 594,184	$ 574,603	$ 594,184	$ 574,603
SETTLEMENT				
Assets				
Cash and pooled investments	$ 854,573	$ 51,668,020	$ 51,967,281	$ 555,312
Liabilities				
Due to other governments	$ 854,573	$ 51,668,020	$ 51,967,281	$ 555,312

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT D-1
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
Assets				
Cash and pooled investments	**$ 127,649**	**$ 1,486,062**	**$ 1,475,208**	**$ 138,503**
Liabilities				
Due to other governments	**$ 127,649**	**$ 1,486,062**	**$ 1,475,208**	**$ 138,503**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 30,890**	**$ 85,869**	**$ 92,399**	**$ 24,360**
Liabilities				
Due to other governments	**$ 30,890**	**$ 85,869**	**$ 92,399**	**$ 24,360**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	**$ 1,733,912**	**$ 54,790,056**	**$ 55,121,227**	**$ 1,402,741**
Liabilities				
Accounts payable	$ 720,800	$ 1,550,105	$ 1,586,339	$ 684,566
Due to other governments	1,013,112	53,239,951	53,534,888	718,175
Total Liabilities	**$ 1,733,912**	**$ 54,790,056**	**$ 55,121,227**	**$ 1,402,741**

OTHER SCHEDULES

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WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT E-1

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

Appropriations and Shared Revenue		
State		
Highway users tax	$	6,731,648
PERA rate reimbursement		54,309
Disparity reduction aid		40,730
Police aid		144,890
County program aid		2,491,971
County program aid - aquatic		87,904
Agricultural conservation credit		35,120
Market value credit		301,537
Enhanced 911		134,607
Performance aid credit		7,155
Disaster credit		152,973
Total appropriations and shared revenue	**$**	**10,182,844**
Reimbursement for Services		
State		
Minnesota Department of Human Services	$	955,353
Minnesota Department of Health		123,352
Total reimbursement for services	**$**	**1,078,705**
Payments		
Local		
Local contributions	$	107,806
Payments in lieu of taxes		306,771
Total payments	**$**	**414,577**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$	28,666
Health		376,862
Natural Resources		111,434
Human Services		2,636,675
Corrections		99,758
Transportation		732,983
Water and Soil Resources		93,021
Veterans Affairs		12,500
Peace Officer Standards and Training Board		5,997
Pollution Control Agency		22,595
Total state	**$**	**4,120,491**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT E-1
(Continued)

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

Grants (Continued)		
Federal		
Department of		
Agriculture	$	539,691
Justice		277,579
Transportation		1,078,601
Transportation		224
Environmental Protection		8,095
Education		3,255
Health and Human Services		3,042,731
Homeland Security		199,415
Total federal	**$**	**5,149,591**
Total state and federal grants	**$**	**9,270,082**
Total Intergovernmental Revenue	**$**	**20,946,208**

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT E-2

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00102	$ 133,630
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Assistance Program	10.561	15152MN101S2514	406,061
Total U.S. Department of Agriculture			**$ 539,691**
U.S. Department of Justice			
Direct			
Supervised Visitation, Safe Havens for Children	16.527	NA	$ 106,170
Drug Court Discretionary Grant Program	16.585	NA	97,708
Bulletproof Vest Partnership Program	16.607	NA	2,410
Passed Through Minnesota Department of Public Safety			
Violence Against Women Formula Grants	16.588	FSMART15-WINONAAO	9,639
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-JAG-2015-WINONACO-00055	67,318
Total U.S. Department of Justice			**$ 283,245**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	09289	$ 1,082,477
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFORCE WINONASO	21,350
National Priority Safety Programs	20.616	F-ENFORCE WINONASO	1,903
(Total expenditures for Highway Safety Cluster $23,253)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFORCE WINONASO	5,711
Total U.S. Department of Transportation			**$ 1,111,441**

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

EXHIBIT E-2
(Continued)

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

Federal Grantor / Pass-Through Agency / Program or Cluster Title	**Federal CFDA Number**	**Pass-Through Grant Number**		**Expenditures**
U.S. Environmental Protection Agency				
Passed Through Southeast Minnesota Water Resource Board				
Nonpoint Source Implementation Grants	66.460	666693	$	8,095
Performance Partnership Grants	66.605	BG98568810		224
Total U.S. Environmental Protection Agency			**$**	**8,319**
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education - Grants for Infants and Families	84.181	12-700-00102	**$**	**2,492**
U.S. Department of Health and Human Services				
Passed Through the National Association of County and City Health Officials				
Medical Reserve Corps Small Grant Program	93.008	12-700-00102	$	3,500
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	12-700-00102		23,345
Universal Newborn Hearing and Screening	93.251	12-700-00102		312
Temporary Assistance for Needy Families	93.558	1502MNTANF		106,429
(Total Temporary Assistance for Needy Families 93.558 $588,487)				
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00102		54,989
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	61501MNFPSS		11,285
Temporary Assistance for Needy Families	93.558	1502MNTANF		482,058
(Total Temporary Assistance for Needy Families 93.558 $588,487)				
Child Support Enforcement	93.563	1504MNCSES		692,208
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNRCMA		574
Child Care and Development Block Grant	93.575	G1501MNCCDF		21,523
Community-Based Child Abuse Prevention Grants	93.590	G1402MNFRPG		50,306
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1501MNCWSS		14,969
Foster Care - Title IV-E	93.658	1501MNFOST		130,223
Social Services Block Grant	93.667	G-1501MNSOSR		282,058
Child Abuse and Neglect State Grants	93.669	G-1401MNCAD1/ G1501MNCA01		3,032
Chafee Foster Care Independence Program	93.674	G1501MNCILP		2,775
Children's Health Insurance Program	93.767	1605MN5021		183
Medical Assistance Program	93.778	1605MN5ADM		1,171,419
Total U.S. Department of Health and Human Services			**$**	**3,051,188**

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

WINONA COUNTY
WINONA, MINNESOTA

EXHIBIT E-2
(Continued)

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	91935	$ 5,875
Passed Through Minnesota Department of Public Safety			
Port Security Grant Program	97.056	EMW-2014-PU-00404-S01	136,229
Emergency Management Performance Grants	97.042	A-EMPG-2015-WINONACO-0089	27,501
Total U.S. Department of Homeland Security			**$ 169,605**
Total Federal Awards			**$ 5,165,981**

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

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

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WINONA COUNTY
WINONA, 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 Winona County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Winona County under programs of the federal government for the year ended December 31, 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 Winona County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Winona County.

3. Summary of Significant Accounting Policies

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

4. <u>Reconciliation to Schedule of Intergovernmental Revenue</u>

Federal grant revenue per Schedule of Intergovernmental Revenue (Exhibit E-1)	$ 5,149,591
Deferred in 2014, recognized as revenue in 2015	
Medical Assistance Program (CFDA No. 93.778)	(2,637)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	(401,183)
Child Care and Development Block Grant (CFDA No. 93.575)	(1,815)
Special Education - Grants for Infants and Families (CFDA No. 84.181)	(763)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(12,591)
Highway Planning and Construction (CFDA No. 20.205)	(15,000)
Emergency Management Performance Grants (CFDA No. 97.042)	(29,810)
Grants received more than 60 days after year-end, deferred in 2015	
Child Support Enforcement (CFDA No. 93.563)	25,500
Edward Bryne Memorial Justice Assistance Grant Program (CFDA No. 16.738)	5,666
Highway Planning and Construction (CFDA No. 20.205)	47,840
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	401,183
Expenditures per Schedule of Expenditures of Federal Awards (Exhibit E-2)	$ 5,165,981

Management and Compliance Section

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WINONA COUNTY
WINONA, 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? **Yes**

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

Federal Awards

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

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

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

The major programs are:

Highway Planning and Construction	CFDA No. 20.205
Medical Assistance Program	CFDA No. 93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2014-003

Audit Adjustment

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

Condition: During our audit, we proposed an audit reclassification which resulted in a significant change to Winona County's financial statements. This reclassification was reviewed and approved by the appropriate staff and is reflected in the financial statements.

Context: An audit reclassification journal entry was necessary to reclassify various revenue items in the Community Services Special Revenue Fund. Revenue reclassifications totaled $477,274.

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

Cause: The County indicated there was a misunderstanding in how the revenues, primarily from the state, should be recorded.

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

Client's Response:

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

ITEM ARISING THIS YEAR

Finding 2015-001

Departmental Segregation of Duties

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

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

Context: This is not unusual in operations the size of Winona County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

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

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

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

Client's Response:

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

PREVIOUSLY REPORTED ITEMS RESOLVED

Segregation of Duties/Vendor Setup (2012-001)

In prior years, personnel who processed vendor payments in the accounting system also had the ability to add new vendors or make changes to existing vendor files.

Resolution

In 2015, the County established controls segregating the duties of processing vendor payments from adding new vendors or making changes to existing vendor files.

Segregation of Duties/Disbursements (2013-001)

In prior years, the County did not have controls in place to prevent employees who process vendor payments into the accounting system from adding and paying unapproved expenditures via County warrant.

Resolution

For 2015, the County established procedures to have employees independent of the disbursement process perform a review.

Segregation of Duties/Payroll Entry (2014-001)

In 2014, procedures were established to have personnel independent of the payroll input process review hours entered into the payroll system. We noted that in five of the eight payrolls tested, a review of this process was performed by an employee who was not independent of the payroll input process.

Resolution

The County continues to have personnel independent of the payroll input process review hours entered into the payroll system, and during our current year review, we noted no instances where the review process was performed by an employee who was not independent of the payroll process.

Segregation of Duties/Payroll Maintenance (2014-002)

Procedures were established to have personnel independent of the payroll payment process review a listing (Audit Log) of maintenance changes to the payroll accounting system after each payroll is processed. However, it was noted in 2014 that in one of the eight Audit Logs tested, there was no documented review of payroll maintenance changes.

Resolution

We noted no issues while performing testing over the review of payroll maintenance changes.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2013-003

Program Eligibility Intake Function

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award #1605MN5ADM, 2015

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

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

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

The sample size was based on guidance from Chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

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

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

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

Cause: The County indicated the case workers need to be more cautious to ensure all information on the application or renewal match what is entered into the MAXIS system.

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

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Karen Moore, Fiscal Supervisor III

Corrective Action Planned:

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

Anticipated Completion Date:

We completed this education/reminder as soon as the case reviews were completed with the auditor. (Done as of July 2014)

ITEM ARISING THIS YEAR

Finding 2015-002

Reporting Review

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award #1605MN5ADM, 2015

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

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

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

The sample size was based on guidance from Chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Questioned Costs: None.

Context: The online DHS-2550 and DHS-2556 reports are submitted on a quarterly basis by the County Finance Department.

Effect: The lack of review of the reports increases the potential risk that errors or omissions may occur and not be detected prior to submission of the reports to DHS.

Cause: The County informed us the reviewer has been completing the reviews after submission of the reports to be able to view the entire reports including the analysis section that only shows up once it has been submitted.

Recommendation: We recommend the County establish and implement policies and procedures to provide reasonable assurance that information reported to DHS is subject to review by someone other than the preparer prior to its submission.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Beth Wilms, Human Services Director

Corrective Action Planned:

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

Anticipated Completion Date:

September 30, 2016

PREVIOUSLY REPORTED ITEM RESOLVED

Reporting Compliance Requirements (CFDA Nos. 10.561, 93.558, 93.563, and 93.778) (2013-002)

The County reported salaries and fringe expenditures on Form DHS-2550 Section E for employees who were listed on the random moment study. These employees should have been reported in Section A of the DHS-2550 report. The County also reported salaries and fringe expenditures on Form DHS-2550 Section A for employees who were not listed on the random moment time study. These employees should have been reported in Section E of the DHS-2550 report.

Resolution

We noted no issues while performing testing on DHS-2550 reporting.

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

Independent Auditor's Report

Board of County Commissioners
Winona County
Winona, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona County, Minnesota, as of and for the year ended December 31, 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 September 13, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Winona County's Response to Findings

Winona County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 13, 2016

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

Independent Auditor's Report

Board of County Commissioners
Winona County
Winona, Minnesota

Report on Compliance for Each Major Federal Program

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

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

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

Opinion on Each Major Federal Program

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

Other Matters

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

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-003 and 2015-002, that we consider to be significant deficiencies.

Winona County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Winona County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

September 13, 2016