



Julie Blaha  
State Auditor

Suite 500  
525 Park Street  
Saint Paul, MN 55103

September 20, 2021

Board of County Commissioners  
Winona County  
Winona, Minnesota

We have audited 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, 2020. Professional standards require that we provide you with information about our responsibilities under 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our meeting about planning matters on January 28, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### **Our Responsibilities Under U.S. Generally Accepted Auditing Standards and the Uniform Guidance**

As stated in our engagement letter dated January 21, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Winona County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

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 federal statutes, regulations, and the terms and conditions of the County's federal awards

applicable to its federal programs, 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. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Winona County's compliance with those requirements.

### **Significant Audit Matters**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Winona County are described in Note 1 to the financial statements. During 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The January 1, 2020, net position of the custodial funds was restated by \$1,128,062, to include accruals and ending net position to custodial funds not previously required. See Note 1.E to the financial statements. No other new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information are:

- the fair value of investments;
- the useful lives of capital assets and related depreciation expense;
- the allowance for uncollectible accounts;

- the inventory valuation;
- the current versus long-term compensated absences;
- the year-end liability for other postemployment benefits (OPEB), deferred inflows of resources, deferred outflows of resources, and the related expense; and
- the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pension benefits.

Management's estimate relating to:

- the fair value of investments is determined through existing market conditions;
- the useful lives of capital assets and related depreciation expense is based on industry standards;
- the allowance for uncollectible accounts is based on historical collection information;
- the inventory valuation is based on measurement calculations and the average cost method;
- the current versus long-term compensated absences is based on historical information;
- the OPEB liability, deferred inflows of resources, deferred outflows of resources, and the related expense is based on information provided by an actuary. The actuarial cost method used to determine the year-end liability was the entry age with level percentage of pay method. The present value of future benefits is equal to the value of the projected benefit payable at retirement discounted back to the participant's current age; and
- the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pension benefits is based on information provided by the Public Employees Retirement Association (PERA). Plan totals for these amounts were determined by an actuary hired by PERA, with a valuation date as of June 30, 2020. The proportionate share by employer was calculated by PERA.

We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements of each opinion unit.

The financial statement disclosures are neutral, consistent, and clear.

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#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 9, 2021.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Other Matters**

We applied certain limited procedures to the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of

inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on it.

With respect to the Supplementary Information accompanying the financial statements other than RSI, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the Supplementary Information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

### **Significant New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. The GASB has issued the following statement that may significantly change financial reporting in an upcoming period.

#### GASB Statement No. 87, *Leases*

Effective for calendar year 2022 financial statements, the GASB changed the standards as they apply to leases. An increase of leased assets and liabilities will be required to be reported by state and local governments, which may increase or decrease net position. The County should begin inventorying its various lease agreements, including identifying key lease provisions.

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This information is intended solely for the use of the Board of County Commissioners and management of Winona County and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

**WINONA COUNTY**  
**SCHEDULE OF UNCORRECTED MISSTATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Fund/Activity</u>	<u>Financial Statement Category/Account Description</u>	<u>Debit</u>	<u>Credit</u>
General Fund	Non department expenditure	80,756	
	Sheriff expenditure	169,724	
	Proceeds from capital lease purchase <i>To record estimated capital lease purchases for vehicles.</i>		250,480
Road and Bridge Special Revenue Fund	Highway maintenance expenditure	166,588	
	Proceeds from capital lease purchase		166,588
	<i>To record estimated capital lease purchases for vehicles.</i>		