

# **STATE OF MINNESOTA**

## **Office of the State Auditor**



**Patricia Anderson**  
**State Auditor**

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**WADENA COUNTY**  
**WADENA, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2005**

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**WADENA COUNTY  
WADENA, MINNESOTA**

**Year Ended December 31, 2005**



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

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**WADENA COUNTY  
WADENA, MINNESOTA**

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**WADENA COUNTY  
WADENA, MINNESOTA**

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**WADENA COUNTY  
WADENA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2005**

<u>Office</u>	<u>Name</u>	<u>District</u>	<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Vice Chair	Lane Waldahl	District 1	January 2007
Board Member	Orville Meyer	District 2	January 2009
Board Member	William Stearns	District 3	January 2007
Chair	Mary Harrison	District 4	January 2009
Board Member	David Mattila	District 5	January 2007
Attorney	Jon Edin <sup>1</sup>		January 2007
Auditor/Treasurer	Charleen West		January 2007
County Recorder	Judy Aagard		January 2007
Registrar of Titles	Judy Aagard		January 2007
County Sheriff	H. Michael Carr		January 2007
<b>Appointed</b>			
Assessor	Lee Brekke		December 2008
County Engineer	Russell Larson <sup>2</sup>		May 2008
Coroner	Tim B. Schmitt, M.D.		Indefinite
Community Corrections Officer	Kathryn Langer		Indefinite
Social Services Director	Paul Sailer		Indefinite
Veteran Services Officer	Wayne Terry		Indefinite

<sup>1</sup>Jon Edin resigned effective April 10, 2006. Kyra Ladd was appointed to fill out his remaining term.

<sup>2</sup>Russell Larson resigned effective April 2006 and was replaced by Joel Ulring, whose term expires April 2007.

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PATRICIA ANDERSON  
STATE AUDITOR

## STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Wadena County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wadena County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of and for the year ended December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2006, on our consideration of Wadena County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 21, 2006

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

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**WADENA COUNTY  
WADENA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005  
(Unaudited)**

As management of Wadena County, we offer readers of the Wadena County financial statements this narrative overview and analysis of the financial activities of Wadena County for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Wadena County exceeded its liabilities by \$32,489,330 at the close of 2005. Of this amount, \$3,822,848 (unrestricted net assets) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- At the close of 2005, Wadena County's governmental funds reported combined ending fund balances of \$4,174,983, a decrease of \$133,567, in comparison with the prior year. Of the total fund balance, \$3,444,374 is available for spending at the County's discretion and is noted as unreserved fund balance.
- At the close of 2005, unreserved fund balance for the General Fund was \$1,396,278, or 31 percent, of total General Fund expenditures.
- Wadena County currently does not have any bonded indebtedness.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction of Wadena County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. The MD&A is required to accompany the basic financial statements and is included as required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of Wadena County's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of Wadena County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Wadena County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods such as uncollected taxes and earned but unused vacation leave.

The County's government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Wadena County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

### **Fund Level Financial Statements**

A "fund" is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Wadena County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Wadena County can be divided into two categories--governmental funds and fiduciary funds.

#### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, County fund level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Wadena County reports six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

### Fiduciary Funds

The County is responsible for assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the government-wide financial statements because the County cannot use these assets to finance its operations.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

### **Other Information**

In addition to the basic financial statements and notes, supplementary information is provided on Wadena County's budgeted funds, deposits and investments, and intergovernmental revenues.

Wadena County adopts an annual appropriated budget for its General Fund and major special revenue funds. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net assets serve as a useful indicator of the County's financial position. Wadena County's assets exceeded liabilities by \$32,489,330 at the close of 2005. The largest portion of Wadena County's net assets (85 percent) reflects its investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

### Governmental Net Assets

	2005	2004
Current and other assets	\$ 6,092,945	\$ 5,815,353
Capital assets	27,628,257	28,008,373
<b>Total Assets</b>	<b>\$ 33,721,202</b>	<b>\$ 33,823,726</b>
Long-term liabilities outstanding	\$ 653,012	\$ 645,224
Other liabilities	578,860	765,629
<b>Total Liabilities</b>	<b>\$ 1,231,872</b>	<b>\$ 1,410,853</b>
Net Assets		
Invested in capital assets, net of related debt	\$ 27,628,257	\$ 28,008,373
Restricted	1,038,225	570,933
Unrestricted	3,822,848	3,833,567
<b>Total Net Assets</b>	<b>\$ 32,489,330</b>	<b>\$ 32,412,873</b>

The unrestricted net asset amount of \$3,822,848 as of December 31, 2005, may be used to meet the County's ongoing obligations to citizens and creditors.

### Governmental Activities

Wadena County's activities increased net assets by \$76,457, or 0.2 percent, over the 2004 net assets. The key elements of the increase were CSAH allotments unspent in 2005.

### Changes in Net Assets

	2005	2004
Revenues		
Program revenues		
Charges for services	\$ 1,739,991	\$ 1,868,140
Operating grants and contributions	6,421,582	6,231,134
Capital grants and contributions	57,407	80,285
General revenues		
Property taxes	4,773,086	4,317,620
Grants and contributions not restricted to specific		
Programs	1,666,049	1,034,555
Other	260,827	256,789
Special item - sale of Nursing Home	-	243,557
<b>Total Revenues</b>	<b>\$ 14,918,942</b>	<b>\$ 14,032,080</b>

	2005	2004
Expenses		
General government	\$ 2,647,683	\$ 2,728,262
Public safety	1,497,504	1,266,832
Highways and streets	3,321,631	3,120,686
Sanitation	971,525	943,499
Human services	5,316,492	4,854,402
Health	723,814	650,043
Culture and recreation	106,737	98,416
Conservation of natural resources	245,277	258,035
Economic development	11,822	3,403
Total Expenses	\$ 14,842,485	\$ 13,923,578
Increase in net assets	\$ 76,457	\$ 108,502
Net Assets, January 1	32,412,873	32,304,371
Net Assets, December 31	\$ 32,489,330	\$ 32,412,873

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,174,983, a decrease of \$133,567 in comparison with the prior year. The majority of this amount (\$3,444,374) consists of unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of Wadena County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,396,278, while total fund balance was \$1,951,474. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 31 percent of total General Fund expenditures. In 2005, the fund balance in the General Fund

decreased by \$295,990. This decrease was due primarily to a decrease in tax revenues and an increase in public safety expenditures, which was partially offset by a decrease in general government expenditures.

The Road and Bridge Special Revenue Fund's fund balance increased \$204,400. This increase was due primarily to an increase in tax revenue and a decrease in highways and streets expenditures, which was partially offset by a decrease in intergovernmental revenue.

The Social Services Special Revenue Fund's fund balance decreased \$122,980. This decrease was due primarily to an increase of human service expenditures offset by an increase in tax revenue, an increase in intergovernmental revenue, and an increase of miscellaneous revenue.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$3,764 (no change in revenues and an increase in expenditures of \$3,764). The actual revenues exceeded budgeted revenues by \$202,556, and actual expenditures exceeded budgeted expenditures by \$448,497. The largest revenue variance was in intergovernmental revenue where the County received more grants than was budgeted. The variance in expenditures was due primarily to building repair and higher than expected unallocated expenditures and public safety expenditures.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The County's investment in capital assets for its governmental activities as of December 31, 2005, was \$27,628,257 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets for the current fiscal year decreased 1.4 percent due to accumulated depreciation exceeding the increase in capital assets. The increases were attributed to machinery, furniture and equipment, and infrastructure.

#### **Governmental Capital Assets**

	2005	2004
Land	\$ 562,512	\$ 562,512
Infrastructure	24,061,970	24,529,497
Buildings	1,894,799	2,014,644
Furniture, equipment, and machinery	1,108,976	901,720
Total	<u>\$ 27,628,257</u>	<u>\$ 28,008,373</u>

Additional information on the County's capital assets can be found in the notes to the financial statements.

## **Long-Term Debt**

At the end of the current fiscal year, Wadena County had no bonded indebtedness.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

- Wadena County's unemployment rate was 7.5 percent at the end of 2005. This was above the statewide rate of 4.0 percent.
- Larger than normal increases to property values have occurred primarily due to a larger than normal number of properties sold over assessed value.

## **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Wadena County Auditor/Treasurer, Wadena County Courthouse, 415 Jefferson Street South, Wadena, Minnesota 56482.

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## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**WADENA COUNTY  
WADENA, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

**Assets**

Cash and pooled investments	\$ 3,684,506
Petty cash and change funds	3,090
Taxes receivable	
Current	234,520
Prior	91,296
Special assessments receivable	
Current	26,588
Prior	8,837
Accounts receivable	128,330
Accrued interest receivable	10,201
Due from other governments	1,758,244
Advances receivable	75,000
Inventories	72,333
Capital assets	
Non-depreciable	562,512
Depreciable - net of accumulated depreciation	27,065,745
	<hr/>
<b>Total Assets</b>	<b>\$ 33,721,202</b>

**Liabilities**

Accounts payable	\$ 304,859
Salaries payable	67,120
Due to other governments	202,053
Unearned revenue	4,578
Customer deposits	250
Long-term liabilities	
Due within one year	350,842
Due in more than one year	302,170
	<hr/>
<b>Total Liabilities</b>	<b>\$ 1,231,872</b>

**Net Assets**

Invested in capital assets	\$ 27,628,257
Restricted for	
General government	32,499
Public safety	33,577
Highways and streets	972,149
Unrestricted	3,822,848
	<hr/>
<b>Total Net Assets</b>	<b>\$ 32,489,330</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
<b>Governmental Activities</b>					
General government	\$ 2,647,683	\$ 261,521	\$ 142,521	\$ -	\$ (2,243,641)
Public safety	1,497,504	85,169	188,221	-	(1,224,114)
Highways and streets	3,321,631	49,401	2,230,108	57,407	(984,715)
Sanitation	971,525	563,721	452,422	-	44,618
Human services	5,316,492	489,320	2,989,112	-	(1,838,060)
Health	723,814	203,819	385,521	-	(134,474)
Culture and recreation	106,737	11,580	31,920	-	(63,237)
Conservation of natural resources	245,277	75,460	1,757	-	(168,060)
Economic development	11,822	-	-	-	(11,822)
<b>Total</b>	<b>\$ 14,842,485</b>	<b>\$ 1,739,991</b>	<b>\$ 6,421,582</b>	<b>\$ 57,407</b>	<b>\$ (6,623,505)</b>
<b>General Revenues</b>					
Property taxes					\$ 4,773,086
Payments in lieu of tax					26,041
Grants and contributions not restricted to specific programs					1,666,049
Unrestricted investment earnings					105,234
Miscellaneous					129,552
<b>Total general revenues</b>					<b>\$ 6,699,962</b>
<b>Change in Net Assets</b>					<b>\$ 76,457</b>
<b>Net Assets - Beginning</b>					<b>32,412,873</b>
<b>Net Assets - Ending</b>					<b>\$ 32,489,330</b>

## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 1,336,825	\$ 560,553	\$ 1,106,173	\$ 513,183	\$ 3,516,734
Petty cash and change funds	2,700	100	200	90	3,090
Undistributed cash in agency funds	95,721	24,446	31,317	16,288	167,772
Taxes receivable					
Current	114,579	55,348	64,593	-	234,520
Prior	57,715	11,845	21,736	-	91,296
Special assessments receivable					
Current	-	-	-	26,588	26,588
Prior	-	-	-	8,837	8,837
Accounts receivable	19,546	4,127	21,138	83,519	128,330
Accrued interest receivable	10,061	-	140	-	10,201
Due from other funds	79,549	-	1,727	39,606	120,882
Due from other governments	79,100	1,048,534	490,964	133,268	1,751,866
Inventories	-	72,333	-	-	72,333
Advances to other funds	474,100	10,700	33,500	6,700	525,000
<b>Total Assets</b>	<b><u>\$ 2,269,896</u></b>	<b><u>\$ 1,787,986</u></b>	<b><u>\$ 1,771,488</u></b>	<b><u>\$ 828,079</u></b>	<b><u>\$ 6,657,449</u></b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 60,801	\$ 42,267	\$ 158,151	\$ 43,640	\$ 304,859
Salaries payable	26,187	17,066	13,453	10,414	67,120
Due to other funds	33,054	7,976	52,929	48,300	142,259
Due to other governments	50,708	4,457	54,616	64,517	174,298
Deferred revenue - unavailable	147,672	995,966	121,508	73,956	1,339,102
Deferred revenue - unearned	-	-	4,578	-	4,578
Advance from other funds	-	450,000	-	-	450,000
Customer deposits	-	250	-	-	250
<b>Total Liabilities</b>	<b>\$ 318,422</b>	<b>\$ 1,517,982</b>	<b>\$ 405,235</b>	<b>\$ 240,827</b>	<b>\$ 2,482,466</b>
<b>Fund Balances</b>					
Reserved for					
Advances to other funds	\$ 474,100	\$ 10,700	\$ 33,500	\$ 6,700	\$ 525,000
Inventories	-	72,333	-	-	72,333
Emergency management	479	-	-	-	479
Utility deposits	-	500	-	-	500
State-aid highway projects	-	51,680	-	-	51,680
Missing heirs	15,020	-	-	-	15,020
Law library	2,791	-	-	-	2,791
Recorder's equipment	29,708	-	-	-	29,708
Sheriff's contingency	5,000	-	-	-	5,000
Sheriff's forfeited property	28,098	-	-	-	28,098
Unreserved					
Designated for future expenditures	489,412	-	-	-	489,412
Designated for cash flows	600,000	134,791	845,000	-	1,579,791
Designated for mental health initiative	-	-	50,447	-	50,447
Designated for peer center	-	-	7,863	-	7,863
Undesignated	306,866	-	429,443	-	736,309
Reported in special revenue funds	-	-	-	580,552	580,552
<b>Total Fund Balances</b>	<b>\$ 1,951,474</b>	<b>\$ 270,004</b>	<b>\$ 1,366,253</b>	<b>\$ 587,252</b>	<b>\$ 4,174,983</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,269,896</b>	<b>\$ 1,787,986</b>	<b>\$ 1,771,488</b>	<b>\$ 828,079</b>	<b>\$ 6,657,449</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 4,174,983</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	27,628,257
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,339,102
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(653,012)</u>
<b>Net assets of governmental activities (Exhibit 1)</b>	<b><u>\$ 32,489,330</u></b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 2,352,951	\$ 1,058,521	\$ 1,239,298	\$ 31,005	\$ 4,681,775
Special assessments	-	-	-	389,851	389,851
Licenses and permits	39,930	-	-	22,101	62,031
Intergovernmental	1,249,127	2,177,491	3,418,667	370,466	7,215,751
Charges for services	214,870	-	36,499	730,669	982,038
Fines and forfeits	26,925	-	-	-	26,925
Gifts and contributions	-	-	32,299	-	32,299
Interest on investments	104,386	-	848	-	105,234
Miscellaneous	233,109	49,674	453,221	78,570	814,574
<b>Total Revenues</b>	<b>\$ 4,221,298</b>	<b>\$ 3,285,686</b>	<b>\$ 5,180,832</b>	<b>\$ 1,622,662</b>	<b>\$ 14,310,478</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 2,539,151	\$ -	\$ -	\$ -	\$ 2,539,151
Public safety	1,487,025	-	-	-	1,487,025
Highways and streets	-	2,945,473	-	-	2,945,473
Sanitation	105,413	-	-	840,180	945,593
Human services	-	-	5,303,812	-	5,303,812
Health	1,500	-	-	722,105	723,605
Culture and recreation	106,737	-	-	-	106,737
Conservation of natural resources	214,666	-	-	30,348	245,014
Economic development	11,822	-	-	-	11,822
<b>Intergovernmental</b>	<b>-</b>	<b>125,897</b>	<b>-</b>	<b>-</b>	<b>125,897</b>
<b>Total Expenditures</b>	<b>\$ 4,466,314</b>	<b>\$ 3,071,370</b>	<b>\$ 5,303,812</b>	<b>\$ 1,592,633</b>	<b>\$ 14,434,129</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (245,016)</b>	<b>\$ 214,316</b>	<b>\$ (122,980)</b>	<b>\$ 30,029</b>	<b>\$ (123,651)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 477,804	\$ 400,000	\$ -	\$ 128,778	\$ 1,006,582
Transfers out	(528,778)	(400,000)	-	(77,804)	(1,006,582)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (50,974)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,974</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (295,990)</b>	<b>\$ 214,316</b>	<b>\$ (122,980)</b>	<b>\$ 81,003</b>	<b>\$ (123,651)</b>
<b>Fund Balances - January 1</b>	<b>2,247,464</b>	<b>65,604</b>	<b>1,489,233</b>	<b>506,249</b>	<b>4,308,550</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(9,916)</b>	<b>-</b>	<b>-</b>	<b>(9,916)</b>
<b>Fund Balances - December 31</b>	<b>\$ 1,951,474</b>	<b>\$ 270,004</b>	<b>\$ 1,366,253</b>	<b>\$ 587,252</b>	<b>\$ 4,174,983</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Net change in fund balances - total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>(123,651)</b>
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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 expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 1,339,102	
Deferred revenue - January 1	<u>(741,174)</u>	597,928

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

Expenditures for general capital assets and infrastructure	\$ 840,445	
Net book value of assets disposed of	(18,831)	
Current year depreciation	<u>(1,201,730)</u>	(380,116)

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 compensated absences	\$ (7,788)	
Change in inventories	<u>(9,916)</u>	<u>(17,704)</u>

<b>Change in net assets of governmental activities (Exhibit 2)</b>	<b>\$</b>	<b><u>76,457</u></b>
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## **FIDUCIARY FUNDS**

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**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<b>Family Service Collaborative Investment Trust</b>	<b>Health Reimbursement Employee Benefit Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 83,413	\$ 113,822	\$ 286,929
Receivables			
Interest	264	-	-
Due from other funds	27,755	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 111,432</b>	<b>\$ 113,822</b>	<b>\$ 286,929</b>
	<hr/>	<hr/>	<hr/>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 981	\$ -	\$ -
Due to other funds	6,378	-	-
Due to other governments	-	-	286,929
Advance from governmental funds	-	75,000	-
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 7,359</b>	<b>\$ 75,000</b>	<b>\$ 286,929</b>
	<hr/>	<hr/>	<hr/>
<b><u>Net Assets</u></b>			
Net assets held in trust for pool participants	\$ 104,073	\$ -	
Net assets held in trust for employees	-	38,822	
	<hr/>	<hr/>	
<b>Total Net Assets</b>	<b>\$ 104,073</b>	<b>\$ 38,822</b>	
	<hr/>	<hr/>	

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Investment Trust</b>	<b>Health Reimbursement Employee Benefit Trust</b>
<b><u>Additions</u></b>		
Contributions from employers	\$ -	\$ 61,976
Contributions from participants	98,036	-
Investment earnings		
Interest	2,355	-
<b>Total Additions</b>	<b>\$ 100,391</b>	<b>\$ 61,976</b>
<b><u>Deductions</u></b>		
Benefits	\$ -	\$ 34,045
Pool participant withdrawals	105,642	-
<b>Total Deductions</b>	<b>\$ 105,642</b>	<b>\$ 34,045</b>
<b>Change in Net Assets</b>	<b>\$ (5,251)</b>	<b>\$ 27,931</b>
<b>Net Assets - Beginning of the Year</b>	<b>109,324</b>	<b>10,891</b>
<b>Net Assets - End of the Year</b>	<b>\$ 104,073</b>	<b>\$ 38,822</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

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**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, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Wadena County was established June 11, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. 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.

**Joint Ventures**

The County participates in several joint ventures described in Note 6.B.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

In the government-wide statement of net assets, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as

**WADENA COUNTY  
WADENA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

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 required to be accounted for in another fund.

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

**WADENA COUNTY  
WADENA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund types:

Investment Trust Funds account for the external pooled and non-pooled investments held on behalf of external participants.

The Employee Benefit Trust Fund accounts for resources that are required to be held in trust for the health reimbursement account provided to employees of the County.

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. Wadena County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated

**WADENA COUNTY  
WADENA, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, 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 2005 were \$107,589.

2. External Investment Pools

Included in total cash and pooled investments are the assets held for the Wadena County Family Services Collaborative in an external investment pool. For the purposes of financial reporting, the Family Services Collaborative's portion of the County's pool of cash and investments is reported as an investment trust fund. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight, and the fair value of the position in the pool is the same as the pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.



**WADENA COUNTY  
WADENA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. 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).

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

No allowance has been made for uncollectible receivables.

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 on 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.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**WADENA COUNTY  
WADENA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than the capitalization threshold and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The government's capitalization threshold for capital assets is as follows:

<u>Assets</u>	<u>Capitalization Threshold</u>
Land	\$ 1
Land improvements	25,000
Buildings	25,000
Building improvements	25,000
Furniture, equipment, and vehicles	10,000

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the current period, the County did not have any capitalized interest.

**WADENA COUNTY  
WADENA, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Building improvements	40
Public domain infrastructure	50 - 75
Landfill disposal systems	25
Furniture, equipment, and vehicles	3 - 10

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual 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.

8. Deferred Revenue

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

9. Fund Equity

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

**WADENA COUNTY  
WADENA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. 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.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Forfeited Tax Sale Special Revenue Fund had a deficit fund balance of \$5,383 as of December 31, 2005. The deficit will be eliminated with proceeds from future forfeited tax sales.

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2005.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 4,466,314	\$ 4,017,817	\$ 448,497
Special Revenue Funds			
Social Services	5,303,812	4,900,189	403,623
Solid Waste	840,180	822,877	17,303

**WADENA COUNTY  
WADENA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments follows:

Governmental activities	
Cash and pooled investments	\$ 3,684,506
Petty cash and change funds	3,090
Fiduciary funds	
Cash and pooled investments	
Agency funds	286,929
Investment trust fund	83,413
Employee benefit trust fund	<u>113,822</u>
 Total Cash and Investments	 <u>\$ 4,171,760</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard 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.

**WADENA COUNTY  
WADENA, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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 does not have a deposit policy for custodial credit risk. As of December 31, 2005, the County's deposits were exposed to custodial credit risk because collateral required by Minn. Stat. § 118A.03 was insufficient in the amount of \$45,072.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

**WADENA COUNTY  
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

During the year ended December 31, 2005, the County had no investments.

2. Receivables

Receivables as of December 31, 2005, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 325,816	\$ -
Special assessments	35,425	-
Accounts	128,330	-
Interest	10,201	-
Due from other governments	1,758,244	-
Advances receivable	75,000	-
	<u>2,333,016</u>	<u>-</u>
Total Governmental Activities	<u>\$ 2,333,016</u>	<u>\$ -</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 562,512	\$ -	\$ -	\$ 562,512
Capital assets depreciated				
Buildings	\$ 4,596,787	\$ -	\$ -	\$ 4,596,787
Machinery, furniture, and equipment	2,610,829	489,825	95,311	3,005,343
Infrastructure	33,991,358	350,620	298	34,341,680
Total capital assets depreciated	<u>\$ 41,198,974</u>	<u>\$ 840,445</u>	<u>\$ 95,609</u>	<u>\$ 41,943,810</u>

**WADENA COUNTY  
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 2,582,143	\$ 119,845	\$ -	\$ 2,701,988
Machinery, furniture, and equipment	1,709,109	264,028	76,770	1,896,367
Infrastructure	9,461,861	817,857	8	10,279,710
Total accumulated depreciation	\$ 13,753,113	\$ 1,201,730	\$ 76,778	\$ 14,878,065
Total capital assets depreciated, net	\$ 27,445,861	\$ (361,285)	\$ 18,831	\$ 27,065,745
Governmental Activities				
Capital Assets, Net	\$ 28,008,373	\$ (361,285)	\$ 18,831	\$ 27,628,257

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

Governmental Activities	
General government	\$ 103,168
Public safety	55,392
Highways and streets, including depreciation of infrastructure assets	981,387
Sanitation	21,765
Human services	37,503
Health	2,515
Total Depreciation Expense - Governmental Activities	\$ 1,201,730

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 7,976
	Social Services	23,264
	Other governmental	48,300
	Investment Trust	9
Total Due to General Fund		\$ 79,549
Social Services	Investment Trust	\$ 1,727



**WADENA COUNTY  
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Other Governmental	General	\$ 33,054
	Social Services	1,910
	Investment Trust	4,642
		<u>39,606</u>
Total Due to other governmental funds		\$ 39,606
Investment Trust	Social Services	\$ 27,755
		<u>27,755</u>
Total Due To/From Other Funds		<u>\$ 148,637</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be repaid within the year.

2. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 450,000
	Employee Benefit Trust	24,100
		<u>474,100</u>
Total Advances to General Fund		\$ 474,100
Road and Bridge	Employee Benefit Trust	10,700
Social Services	Employee Benefit Trust	33,500
Other governmental funds	Employee Benefit Trust	6,700
		<u>50,900</u>
Total Advances To/From Other Funds		<u>\$ 525,000</u>

Advances were made to the Health Reimbursement Employee Benefit Trust Fund to cover benefit payments until payroll deductions are built up to cover them. The advances will be repaid within the plan year, which ends September 30, 2006. The advance to the Road and Bridge Special Revenue Fund from the General Fund was for cash flow purposes in 2004. It is expected to be repaid in 2006.

**WADENA COUNTY  
WADENA, MINNESOTA**

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3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to General Fund from Road and Bridge Fund	\$ 400,000	Repay prior advance
Transfers to General Fund from other nonmajor governmental funds	77,804	Provide funding
Transfers to Road and Bridge Fund from General Fund	400,000	Provide funds for capital outlay
Transfers to nonmajor governmental funds from General Fund	<u>128,778</u>	Provide funding
Total Interfund Transfers	<u>\$ 1,006,582</u>	

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 304,859
Salaries	67,120
Due to other governments	<u>202,053</u>
Total Payables	<u>\$ 574,032</u>

**WADENA COUNTY  
WADENA, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenues as of December 31, 2005, for the County's governmental activities are as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental Activities		
Taxes	\$ 265,390	\$ -
Special assessments	30,032	-
Intergovernmental revenue	1,017,037	4,578
Charges for services	10,798	-
Other	<u>15,845</u>	<u>-</u>
Total Governmental Activities	<u>\$ 1,339,102</u>	<u>\$ 4,578</u>

3. Health Reimbursement Account

Minn. Stat. § 471.61 authorizes the County to provide group health insurance to its employees. In October 2004, the County began providing health reimbursement accounts administered by Blue Cross/Blue Shield. For purposes of financial reporting, these health reimbursement accounts are reported as an employee benefit trust fund.

Employees that elect to participate make allotted contributions to the account for the payment of eligible expenses to offset a higher health insurance deductible. Usually, any unused money at the end of the year can be rolled over and applied to the next year's balance. The account balance stays with a terminated and retired employee or eligible dependant and can be used for certain expenses.

As of December 31, 2005, 43 employees had health reimbursement accounts. The County advanced \$75,000 to the Employee Benefit Trust Fund as of December 31, 2005.

**WADENA COUNTY  
WADENA, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 645,224	\$ 433,633	\$ 425,845	\$ 653,012	\$ 350,842

4. Employee Retirement Systems and Pension Plans

A. Defined Benefits Plans

Plan Description

All full-time and certain part-time employees of Wadena County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**WADENA COUNTY  
WADENA, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefits Plans

Plan Description (Continued)

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and 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 all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

**WADENA COUNTY  
WADENA, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefits Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary in 2005. The rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>	<u>Public Employees Correctional Fund</u>
2005	\$ 237,608	\$ 32,034	\$ 23,406
2004	227,803	28,465	23,535
2003	221,224	29,569	23,719

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

**WADENA COUNTY  
WADENA, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. 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. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2005, 2004, and 2003, were \$695, \$681 and \$573, respectively, equal to the contractually required contributions for each year as set by state statute. This was the second year the County made contributions.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County has entered into a joint powers agreement with other Minnesota municipalities to form the North Central Service Cooperative (NCSC) to establish, procure, and administer group employee benefits. 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.

**WADENA COUNTY  
WADENA, MINNESOTA**

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5. 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 \$760,000 per claim in 2005 and \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and 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.

The NCSC contracts with Blue Cross/Blue Shield to administer the health insurance plan. All claims are pooled at year-end for the purpose of setting rates and reserves for the upcoming year. The NCSC provides financial risk management services that embody the concept of pooling risk for the purpose of, but not limited to, providing health benefits coverage and other services as directed by the joint powers board. Members do not pay for deficiencies that arise in the current year.

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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



**WADENA COUNTY  
WADENA, MINNESOTA**

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

B. Joint Ventures

Todd-Wadena Community Corrections

A joint community corrections system was established in 1976 pursuant to Minn. Stat. ch. 401 between Todd and Wadena Counties. The Community Corrections' primary programs and services are to assist member counties in the development, implementation, and operation of correctional programs, probation, and parole.

The management of the Community Corrections is vested in a Joint Powers Board composed of the five Commissioners from each participating county. No single member county retains control over the operations or has oversight responsibility for the Community Corrections. The Joint Powers Board appoints an executive committee which has been delegated by the Joint Powers Board all powers and duties necessary for the day-to-day operations.

Separate financial information can be obtained from:

Todd-Wadena Community Corrections  
239 Central Avenue  
Long Prairie, Minnesota 56347

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and backup system.

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which comprises one County Commissioner from each member county. In the event of dissolution, the net assets of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties.

**WADENA COUNTY  
WADENA, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

Separate financial information can be obtained from:

Clearwater County Auditor  
213 North Main Avenue  
Bagley, Minnesota 56621

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, Todd, and Wadena Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. However, if only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

The Task Force is reported as an agency fund in Douglas County's financial statements. Financing and equipment will be provided by the full-time and associate member agencies. Wadena County provided \$5,000 to this organization in 2005.

Wadena County Family Service Collaborative

The Wadena County Family Service Collaborative was established in 1998 under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Wadena County; Independent School District Nos. 818, 820, 821, 2155, and 2170; Ottertail-Wadena Community Action Council; and Todd-Wadena Community Corrections. The purpose of the Collaborative is to provide coordinated family services and to commit resources to an integrated fund.

Control of the Wadena County Family Service Collaborative is vested in a governing board. Wadena County has three members on the Board.

**WADENA COUNTY  
WADENA, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Wadena County Family Service Collaborative (Continued)

In the event of withdrawal from the Wadena County Family Service Collaborative, the withdrawing party shall give a 180-day notice. The withdrawing party shall remain liable for fiscal obligations incurred prior to the effective date of withdrawal, but shall incur no additional fiscal liability beyond the effective date of withdrawal. Upon termination of the Collaborative, all property and remaining funds shall be divided among the remaining members. Distribution shall be determined on the basis of number of years of participation by each member and the proportionate contribution paid pursuant to the agreement of the Collaborative members.

Financing is provided by state grants and appropriations from its members. Wadena County, in an agent capacity, reports the cash transactions of the Wadena County Family Service Collaborative as an investment trust fund on the County's financial statements. During 2005, the County contributed \$500 to the Collaborative.

Cass-Todd-Wadena-Morrison Community Health Services

The County Boards of Cass, Morrison, Todd, and Wadena Counties formed a Board of Health in 1977 via a joint powers agreement for the purposes of maintaining an integrated system of community health services under Minn. Stat. ch. 145. The full Board of Health is composed of five County Commissioners in each of the four counties. The Board appoints an executive committee of two County Commissioners from each of the four counties. An advisory committee of three representatives from each of the single county advisory committees makes recommendations to the Board throughout the year. An administrative task force of the four public health directors meets on a monthly basis.

The four counties share responsibility to provide secretarial and financial services and to carry out the administrative requirements of the Board of Health. The four public health directors rotate the administrator position each year. The Cass County Auditor serves as fiscal agent. Separate financial information is not available.

On January 1, 2006, Cass County withdrew from the Cass-Todd-Wadena-Morrison Community Health Services. Morrison County will serve as the new fiscal agent.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 2,759,681	\$ 2,759,681	\$ 2,352,951	\$ (406,730)
Licenses and permits	38,170	38,170	39,930	1,760
Intergovernmental	739,365	739,365	1,249,127	509,762
Charges for services	271,890	271,890	214,870	(57,020)
Fines and forfeits	-	-	26,925	26,925
Investment earnings	65,000	65,000	104,386	39,386
Miscellaneous	144,636	144,636	233,109	88,473
<b>Total Revenues</b>	<b>\$ 4,018,742</b>	<b>\$ 4,018,742</b>	<b>\$ 4,221,298</b>	<b>\$ 202,556</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 106,650	\$ 106,650	\$ 106,384	\$ 266
Law library	26,000	26,000	22,412	3,588
County auditor/treasurer	425,735	425,735	417,464	8,271
County assessor	291,056	291,056	254,954	36,102
Elections	550	550	1,716	(1,166)
Voter registration	100	100	288	(188)
Data processing	336,594	336,594	307,528	29,066
Central services	82,000	82,000	75,212	6,788
Attorney	196,381	196,381	201,577	(5,196)
Attorney for misdemeanants	20,000	20,000	19,372	628
Recorder	114,947	118,617	118,915	(298)
Planning and zoning	108,549	108,549	103,960	4,589
GIS and GPS	40,000	40,000	48,175	(8,175)
Buildings and plant	341,175	341,175	342,905	(1,730)
County buildings	-	-	65,037	(65,037)
Veterans service officer	50,251	50,251	62,417	(12,166)
Other general government	-	-	1,393	(1,393)
Unallocated	162,525	162,619	389,442	(226,823)
<b>Total general government</b>	<b>\$ 2,302,513</b>	<b>\$ 2,306,277</b>	<b>\$ 2,539,151</b>	<b>\$ (232,874)</b>
<b>Public safety</b>				
Sheriff	\$ 1,052,850	\$ 1,052,850	\$ 1,161,273	\$ (108,423)
Boat and water safety	4,884	4,884	6,257	(1,373)
Coroner	13,500	13,500	20,984	(7,484)
ATV grant	-	-	369	(369)
E-911 system	23,079	23,079	15,882	7,197
Law enforcement center	97,100	97,100	136,081	(38,981)
Community corrections	70,000	70,000	70,000	-
Civil defense	13,670	13,670	72,551	(58,881)
Snowmobile safety enforcement	7,242	7,242	3,315	3,927
County safety program	4,718	4,718	313	4,405
<b>Total public safety</b>	<b>\$ 1,287,043</b>	<b>\$ 1,287,043</b>	<b>\$ 1,487,025</b>	<b>\$ (199,982)</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 1**  
***(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Sanitation</b>				
Solid waste	\$ 117,194	\$ 117,194	\$ 105,413	\$ 11,781
<b>Health</b>				
Ambulance	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
<b>Culture and recreation</b>				
Historical society	\$ 3,200	\$ 3,200	\$ 3,200	\$ -
Parks	27,789	27,789	27,565	224
Humane society	750	750	750	-
Regional library	43,652	43,652	43,022	630
Celebrations	280	280	280	-
Snowmobile trails	32,000	32,000	31,920	80
<b>Total culture and recreation</b>	<b>\$ 107,671</b>	<b>\$ 107,671</b>	<b>\$ 106,737</b>	<b>\$ 934</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 89,904	\$ 89,904	\$ 79,771	\$ 10,133
Soil and water conservation	82,103	82,103	111,448	(29,345)
Agricultural inspections	13,000	13,000	6,500	6,500
Agricultural society/County fair	13,125	13,125	13,125	-
Tree planting	-	-	3,822	(3,822)
<b>Total conservation of natural resources</b>	<b>\$ 198,132</b>	<b>\$ 198,132</b>	<b>\$ 214,666</b>	<b>\$ (16,534)</b>
<b>Economic development</b>				
Community development	\$ -	\$ -	\$ 11,822	\$ (11,822)
<b>Total Expenditures</b>	<b>\$ 4,014,053</b>	<b>\$ 4,017,817</b>	<b>\$ 4,466,314</b>	<b>\$ (448,497)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 4,689</b>	<b>\$ 925</b>	<b>\$ (245,016)</b>	<b>\$ (245,941)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 79,696	\$ 79,696	\$ 477,804	\$ 398,108
Transfers out	(67,080)	(128,778)	(528,778)	(400,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 12,616</b>	<b>\$ (49,082)</b>	<b>\$ (50,974)</b>	<b>\$ (1,892)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 17,305</b>	<b>\$ (48,157)</b>	<b>\$ (295,990)</b>	<b>\$ (247,833)</b>
<b>Fund Balance - January 1</b>	<b>2,247,464</b>	<b>2,247,464</b>	<b>2,247,464</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,264,769</b>	<b>\$ 2,199,307</b>	<b>\$ 1,951,474</b>	<b>\$ (247,833)</b>



**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 2**

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,256,589	\$ 1,256,589	\$ 1,058,521	\$ (198,068)
Intergovernmental	4,343,181	4,343,181	2,177,491	(2,165,690)
Miscellaneous	22,700	22,700	49,674	26,974
<b>Total Revenues</b>	<b>\$ 5,622,470</b>	<b>\$ 5,622,470</b>	<b>\$ 3,285,686</b>	<b>\$ (2,336,784)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 447,046	\$ 447,046	\$ 398,428	\$ 48,618
Maintenance	828,633	828,633	1,830,569	(1,001,936)
Construction	3,401,842	3,401,842	509,490	2,892,352
Equipment maintenance and shop	663,979	663,979	206,173	457,806
Other	-	-	813	(813)
<b>Total highways and streets</b>	<b>\$ 5,341,500</b>	<b>\$ 5,341,500</b>	<b>\$ 2,945,473</b>	<b>\$ 2,396,027</b>
<b>Intergovernmental</b>				
Highways and streets	130,386	130,386	125,897	4,489
<b>Total Expenditures</b>	<b>\$ 5,471,886</b>	<b>\$ 5,471,886</b>	<b>\$ 3,071,370</b>	<b>\$ 2,400,516</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 150,584</b>	<b>\$ 150,584</b>	<b>\$ 214,316</b>	<b>\$ 63,732</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 400,000	\$ 400,000
Transfers out	-	-	(400,000)	(400,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 150,584</b>	<b>\$ 150,584</b>	<b>\$ 214,316</b>	<b>\$ 63,732</b>
<b>Fund Balance - January 1</b>	<b>65,604</b>	<b>65,604</b>	<b>65,604</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(9,916)</b>	<b>(9,916)</b>
<b>Fund Balance - December 31</b>	<b>\$ 216,188</b>	<b>\$ 216,188</b>	<b>\$ 270,004</b>	<b>\$ 53,816</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 3**

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,466,483	\$ 1,466,483	\$ 1,239,298	\$ (227,185)
Intergovernmental	3,098,656	3,098,656	3,418,667	320,011
Charges for services	-	-	36,499	36,499
Gifts and contributions	-	-	32,299	32,299
Interest on investments	-	-	848	848
Miscellaneous	331,787	331,787	453,221	121,434
<b>Total Revenues</b>	<b>\$ 4,896,926</b>	<b>\$ 4,896,926</b>	<b>\$ 5,180,832</b>	<b>\$ 283,906</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,292,408	\$ 1,292,408	\$ 1,423,263	\$ (130,855)
Social services	3,404,813	3,404,813	3,648,019	(243,206)
Transportation	202,968	202,968	232,530	(29,562)
<b>Total Expenditures</b>	<b>\$ 4,900,189</b>	<b>\$ 4,900,189</b>	<b>\$ 5,303,812</b>	<b>\$ (403,623)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (3,263)</b>	<b>\$ (3,263)</b>	<b>\$ (122,980)</b>	<b>\$ (119,717)</b>
<b>Fund Balance - January 1</b>	<b>1,489,233</b>	<b>1,489,233</b>	<b>1,489,233</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,485,970</b>	<b>\$ 1,485,970</b>	<b>\$ 1,366,253</b>	<b>\$ (119,717)</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Forfeited Tax Sale Special Revenue Fund. 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 County Auditor/Treasurer so that a budget can be prepared. 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. Wadena County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made supplemental budgetary appropriations of \$65,462 in the General Fund. Supplemental budgetary appropriations in other funds were not considered significant.

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

**2. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2005, expenditures exceeded appropriations (the legal level of budgetary control) in the General Fund and Social Services Fund by \$448,497 and \$403,623, respectively. These over-expenditures were funded by greater than anticipated revenues.

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## **SUPPLEMENTARY INFORMATION**

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**WADENA COUNTY  
WADENA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Public Health Nurse Fund - To account for the operations of the County Health Department. Financing is provided from user charges, various state and federal grants, and an appropriation from the General Fund.

Solid Waste Fund - To account for the financial activities related to waste management services. Financing is provided by an annual fee to property owners.

Forfeited Tax Sale Fund - To account for the proceeds from the sale or rental of land forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of net proceeds, after deducting the expense of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08.

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**WADENA COUNTY  
WADENA, MINNESOTA**

**Statement A-1**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2005**

	<b>Public Health Nurse</b>	<b>Solid Waste</b>	<b>Forfeited Tax Sale</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 54,163	\$ 407,011	\$ 52,009	\$ 513,183
Petty cash and change funds	40	50	-	90
Undistributed cash in agency funds	-	16,288	-	16,288
Special assessments receivable				
Current	-	26,588	-	26,588
Prior	-	8,837	-	8,837
Accounts receivable	24,014	59,505	-	83,519
Due from other funds	8,882	-	30,724	39,606
Due from other governments	131,133	512	1,623	133,268
Advance to other funds	4,000	2,700	-	6,700
<b>Total Assets</b>	<b><u>\$ 222,232</u></b>	<b><u>\$ 521,491</u></b>	<b><u>\$ 84,356</u></b>	<b><u>\$ 828,079</u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 17,018	\$ 21,366	\$ 5,256	\$ 43,640
Salaries payable	9,537	877	-	10,414
Due to other funds	13	-	48,287	48,300
Due to other governments	187	29,757	34,573	64,517
Deferred revenue - unavailable	42,301	30,032	1,623	73,956
<b>Total Liabilities</b>	<b><u>\$ 69,056</u></b>	<b><u>\$ 82,032</u></b>	<b><u>\$ 89,739</u></b>	<b><u>\$ 240,827</u></b>
<b>Fund Balances</b>				
Reserved for advances to other funds	\$ 4,000	\$ 2,700	\$ -	\$ 6,700
Unreserved				
Undesignated	149,176	436,759	(5,383)	580,552
<b>Total Fund Balances</b>	<b><u>\$ 153,176</u></b>	<b><u>\$ 439,459</u></b>	<b><u>\$ (5,383)</u></b>	<b><u>\$ 587,252</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 222,232</u></b>	<b><u>\$ 521,491</u></b>	<b><u>\$ 84,356</u></b>	<b><u>\$ 828,079</u></b>

**WADENA COUNTY  
WADENA, MINNESOTA**

*Statement A-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Public Health Nurse</b>	<b>Solid Waste</b>	<b>Forfeited Tax Sale</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>				
Taxes	\$ -	\$ 31,005	\$ -	\$ 31,005
Special assessments	238	389,613	-	389,851
Licenses and permits	21,976	125	-	22,101
Intergovernmental	370,466	-	-	370,466
Charges for services	194,875	535,794	-	730,669
Miscellaneous	3,818	1,500	73,252	78,570
<b>Total Revenues</b>	<b>\$ 591,373</b>	<b>\$ 958,037</b>	<b>\$ 73,252</b>	<b>\$ 1,622,662</b>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	\$ -	\$ 840,180	\$ -	\$ 840,180
Health	722,105	-	-	722,105
Conservation of natural resources	-	-	30,348	30,348
<b>Total Expenditures</b>	<b>\$ 722,105</b>	<b>\$ 840,180</b>	<b>\$ 30,348</b>	<b>\$ 1,592,633</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (130,732)</b>	<b>\$ 117,857</b>	<b>\$ 42,904</b>	<b>\$ 30,029</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 128,778	\$ -	\$ -	\$ 128,778
Transfers out	-	(29,517)	(48,287)	(77,804)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 128,778</b>	<b>\$ (29,517)</b>	<b>\$ (48,287)</b>	<b>\$ 50,974</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,954)</b>	<b>\$ 88,340</b>	<b>\$ (5,383)</b>	<b>\$ 81,003</b>
<b>Fund Balance - January 1</b>	<b>155,130</b>	<b>351,119</b>	<b>-</b>	<b>506,249</b>
<b>Fund Balance - December 31</b>	<b>\$ 153,176</b>	<b>\$ 439,459</b>	<b>\$ (5,383)</b>	<b>\$ 587,252</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 238	\$ 238
Licenses and permits	19,069	19,069	21,976	2,907
Intergovernmental	338,153	338,153	370,466	32,313
Charges for services	240,043	240,043	194,875	(45,168)
Miscellaneous	103,124	41,426	3,818	(37,608)
<b>Total Revenues</b>	<b>\$ 700,389</b>	<b>\$ 638,691</b>	<b>\$ 591,373</b>	<b>\$ (47,318)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	770,330	770,330	722,105	48,225
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (69,941)</b>	<b>\$ (131,639)</b>	<b>\$ (130,732)</b>	<b>\$ 907</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	67,080	128,778	128,778	-
<b>Net Change in Fund Balance</b>	<b>\$ (2,861)</b>	<b>\$ (2,861)</b>	<b>\$ (1,954)</b>	<b>\$ 907</b>
<b>Fund Balance - January 1</b>	<b>155,130</b>	<b>155,130</b>	<b>155,130</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 152,269</b>	<b>\$ 152,269</b>	<b>\$ 153,176</b>	<b>\$ 907</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 5**

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 31,005	\$ 31,005
Special assessments	312,621	312,621	389,613	76,992
Licenses and permits	-	-	125	125
Charges for services	547,452	547,452	535,794	(11,658)
Miscellaneous	-	-	1,500	1,500
<b>Total Revenues</b>	<b>\$ 860,073</b>	<b>\$ 860,073</b>	<b>\$ 958,037</b>	<b>\$ 97,964</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 724,218	\$ 724,218	\$ 834,324	\$ (110,106)
Recycling	98,659	98,659	5,856	92,803
<b>Total Expenditures</b>	<b>\$ 822,877</b>	<b>\$ 822,877</b>	<b>\$ 840,180</b>	<b>\$ (17,303)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 37,196</b>	<b>\$ 37,196</b>	<b>\$ 117,857</b>	<b>\$ 80,661</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(55,796)	(55,796)	(29,517)	26,279
<b>Net Change in Fund Balance</b>	<b>\$ (18,600)</b>	<b>\$ (18,600)</b>	<b>\$ 88,340</b>	<b>\$ 106,940</b>
<b>Fund Balance - January 1</b>	<b>351,119</b>	<b>351,119</b>	<b>351,119</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 332,519</b>	<b>\$ 332,519</b>	<b>\$ 439,459</b>	<b>\$ 106,940</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

**FIDUCIARY FUNDS**

**INVESTMENT TRUST FUNDS**

Family Service Collaborative Fund - To account for the deposits held for the Wadena County Family Service Collaborative joint venture. The County acts as custodian of these funds.

Fair Oaks Lodge Fund - To account for the deposits held for the Todd-Wadena (Fair Oaks Lodge) Nursing Home joint venture. The County acts as custodian of these funds. This fund was closed in 2005.

**AGENCY FUNDS**

Governmental Fund - To account for the collection and remittance of fines and fees collected by the County court as well as other miscellaneous funds due to other governments.

Taxes and Penalties Fund - To account for the collection of taxes and their apportionment or transfer to the various funds and taxing districts.

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**WADENA COUNTY  
WADENA, MINNESOTA**

**Statement B-1**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
INVESTMENT TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Family Service Collaborative</b>	<b>Fair Oaks Lodge</b>	<b>Total (Exhibit 8)</b>
<b><u>Additions</u></b>			
Contributions from participants	\$ 97,950	\$ 86	\$ 98,036
Investment earnings			
Interest	2,355	-	2,355
<b>Total Additions</b>	<b>\$ 100,305</b>	<b>\$ 86</b>	<b>\$ 100,391</b>
<b><u>Deductions</u></b>			
Pool participant withdrawals	88,631	17,011	105,642
<b>Change in Net Assets</b>	<b>\$ 11,674</b>	<b>\$ (16,925)</b>	<b>\$ (5,251)</b>
<b>Net Assets--Beginning of the Year</b>	<b>92,399</b>	<b>16,925</b>	<b>109,324</b>
<b>Net Assets--End of the Year</b>	<b>\$ 104,073</b>	<b>\$ -</b>	<b>\$ 104,073</b>

**WADENA COUNTY  
WADENA, MINNESOTA**

*Statement C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>GOVERNMENTAL (80)</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 12,207	\$ 58,421	\$ 62,850	\$ 7,778
<b><u>Liabilities</u></b>				
Due to other governments	\$ 12,207	\$ 58,421	\$ 62,850	\$ 7,778
 <b><u>TAXES AND PENALTIES (82)</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 165,666	\$ 4,948,253	\$ 4,834,768	\$ 279,151
<b><u>Liabilities</u></b>				
Due to other governments	\$ 165,666	\$ 4,948,253	\$ 4,834,768	\$ 279,151
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 177,873	\$ 5,006,674	\$ 4,897,618	\$ 286,929
<b><u>Liabilities</u></b>				
Due to other governments	\$ 177,873	\$ 5,006,674	\$ 4,897,618	\$ 286,929



## **OTHER SCHEDULES**

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**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 6**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2005**

	<u>Quantity</u>	<u>Interest Rates (%)</u>	<u>Maturity Dates</u>	<u>Cost</u>
<b>Cash and Pooled Investments</b>				
Cash on hand and departmental checking	N/A	N/A	Continuous	\$ 3,090
Checking accounts - interest bearing	Five	0.35 to 3.50	Continuous	871,756
Money market savings	Four	1.1 to 3.50	Continuous	1,596,914
Certificates of deposit	Seven	2.75 to 4.00	March 27, 2006 to February 19, 2007	1,700,000
<b>Total Deposits and Investments</b>				<u><u>\$ 4,171,760</u></u>

**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 7**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**Shared Revenue**

**State**

Highway users tax	\$ 1,785,566
HACA	848,539
PERA rate reimbursement	20,825
Disparity reduction aid	53,618
Police aid	28,465
Enhanced 911	66,020
Market value credit	739,707
Mobile home market value credit	2,560

<b>Total Shared Revenue</b>	<b>\$ 3,545,300</b>
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**Reimbursement for Services**

Minnesota Department of Human Services	\$ 1,381,821
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**Payments**

Local contributions	\$ 800
Payments in lieu of taxes	26,041

<b>Total Payments</b>	<b>\$ 26,841</b>
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**Grants**

**State**

Minnesota Department of Corrections	\$ 6,492
Transportation	127,450
Health	220,060
Natural Resources	39,059
Human Services	916,999
Veterans Services	2,800
Environmental Assistance	49,079
Water and Soil Resources Board	1,757
Peace Officer Standards and Training Board	3,172

<b>Total State</b>	<b>\$ 1,366,868</b>
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**Federal**

Department/Agency	
Agriculture	\$ 72,042
Transportation	47,973
Environmental Protection	6,694
Health and Human Services	691,958
Homeland Security	76,254

<b>Total Federal</b>	<b>\$ 894,921</b>
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<b>Total State and Federal Grants</b>	<b>\$ 2,261,789</b>
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<b>Total Intergovernmental Revenue</b>	<b>\$ 7,215,751</b>
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**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 8**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

- A. Our report expresses an unqualified opinion on the basic financial statements of Wadena County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Wadena County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Wadena County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Wadena County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:

Child Care Mandatory and Matching Funds	CFDA #93.596
---	--------------
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wadena County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

98-1 Departmental Segregation of Duties

Due to the limited number of office personnel within several County offices, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Wadena 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 accounting control point of view.

We recommend that the County Board be aware of the lack of segregation of the accounting functions and, where possible, develop oversight procedures to ensure adequate controls over cash, receivables, and other items.

Client's Response:

*The Wadena County Commissioners have been made aware of the lack of segregation of duties of accounting functions and the need to develop oversight procedures where possible. A policy is being finalized for the oversight of each department holding cash.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Difference in Taxes and Penalties Ending Cash (03-1)**

The December 31, 2004, cash balance in the Taxes and Penalties Fund could not be reconciled to the unapportioned taxes.

**Resolution**

The December 31, 2005, cash balance in the Taxes and Penalties Fund agrees to the unapportioned taxes.

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

None.



#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MANAGEMENT PRACTICES

###### PREVIOUSLY REPORTED ITEM RESOLVED

###### **Consolidated General Ledger (01-2)**

The client did not have a centralized general ledger system in place. Separate detailed general ledgers were maintained by the County Auditor/Treasurer for all funds except the Road and Bridge Special Revenue Fund and the Highway Department for the Road and Bridge Special Revenue Fund.

###### **Resolution**

Starting in 2005, the Road and Bridge Special Revenue Fund detail is being entered into the detailed general ledger maintained by the County Auditor/Treasurer.

##### B. OTHER ITEM FOR CONSIDERATION

###### Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Wadena County, GASB Statements 43 and 45 would be implemented for the years ending December 31, 2007 and 2008, respectively.

## **OTHER REQUIRED REPORTS**

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Wadena County

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of and for the year ended December 31, 2005, and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wadena 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 an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 98-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Wadena County complied with the material terms and conditions of applicable legal provisions.

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

/s/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 21, 2006



# STATE OF MINNESOTA

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PATRICIA ANDERSON  
STATE AUDITOR

### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Wadena County

#### Compliance

We have audited the compliance of Wadena County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wadena County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Wadena County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

### Internal Control Over Compliance

The management of Wadena County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of and for the year ended December 31, 2005, and have issued our report thereon dated September 21, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Wadena County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 21, 2006



**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 9**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health and Cass-Todd-Wadena-Morrison Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 74,463
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	11,562
<b>Total U.S. Department of Agriculture</b>		<b>\$ 86,025</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Federal Transit Metropolitan Planning Grant	20.505	\$ 3,770
Formula Grants for Other Than Urbanized Areas	20.509	43,524
State and Community Highway Safety	20.600	679
<b>Total U.S. Department of Transportation</b>		<b>\$ 47,973</b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Minnesota Department of Health and Cass-Todd-Wadena-Morrison Community Health Board State Indoor Radon Grants	66.032	<b>\$ 6,694</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health and Cass-Todd-Wadena-Morrison Community Health Board Temporary Assistance for Needy Families (TANF) - Home Visiting	93.558	\$ 20,020
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	155,629
<b>Total CFDA No. 93.558</b>		<b>\$ 175,649</b>
Passed Through Minnesota Department of Human Services and Central Minnesota Council on Aging Title III-B Assessment/Screening	93.044	8,000
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1,795
Child Care Mandatory and Matching Funds	93.596	227,397
Child Welfare Services - State Grants	93.645	772
Foster Care Title IV-E	93.658	95,628
Social Services Block Grant Title XX	93.667	123,706
Chafee Foster Care Independent Living	93.674	1,669

**WADENA COUNTY  
WADENA, MINNESOTA**

**Schedule 9**  
**(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Health and Cass-Todd-Wadena-Morrison Community Health Board Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	18,356
Maternal and Child Health Services Block Grant	93.994	22,663
Passed Through Minnesota Department of Health and Cass County Rural Healthcare Outreach Services	93.912	13,449
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 689,084</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	\$ 68,976
Homeland Security Grant Program	97.067	7,278
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 76,254</b>
<b>Total Federal Awards</b>		<b>\$ 906,030</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Wadena County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Due to revenue recognition principles of modified accrual, expenditures on this schedule do not equal federal revenues reported in the funds.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2005, the County did not pass any federal money to subrecipients.