

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WADENA COUNTY
WADENA, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

Year Ended December 31, 2015



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

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**WADENA COUNTY
WADENA, MINNESOTA**

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WADENA, MINNESOTA**

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WADENA, MINNESOTA**

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**WADENA COUNTY
WADENA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2015

Office	Name	District	Term Expires
Elected			
Commissioners			
Board Member	Sheldon Monson	District 1	January 2019
Board Member	Jim Hofer	District 2	January 2017
Board Member	William Stearns	District 3	January 2019
Chair	Rodney Bounds	District 4	January 2017
Vice Chair	David Hillukka	District 5	January 2019
Attorney	Kyra Ladd		January 2019
Auditor/Treasurer	Judy Taves		January 2019
County Recorder	Soledad Henriksen		January 2019
Registrar of Titles	Soledad Henriksen		January 2019
County Sheriff	Michael D. Carr		January 2019
Appointed			
Assessor	Lee Brekke		December 2016
County Engineer	Ryan Odden		May 2019
Coroner	Gregory Smith, M.D.		December 2017
Community Corrections Officer	Kathryn Langer		Indefinite
Human Services Director	Tanya Leskey		Indefinite
Veterans Services Officer	David Anderson		April 2018

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2015, in which Wadena County has an equity interest. The SCHA is a joint venture discussed in Note 6.B. to the financial statements. The County's investment in the SCHA, \$2,133,607, represents 3.0 percent and 3.5 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform

the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency

with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2016, 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* in considering Wadena County's internal control over financial reporting and compliance. It does not include the South Country Health Alliance, which was audited by other auditors.

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

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

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 19, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WADENA COUNTY
WADENA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(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, 2015. 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 and deferred inflows of resources by \$61,669,682 at the close of 2015. Of this amount, \$7,718,640 (unrestricted net position) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- The County's net position increased by \$2,742,535 for the year ended December 31, 2015, after restatement for Governmental Accounting Standards Board, (GASB) Statements 68, 71, and 82. Additional information about the restatement can be found in Note 1.E. to the financial statements.
- At the close of 2015, Wadena County's governmental funds reported combined ending fund balances of \$20,238,137, an increase of \$1,867,010 in comparison with the prior year. Of the total fund balance, \$10,765,373 is available for spending at the County's discretion and is noted as committed, assigned, and unassigned fund balance.
- At the close of 2015, the committed, assigned, and unassigned fund balance for the General Fund was \$3,900,885, or 60.2 percent, of total General Fund expenditures.
- Wadena County issued \$995,000 General Obligation Solid Waste Bonds dated June 24, 2015, for solid waste improvements consisting of an addition to the transfer station building.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to 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 Position presents information on all of Wadena County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of Wadena County is improving or deteriorating.

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

The County's government-wide financial statements report functions of the County 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, and conservation of natural resources.

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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Wadena County reports seven 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 balance for the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund, all of which are considered to be major funds. Data from the other four 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 position and a statement of changes in fiduciary net position. These activities are excluded from the government-wide financial statements because the County cannot use these assets to finance its operations.

Note 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. To demonstrate compliance with these budgets, budgetary comparison schedules have been provided as required supplementary information for the County's major funds. Wadena County also budgets for the Solid Waste Special Revenue Fund, Public Health Special Revenue Fund, and Transit Special Revenue Fund, which are nonmajor funds, as supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Wadena County's assets exceeded liabilities by \$61,669,682 at the close of 2015. The largest portion of Wadena County's net position (71.0 percent) reflects its net 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 Position

	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 25,398,831	\$ 24,550,699
Capital assets	<u>44,809,962</u>	<u>43,114,616</u>
Total Assets	<u>\$ 70,208,793</u>	<u>\$ 67,665,315</u>
Deferred Outflows of Resources		
Deferred pension outflows	<u>\$ 991,855</u>	<u>\$ -</u>
Liabilities		
Long-term liabilities outstanding	\$ 7,828,079	\$ 1,138,924
Other liabilities	<u>978,137</u>	<u>1,533,108</u>
Total Liabilities	<u>\$ 8,806,216</u>	<u>\$ 2,672,032</u>
Deferred Inflows of Resources		
Deferred pension inflows	<u>\$ 724,750</u>	<u>\$ -</u>
Deferred Inflows of Resources		
Advance allotments	<u>\$ -</u>	<u>\$ 693,655</u>
Net Position		
Investment in capital assets	\$ 43,804,301	\$ 43,114,616
Restricted	10,146,741	9,271,684
Unrestricted	<u>7,718,640</u>	<u>11,913,328</u>
Total Net Position, as reported	<u>\$ 61,669,682</u>	<u>\$ 64,299,628</u>
Change in accounting principle*		<u>(5,372,481)</u>
Total Net Position, as restated		<u><u>\$ 58,927,147</u></u>

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

The unrestricted net position amount of \$7,718,640 as of December 31, 2015, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wadena County's activities increased net position by \$2,742,535, or 4.65 percent, over the 2014 net position. The elements of the increase in net position are detailed below.

Governmental Activities Changes in Net Position

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 2,244,435	\$ 4,142,508
Operating grants and contributions	9,098,138	8,295,543
Capital grants and contributions	221,380	7,371,829
General revenues		
Property taxes	7,675,786	7,622,859
Transportation sales and use tax	646,037	391,807
Other taxes	8,192	7,488
Grants and contributions not restricted to specific programs	1,217,430	1,115,367
Other	178,389	163,515
Total Revenues	<u>\$ 21,289,787</u>	<u>\$ 29,110,916</u>
Expenses		
General government	\$ 3,385,928	\$ 3,981,510
Public safety	2,499,252	2,296,516
Highways and streets	3,824,887	3,559,956
Sanitation	1,313,740	998,907
Human services	5,898,119	5,758,088
Health	1,123,007	1,031,867
Culture and recreation	240,373	250,575
Conservation of natural resources	248,054	225,291
Interest	13,892	-
Total Expenses	<u>\$ 18,547,252</u>	<u>\$ 18,102,710</u>
Increase in Net Position	\$ 2,742,535	\$ 11,008,206
Net Position, January 1, as restated*	<u>58,927,147</u>	<u>53,291,422</u>
Net Position, December 31	<u>\$ 61,669,682</u>	<u>\$ 64,299,628</u>

*Amount includes a change in accounting principles.

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, committed, assigned, and unassigned 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 \$20,238,137, an increase of \$1,867,010 in comparison with the prior year. The committed, assigned, and unassigned fund balance in the amount of \$10,765,373 is available for spending at the County's discretion. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Wadena County. At the end of the current fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$3,900,885, while total fund balance was \$4,587,959. As a measure of the General Fund's liquidity, it may be useful to compare committed, assigned, and unassigned fund balance to total fund expenditures. Committed, assigned, and unassigned fund balance represents 60.2 percent of total General Fund expenditures. In 2015, fund balance in the General Fund increased by \$656,591 due to excess revenues over expenditures of \$295,591 and a transfer of funds from the Social Services Special Revenue Fund of \$361,000. In 2014, the General Fund's fund balance increased by \$313,907. The \$18,316 decrease in excess revenues over expenditures is due to an increase in tax revenue of \$211,798, an increase in licenses and permits of \$1,821, an increase in charges for services of \$12,697, an increase in fines and forfeits of \$6,330, an increase in investment earnings of \$12,780, a decrease in culture and recreation of \$10,475, a decrease in general government expenditures of \$556,585, a decrease in public safety expenditures of \$149,846, offset by a decrease in intergovernmental revenue of \$39,785, a decrease in gifts and contributions of \$700, a decrease in miscellaneous revenue of \$917,393 (due to not holding a tax-forfeited land sale in 2015), an increase in health expenditures of \$64, and an increase in conservation of natural resources expenditures of \$22,706.

Fund balance in the Road and Bridge Special Revenue Fund increased \$934,831 due to excess revenues over expenditures of \$966,868 and a decrease in inventory of \$32,037. In 2014, the Road and Bridge Special Revenue Fund had excess revenues over expenditures of \$6,948,369. The \$5,981,501 decrease in excess revenues over expenditures is due to an increase in tax revenue of \$189,631, offset by a decrease in intergovernmental revenue of \$6,836,340, a decrease in miscellaneous revenue of \$31,871, and a decrease in highways and streets expenditures of \$697,079.

Fund balance in the Social Services Special Revenue Fund increased \$260,499 due to excess revenues over expenditures of \$621,499, offset by transfers out of \$361,000. In 2014, the Social Services Special Revenue Fund had excess revenues over expenditures of \$815,238. The \$193,739 decrease in excess revenues over expenditures is due to an increase in intergovernmental revenues of \$41,815 and a decrease in social services expenditures of \$40,087, offset by a decrease in charges for services of \$75, a decrease in miscellaneous revenue of \$248,184, and a decrease in tax revenues of \$27,382.

General Fund Budgetary Highlights

The difference between the General Fund original budget and the final amended budget was a net change of (\$920). The difference between the final amended budget and the actual net change in fund balance was \$654,478. The main budget to actual revenue variance was due to a decrease in property taxes, an increase in intergovernmental revenues (due to the unknown value of market value credits at the time of budgeting), and an increase in investment earnings and an increase in miscellaneous revenues. The main budget to actual expenditure variances were an increase in building and plant (due to courtroom remodeling) 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, 2015, was \$44,809,962 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net investment in capital assets for the current fiscal year increased 3.93 percent. The net increase was attributed to the County's investment in its infrastructure.

Governmental Activities		<u>2015</u>	<u>2014</u>
Governmental Capital Assets			
Land	\$	606,425	\$ 605,599
Construction in progress		2,347,619	1,119,053
Infrastructure		37,291,459	36,806,141
Buildings and building improvements		2,783,197	2,902,516
Furniture, equipment, and machinery		<u>1,781,262</u>	<u>1,681,307</u>
Total	\$	<u>44,809,962</u>	<u>\$ 43,114,616</u>

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

Long-Term Debt

Wadena County issued \$995,000 General Obligation Solid Waste Bonds dated June 24, 2015, for solid waste improvements consisting of an addition to the transfer station building.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Wadena County's unemployment rate was 6.6 percent at the end of 2015, compared to the statewide rate of 3.7 percent for the same time period.
- Wadena County is not subject to levy limits for 2017.
- Wadena County's property tax delinquency was 2.96 percent at the end of 2015, which is down from the previous year's delinquent rate of 3.04 percent.
- The most current information available indicated that in 2016, Wadena County will again be subject to the Homestead Market Value Exclusion initiated by the legislature in 2012 to replace the Homestead Market Value Credit, which has shifted the County-received state revenue to the property taxpayer. Wadena County's net tax capacity rate is 88.185 percent in payable 2016. The Wadena County Commissioners approved a Preliminary Payable 2016 Tax Levy of \$8,300,246 and a Final Payable 2016 Tax Levy of \$8,200,246, which represents a 2.27 percent increase over the Final Payable 2015 Tax Levy of \$8,017,992.

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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 1

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

Assets

Cash and pooled investments	\$ 19,838,992
Petty cash and change funds	2,590
Taxes receivable - prior	273,247
Special assessments receivable - prior	23,175
Accounts receivable	312,076
Accrued interest receivable	15,430
Due from other governments	2,466,605
Advances receivable	96,250
Inventories	236,859
Investment in joint venture	2,133,607
Capital assets	
Non-depreciable	2,954,044
Depreciable - net of accumulated depreciation	<u>41,855,918</u>
Total Assets	<u>\$ 70,208,793</u>

Deferred Outflows of Resources

Deferred pension outflows	<u>\$ 991,855</u>
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Liabilities

Accounts payable	\$ 275,709
Salaries payable	187,723
Contracts payable	235,364
Due to other governments	264,639
Customer deposits	500
Accrued interest payable	14,202
Long-term liabilities	
Due within one year	437,550
Due in more than one year	1,228,562
Other postemployment benefits	399,277
Net pension liability	<u>5,762,690</u>
Total Liabilities	<u>\$ 8,806,216</u>

Deferred Inflows of Resources

Deferred pension inflows	<u>\$ 724,750</u>
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**WADENA COUNTY
WADENA, MINNESOTA**

***EXHIBIT 1
(Continued)***

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

Net Position

Net investment in capital assets	\$ 43,804,301
Restricted for	
General government	465,572
Public safety	71,307
Highways and streets	9,330,973
Sanitation	57,324
Human services	117,620
Health	3,177
Culture and recreation	300
Conservation of natural resources	92,611
Held in trust for other purposes	7,857
Unrestricted	<u>7,718,640</u>
Total Net Position	<u><u>\$ 61,669,682</u></u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 2

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 3,385,928	\$ 498,213	\$ 154,457	\$ -
Public safety	2,499,252	90,706	193,478	-
Highways and streets	3,824,887	78,611	3,264,768	221,380
Sanitation	1,313,740	656,186	480,174	-
Human services	5,898,119	598,969	4,183,371	-
Health	1,123,007	301,950	685,980	-
Culture and recreation	240,373	19,073	67,170	-
Conservation of natural resources	248,054	727	68,740	-
Interest	13,892	-	-	-
Total Governmental Activities	\$ 18,547,252	\$ 2,244,435	\$ 9,098,138	\$ 221,380
 General Revenues				
Property taxes				\$ 7,675,786
Transportation sales and use tax				646,037
Other taxes				8,192
Payments in lieu of tax				79,455
Grants and contributions not restricted to specific programs				1,217,430
Unrestricted investment earnings				98,934
Total general revenues				\$ 9,725,834
Change in Net Position				\$ 2,742,535
Net Position - Beginning, as restated (Note 1.E.)				58,927,147
Net Position - Ending				\$ 61,669,682

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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, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 4,587,637	\$ 9,425,692	\$ 3,777,627	\$ 1,901,513	\$ 19,692,469
Petty cash and change funds	1,900	100	200	390	2,590
Undistributed cash in agency funds	87,574	17,614	25,553	15,782	146,523
Taxes receivable - prior	165,918	43,712	59,865	3,752	273,247
Special assessments receivable - prior	-	-	-	23,175	23,175
Accounts receivable	16,791	242	177,253	117,790	312,076
Accrued interest receivable	15,396	-	-	34	15,430
Due from other funds	6,377	1,239	862	8,951	17,429
Due from other governments	101,457	1,555,696	472,116	337,336	2,466,605
Inventories	-	236,859	-	-	236,859
Advances to other funds	46,250	7,500	30,000	12,500	96,250
Total Assets	\$ 5,029,300	\$ 11,288,654	\$ 4,543,476	\$ 2,421,223	\$ 23,282,653
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 82,515	\$ 39,037	\$ 119,660	\$ 34,497	\$ 275,709
Salaries payable	81,924	23,953	44,881	36,965	187,723
Contracts payable	13,472	51,098	-	170,794	235,364
Due to other funds	2,118	-	11,454	1,097	14,669
Due to other governments	69,507	10,883	118,991	68,018	267,399
Customer deposits	-	500	-	-	500
Total Liabilities	\$ 249,536	\$ 125,471	\$ 294,986	\$ 311,371	\$ 981,364
Deferred Inflows of Resources					
Unavailable revenue	\$ 191,805	\$ 1,487,873	\$ 168,227	\$ 215,247	\$ 2,063,152
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 236,860	\$ -	\$ -	\$ 236,860
Advances to other funds	46,250	7,500	30,000	12,500	96,250
Missing heirs	7,857	-	-	-	7,857

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 3

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Fund Balances (Continued)					
Restricted					
County building	144,533	-	-	-	144,533
State-aid highway projects	-	528,671	-	-	528,671
Wellness	3,177	-	-	-	3,177
Sheriff donations	388	-	-	-	388
Mental health initiative	-	-	116,489	-	116,489
Capital project plan	-	610,215	-	-	610,215
Peer center	-	-	1,131	-	1,131
HAVA	23,871	-	-	-	23,871
SSTS refunds	4,116	-	-	-	4,116
Turnback fund	-	7,125,000	-	-	7,125,000
Low income septic	24,840	-	-	-	24,840
Child protection grant	-	-	60,000	-	60,000
Shoreline grant	12,066	-	-	-	12,066
Compliance fund	171,334	-	-	-	171,334
Sheriff's forfeited property	15,254	-	-	-	15,254
Attorney's forfeited property	21,603	-	-	-	21,603
ISTS	55,705	-	-	-	55,705
Emergency management	479	-	-	-	479
Gun permits	55,186	-	-	-	55,186
Parks survey	300	-	-	-	300
Recorder's equipment	100,115	-	-	-	100,115
SCORE	-	-	-	57,324	57,324
Committed					
Parks	200,203	-	-	-	200,203
Timber development	97,640	-	-	-	97,640
AS400	27,817	-	-	-	27,817
Assigned					
Human services	-	-	3,872,643	-	3,872,643
Road and bridge	-	1,167,064	-	-	1,167,064
MCIT	88,165	-	-	-	88,165
Plat books	12,170	-	-	-	12,170
GIS	44,942	-	-	-	44,942
Solid waste	-	-	-	1,045,006	1,045,006
Transit	-	-	-	73,848	73,848
Public health	-	-	-	705,927	705,927
Assessor	4,769	-	-	-	4,769
Canteen	2,067	-	-	-	2,067
County agent brochures	3,032	-	-	-	3,032
Private pesticide manual	90	-	-	-	90
County agent	4,435	-	-	-	4,435
Unassigned	3,415,555	-	-	-	3,415,555
Total Fund Balances	\$ 4,587,959	\$ 9,675,310	\$ 4,080,263	\$ 1,894,605	\$ 20,238,137
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,029,300	\$ 11,288,654	\$ 4,543,476	\$ 2,421,223	\$ 23,282,653

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

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		\$ 20,238,137
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		44,809,962
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		2,133,607
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		991,855
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,063,152
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (995,000)	
Bond premium	(10,661)	
Accrued interest payable	(14,202)	
Compensated absences	(660,451)	
Net OPEB liability	(399,277)	
Net pension liability	<u>(5,762,690)</u>	(7,842,281)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(724,750)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 61,669,682</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 5

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 4,815,499	\$ 1,757,092	\$ 1,662,684	\$ 198,324	\$ 8,433,599
Special assessments	-	-	-	421,911	421,911
Licenses and permits	62,870	-	-	27,226	90,096
Intergovernmental	1,262,858	3,534,226	3,013,084	1,184,746	8,994,914
Charges for services	259,333	-	100	941,745	1,201,178
Fines and forfeits	29,259	-	-	-	29,259
Gifts and contributions	300	-	-	-	300
Investment earnings	98,648	-	-	412	99,060
Miscellaneous	246,662	88,846	1,334,672	69,250	1,739,430
Total Revenues	\$ 6,775,429	\$ 5,380,164	\$ 6,010,540	\$ 2,843,614	\$ 21,009,747
Expenditures					
Current					
General government	\$ 3,574,404	\$ -	\$ -	\$ -	\$ 3,574,404
Public safety	2,418,869	-	-	-	2,418,869
Highways and streets	-	4,214,718	-	-	4,214,718
Sanitation	-	-	-	2,164,832	2,164,832
Human services	-	-	5,389,041	518,674	5,907,715
Health	1,647	-	-	1,101,079	1,102,726
Culture and recreation	240,100	-	-	-	240,100
Conservation of natural resources	244,818	-	-	-	244,818
Debt service					
Bond issuance costs	-	-	-	49,911	49,911
Intergovernmental					
Highways and streets	-	198,578	-	-	198,578
Total Expenditures	\$ 6,479,838	\$ 4,413,296	\$ 5,389,041	\$ 3,834,496	\$ 20,116,671
Excess of Revenues Over (Under) Expenditures	\$ 295,591	\$ 966,868	\$ 621,499	\$ (990,882)	\$ 893,076
Other Financing Sources (Uses)					
Transfers in	\$ 361,000	\$ -	\$ -	\$ 102,259	\$ 463,259
Transfers out	-	-	(361,000)	(102,259)	(463,259)
Premium on bonds	-	-	-	10,971	10,971
Proceeds from sale of bonds	-	-	-	995,000	995,000
Total Other Financing Sources (Uses)	\$ 361,000	\$ -	\$ (361,000)	\$ 1,005,971	\$ 1,005,971

**WADENA COUNTY
WADENA, MINNESOTA**

***EXHIBIT 5
(Continued)***

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Net Change in Fund Balance	\$ 656,591	\$ 966,868	\$ 260,499	\$ 15,089	\$ 1,899,047
Fund Balance - January 1	3,931,368	8,740,479	3,819,764	1,879,516	18,371,127
Increase (decrease) in inventories	<u>-</u>	<u>(32,037)</u>	<u>-</u>	<u>-</u>	<u>(32,037)</u>
Fund Balance - December 31	<u>\$ 4,587,959</u>	<u>\$ 9,675,310</u>	<u>\$ 4,080,263</u>	<u>\$ 1,894,605</u>	<u>\$ 20,238,137</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 6

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

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,899,047

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

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

Unavailable revenue - December 31	\$ 2,063,152	
Unavailable revenue - January 1	<u>(1,911,646)</u>	151,506

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

Expenditures for general capital assets and infrastructure	\$ 3,572,420	
Current year depreciation	<u>(1,877,074)</u>	1,695,346

In the statement of net position, an asset is reported for the equity interest in joint ventures. The change in net position differs from the change in fund balance by the increases and decreases in the investment in joint venture. 117,582

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

Change in accrued interest payable	\$ (14,202)	
Amortization of premiums and bond issuance costs	(10,661)	
Change in G.O. bonds payable	(995,000)	
Change in compensated absences	94,601	
Change in inventories	(32,037)	
Change in net OPEB liability	(40,543)	
Change in net pension liability, as restated	(119,372)	
Change in deferred outflows of resources	721,018	
Change in deferred inflows of resources, as restated	<u>(724,750)</u>	<u>(1,120,946)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,742,535

FIDUCIARY FUNDS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 7

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

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash and pooled investments	\$ 173,813	\$ 291,315	\$ 141,158
Receivables			
Interest	56	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 173,869	\$ 291,315	\$ 141,158
	<u> </u>	<u> </u>	<u> </u>
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>			
Liabilities			
Accounts payable	\$ -	\$ 5,421	\$ -
Due to other funds	2,760	-	-
Due to other governments	-	-	141,158
Advances from governmental funds	-	96,250	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ 2,760	\$ 101,671	\$ 141,158
	<u> </u>	<u> </u>	<u> </u>
Net Position			
Net position, held in trust for pool participants	\$ 171,109	\$ -	
Net position, held in trust for employees	-	189,644	
	<u> </u>	<u> </u>	
Total Net Position	\$ 171,109	\$ 189,644	
	<u> </u>	<u> </u>	

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 8

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

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust
<u>Additions</u>		
Contributions from employers	\$ -	\$ 101,355
Contributions from participants	49,714	-
Investment earnings		
Interest	595	-
Total Additions	\$ 50,309	\$ 101,355
<u>Deductions</u>		
Benefit payments	\$ -	\$ 112,767
Pool participant withdrawals	14,335	-
Total Deductions	\$ 14,335	\$ 112,767
Change in Net Position	\$ 35,974	\$ (11,412)
Net Position - Beginning of the Year	135,135	201,056
Net Position - End of the Year	\$ 171,109	\$ 189,644

**WADENA COUNTY
WADENA, MINNESOTA**

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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 and Jointly-Governed Organizations

The County participates in several joint ventures and jointly-governed organizations as described in Notes 6.B. and 6.C., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the County. 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 position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts:

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

(1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

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 accounted for in another fund.

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fiduciary fund types:

The Family Service Collaborative Investment Trust Fund accounts for the external pooled and non-pooled investments on behalf of the Family Service Collaborative.

The Health Reimbursement 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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2015 were \$99,060.

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

2. External Investment Pools

Included in total cash and pooled investments are the assets held for the Wadena County Family Service Collaborative in an external investment pool. For the purposes of financial reporting, the Family Service 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**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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

No allowance has been made for uncollectible receivables because such amounts are not expected to be material.

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

4. Special Assessments Receivable

Special assessments receivable consist of prior special assessments payable in the years 2010 through 2015. No allowances for special assessments are shown because such amounts are not expected to be material.

5. Inventories

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.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 County 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 value at the date of donation. The County's capitalization thresholds for capital assets are as follows:

Assets	Capitalization Threshold
Land	\$ 1
Land improvements	25,000
Buildings	25,000
Building improvements	25,000
Machinery, furniture, and equipment	10,000
Infrastructure	50,000

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.

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

Assets	Years
Buildings	25 - 40
Building improvements	40
Public domain infrastructure	15 - 75
Landfill disposal systems	25
Machinery, furniture, and equipment	3 - 10

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both the current and noncurrent portion of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year.

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has two types of deferred inflows. The governmental funds report unavailable revenue from prior taxes receivable, prior special assessments receivable, and for amounts that are not considered to be

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plans economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

9. Long-Term Obligations

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

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

10. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Pension Plan (Continued)

reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

11. Classification of Net Position

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

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

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

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

12. Classification of Fund Balances

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Minimum Fund Balance

Wadena County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than three months of operating expenditures. At December 31, 2015, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

14. Use of Estimates

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

E. Change in Accounting Principles

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

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

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

Net Position, January 1, 2015, as previously reported	\$ 64,299,628	
Change in accounting principles	<u>(5,372,481)</u>	
Net Position, January 1, 2015, as restated	<u>\$ 58,927,147</u>	

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following individual nonmajor fund had expenditures in excess of budget for the year ended December 31, 2015.

	Expenditures	Final Budget	Excess
Solid Waste Special Revenue Fund	\$ 1,222,647	\$ 989,923	\$ 232,724

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliation of the County's total cash and investments are reported as follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 19,838,992
Petty cash and change funds	2,590
Statement of fiduciary net position	
Cash and pooled investments	
Family Service Collaborative Investment Trust Fund	173,813
Health Reimbursement Employee Benefit Trust Fund	291,315
Agency funds	<u>141,158</u>
Total Cash and Investments	<u>\$ 20,447,868</u>
Deposits	
Checking	\$ 671,970
Money market savings	7,229,320
Certificates of deposit	4,738,000
MAGIC Fund	7,805,988
Petty cash	<u>2,590</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 20,447,868</u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2015, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) 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;

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the year ended December 31, 2015, the County had no investments.

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 273,247	\$ -
Special assessments	23,175	-
Accounts	312,076	-
Interest	15,430	-
Due from other governments	2,466,605	-
Total Governmental Activities	\$ 3,090,533	\$ -

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 605,599	\$ 826	\$ -	\$ 606,425
Construction in progress	1,119,053	1,998,859	770,293	2,347,619
Total capital assets not depreciated	\$ 1,724,652	\$ 1,999,685	\$ 770,293	\$ 2,954,044
Capital assets depreciated				
Buildings	\$ 5,564,688	\$ -	\$ -	\$ 5,564,688
Building improvements	1,030,255	-	-	1,030,255
Machinery, furniture, and equipment	5,096,393	533,918	56,984	5,573,327
Infrastructure	56,165,935	1,809,110	-	57,975,045
Total capital assets depreciated	\$ 67,857,271	\$ 2,343,028	\$ 56,984	\$ 70,143,315
Less: accumulated depreciation for				
Buildings	\$ 3,625,337	\$ 78,702	\$ -	\$ 3,704,039
Building improvements	67,090	40,617	-	107,707
Machinery, furniture, and equipment	3,415,086	433,963	56,984	3,792,065
Infrastructure	19,359,794	1,323,792	-	20,683,586
Total accumulated depreciation	\$ 26,467,307	\$ 1,877,074	\$ 56,984	\$ 28,287,397
Total capital assets depreciated, net	\$ 41,389,964	\$ 465,954	\$ -	\$ 41,855,918
Governmental Activities Capital Assets, Net	\$ 43,114,616	\$ 2,465,639	\$ 770,293	\$ 44,809,962

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

Governmental Activities	
General government	\$ 117,691
Public safety	102,667
Highways and streets, including depreciation of infrastructure assets	1,556,122
Sanitation	56,647
Human services	42,496
Health	1,451
Total Depreciation Expense - Governmental Activities	\$ 1,877,074

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

4. Deferred Outflows of Resources

Deferred outflows of resources - deferred pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. Deferred pension outflows for the year ended December 31, 2015, were \$991,855.

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Social Services	\$ 6,224
	Other governmental funds	150
	Family Service Collaborative Investment Trust	3
Total due to General Fund		\$ 6,377
Road and Bridge	General	\$ 292
	Other governmental funds	947
Total due to Road and Bridge Fund		\$ 1,239
Social Services	General	\$ 13
	Family Service Collaborative Investment Trust	849
Total due to Social Services Fund		\$ 862
Other governmental funds	General	\$ 1,813
	Social Services	5,230
	Family Service Collaborative Investment Trust	1,908
Total due to other governmental funds		\$ 8,951
Total Due To/From Other Funds		\$ 17,429

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when funds are repaid. All balances are expected to be liquidated in the subsequent year.

2. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Health Reimbursement Employee Benefit Trust	\$ 46,250
Road and Bridge	Health Reimbursement Employee Benefit Trust	7,500
Social Services	Health Reimbursement Employee Benefit Trust	30,000
Other governmental funds	Health Reimbursement Employee Benefit Trust	12,500
Total Advances To/From Other Funds		<u>\$ 96,250</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 advance will be repaid over time as funds become available for repayment.

3. Interfund Transfers

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

Transfer to General Fund from Social Services Fund	\$ 361,000	To provide funding for the courtroom remodel project.
Transfer to Capital Projects Fund from Solid Waste Fund	<u>102,259</u>	To provide for costs associated with the transfer station project.
Total Transfers Between Funds	<u>\$ 463,259</u>	

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	Governmental Activities
Accounts	\$ 275,709
Salaries	187,723
Contracts payable	235,364
Due to other governments	264,639
Total Payables	\$ 963,435

2. Construction Commitments

The government has active construction projects as of December 31, 2015.

	Spent-to-Date	Remaining Commitment
Court system remodel	\$ 269,435	\$ 192,344
Solid waste project contract payment schedule	861,829	409,694
Total Construction Commitments	\$ 1,131,264	\$ 602,038

3. Health Reimbursement Account

The County is authorized by Minn. Stat. § 471.61 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 in the Health Reimbursement 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 dependent and can be used for certain expenses.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Health Reimbursement Account (Continued)

As of December 31, 2015, 32 employees had health reimbursement accounts. The County advanced \$96,250 to the Health Reimbursement Employee Benefit Trust Fund as of December 31, 2015.

4. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2015</u>
General obligation bonds					
2015 Solid Waste Bonds	2036	\$40,000 - \$65,000	1.50 - 3.75	<u>\$ 995,000</u>	\$ 995,000
Add: unamortized premium					<u>10,661</u>
Total General Obligation Bonds, Net					<u>\$ 1,005,661</u>

5. Debt Service Requirements

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

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 30,313
2017	40,000	27,187
2018	40,000	26,587
2019	40,000	25,987
2020	40,000	25,387
2021 - 2025	225,000	113,963
2026 - 2030	255,000	81,863
2031 - 2035	290,000	39,113
2036	<u>65,000</u>	<u>1,219</u>
Total	<u>\$ 995,000</u>	<u>\$ 371,619</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

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

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ -	\$ 995,000	\$ -	\$ 995,000	\$ -
Add: unamortized premium	-	10,971	310	10,661	-
Total bonds payable	\$ -	\$ 1,005,971	\$ 310	\$ 1,005,661	\$ -
Compensated absences	780,190	283,928	403,667	660,451	437,550
Total Long-Term Liabilities	<u>\$ 780,190</u>	<u>\$ 1,289,899</u>	<u>\$ 403,977</u>	<u>\$ 1,666,112</u>	<u>\$ 437,550</u>

7. Deferred Inflows of Resources

Deferred inflows of resources - unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period.

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 124,440	\$ -	\$ 56,237	\$ 11,128	\$ 191,805
Road and Bridge	33,867	-	1,416,491	37,515	1,487,873
Social Services	45,268	-	49,480	73,479	168,227
Nonmajor governmental funds					
Public Health Nurse	2,097	-	114,451	155	116,703
Transit	-	-	51,510	-	51,510
Solid Waste	-	18,019	-	29,015	47,034
Total	<u>\$ 205,672</u>	<u>\$ 18,019</u>	<u>\$ 1,688,169</u>	<u>\$ 151,292</u>	<u>\$ 2,063,152</u>

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

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

General Employees Retirement Fund	\$	446,587
Public Employees Police and Fire Fund		114,619
Public Employees Correctional Fund		40,072

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$4,959,671 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0957 percent. It was 0.1052 percent measured as of June 30, 2014. The County recognized pension expense of \$547,940 for its proportionate share of the General Employees Retirement Fund's pension expense.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 250,052
Difference between projected and actual investment earnings	469,508	-
Changes in proportion	-	334,697
Contributions paid to PERA subsequent to the measurement date	235,333	-
Total	\$ 704,841	\$ 584,749

A total of \$235,333 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (77,539)
2017	(77,539)
2018	(77,539)
2019	117,376

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$761,277 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.067 percent. It was 0.063 percent measured as of June 30, 2014. The County recognized pension expense of \$138,014 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$6,030 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 123,454
Difference between projected and actual investment earnings	132,640	-
Changes in proportion	36,001	-
Contributions paid to PERA subsequent to the measurement date	63,008	-
Total	\$ 231,649	\$ 123,454

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

A total of \$63,008 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 15,669
2017	15,669
2018	15,669
2019	15,669
2020	(17,489)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$41,742 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.27 percent. It was 0.28 percent measured as of June 30, 2014. The County recognized pension expense of \$44,459 for its proportionate share of the Public Employees Correctional Fund's pension expense.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 15,981
Difference between projected and actual investment earnings	34,795	-
Changes in proportion	-	566
Contributions paid to PERA subsequent to the measurement date	20,570	-
Total	\$ 55,365	\$ 16,547

A total of \$20,570 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 3,183
2017	3,183
2018	3,183
2019	8,699

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$730,413.

5. Actuarial Assumptions

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

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 7,798,366	\$ 4,959,671	\$ 2,615,345
Public Employees Police and Fire Fund net pension liability	1,483,736	761,277	164,399
Public Employees Correctional Fund net pension liability	290,698	41,742	(157,523)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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

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

	Employee	Employer
Contribution amount	\$ 3,635	\$ 3,635
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

Wadena County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Wadena County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2014, there were 153 participants in the plan, including 6 retirees and 2 spouses.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	131,273
Interest on net OPEB obligation		16,143
Adjustment to ARC		(22,834)

Annual OPEB cost (expense)	\$	124,582
Contributions made		(84,039)

Increase in net OPEB obligation	\$	40,543
Net OPEB Obligation - Beginning of Year		358,734

Net OPEB Obligation - End of Year	\$	399,277

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2013, 2014, and 2015, were as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 118,199	\$ 90,928	76.9%	\$ 301,860
December 31, 2014	125,793	68,919	54.8	358,734
December 31, 2015	124,582	84,039	67.5	399,277

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$845,957, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$845,957. The covered payroll (annual payroll of active employees covered by the plan) was \$6,500,815, and the ratio of the UAAL to the covered payroll was 13.0 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Wadena County's implicit rate of return on the General Fund. The annual health care cost trend is 7.50 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 22 years.

**WADENA COUNTY
WADENA, MINNESOTA**

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 Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

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 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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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, Mahnommen, 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 is composed of one County Commissioner from each member county. In the event of dissolution, the net position 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.

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, Pope, Wadena, and Wilkin 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 eight-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. If only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Wadena County did not contribute to this organization in 2015.

Separate financial information can be obtained from:

Douglas County Courthouse
305 - 8th Avenue W.
Alexandria, Minnesota 56308

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 Districts 818, 820, 821, 2155, and 2170; the Otter Tail-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.

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.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Wadena County Family Service Collaborative (Continued)

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 2015, Wadena County contributed \$1,000 to the Collaborative.

Morrison Todd Wadena Community Health Board

The County Boards of Morrison, Todd, and Wadena Counties formed a Community Health Board effective July 1, 2015, via a joint powers agreement, for purposes of engaging in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community. The Community Health Board is governed by a six-member board, with two County Commissioners appointed from each of the three represented counties.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. As of December 31, 2010, Cass, Crow Wing, and Freeborn Counties elected to opt out of the SCHA, consistent with the terms of the Joint Powers Agreement. The Agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Country Health Alliance (Continued)

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization.

The County's equity interest in the SCHA at December 31, 2015, was \$2,133,607. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from:

South Country Health Alliance
110 West Fremont Street
Owatonna, Minnesota 55060

Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region was established in 2001, under Minn. Stat. § 471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. The Region established a Board comprising one Commissioner from each member county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent.

Complete financial information can be obtained from:

Central Minnesota Emergency Medical Services Region
Administration Center
705 Courthouse Square
St. Cloud, Minnesota 56303-4701

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Rural Minnesota Concentrated Employment Programs, Inc. (WIA - Rural Minnesota Workforce Service Area 2)

Rural Minnesota Concentrated Employment Programs, Inc., was established to create job training and employment opportunities for economically disadvantaged, under-employed and unemployed persons, and youthful persons in both the private and public sectors.

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one City Council member appointed by the City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During the year, Wadena County made no payments to the joint powers.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

Complete financial information can be obtained from:

Central Minnesota Emergency Services Board
City of St. Cloud
Office of the Mayor
City Hall
400 Second Street South
St. Cloud, Minnesota 56303

Prairie Lakes Municipal Solid Waste Authority

The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board was established in 2010, under the authority conferred upon the member parties by Minn. Stat. § 471.59 and chs. 115A and 400, and includes the Counties of Becker, Otter Tail, Todd, and Wadena. The original Joint Powers Agreement was amended effective October 21, 2014, to include Clay County.

The purpose of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is to jointly exercise powers common to each participating party dealing with the ownership and operation of the Perham Resource Recovery Facility, as well as cooperation with efforts in other solid waste management activities that affect the operations of the Perham Resource Recovery Facility. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is composed of one Commissioner each from Becker, Clay, Todd, and Wadena Counties, and two members from Otter Tail County. Each party may appoint alternate Board members and shall represent one vote on the Board.

In the event of dissolution of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board, all assets and liabilities of the Board shall be distributed and/or retired based on the contracted debt obligation of each of the parties of the agreement providing such entity is a party to the agreement at the time of the discharge of assets and liabilities.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority (Continued)

Financial information can be obtained from:

Otter Tail County Solid Waste
1115 Tower Road N.
Fergus Falls, Minnesota 56537

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed on January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board consisting of one County Commissioner and one lay person. Wadena County appropriated \$90,342 to the Library for the year ended December 31, 2015.

Separate financial information can be obtained from:

Kitchigami Regional Library
P. O. Box 84
Pine River, Minnesota 56474
www.krls.org

C. Jointly-Governed Organizations

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. Wadena County is a member of this organization.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Wadena County did not contribute to the CHIC during 2015.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

The Region Four - West Central Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Wadena County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-1

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,137,552	\$ 5,137,552	\$ 4,815,499	\$ (322,053)
Licenses and permits	46,410	46,410	62,870	16,460
Intergovernmental	780,090	779,611	1,262,858	483,247
Charges for services	243,726	243,726	259,333	15,607
Fines and forfeits	15,000	15,000	29,259	14,259
Gifts and contributions	-	-	300	300
Investment earnings	40,250	40,250	98,648	58,398
Miscellaneous	158,463	158,463	246,662	88,199
Total Revenues	\$ 6,421,491	\$ 6,421,012	\$ 6,775,429	\$ 354,417
Expenditures				
Current				
General government				
Commissioners	\$ 175,842	\$ 175,842	\$ 174,030	\$ 1,812
MCIT dividends	-	-	4,894	(4,894)
Law library	25,000	25,000	21,314	3,686
County coordinator	146,091	146,091	131,349	14,742
County auditor/treasurer	635,481	635,481	577,428	58,053
Data processing	415,712	415,712	392,109	23,603
Central services	65,050	65,050	57,827	7,223
Elections	11,050	11,050	63	10,987
Voter registration	250	250	376	(126)
HAVA grant - elections	5,342	5,342	17,099	(11,757)
County attorney	369,073	369,073	306,314	62,759
Court-appointed attorney	56,600	56,600	35,570	21,030
County recorder	249,822	249,822	229,541	20,281
County assessor	422,164	422,164	378,704	43,460
Planning and zoning	155,118	156,038	165,789	(9,751)
GIS and GPS	86,584	86,584	81,708	4,876
Building and plant	540,446	540,446	722,531	(182,085)
Veteran services	69,631	69,631	87,612	(17,981)
Other general government	235,445	235,445	190,146	45,299
Total general government	\$ 3,664,701	\$ 3,665,621	\$ 3,574,404	\$ 91,217

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
911 enhancement	\$ 37,978	\$ 37,978	\$ 136,828	\$ (98,850)
County sheriff	1,733,160	1,733,160	1,676,240	56,920
Boat and water safety enforcement	4,373	3,894	3,171	723
Coroner	34,846	34,846	20,594	14,252
Snowmobile safety/safety officer	8,482	8,482	5,074	3,408
Forfeiture funds - sheriff	-	-	5,697	(5,697)
ATV grant	5,496	5,496	8,253	(2,757)
Safe and sober	-	-	45,067	(45,067)
Jail/800 MHz radio	220,972	220,972	282,393	(61,421)
Corrections	163,554	163,554	163,554	-
Civil defense/emergency services	87,394	87,394	71,998	15,396
Total public safety	\$ 2,296,255	\$ 2,295,776	\$ 2,418,869	\$ (123,093)
Health				
Wellness program	\$ -	\$ -	\$ 1,647	\$ (1,647)
Culture and recreation				
County parks	\$ 43,607	\$ 43,607	\$ 48,278	\$ (4,671)
Ag society	28,000	28,000	24,110	3,890
Snowmobile grants	65,000	65,000	66,870	(1,870)
Humane society	4,500	4,500	4,500	-
Kitchigami library	90,342	90,342	90,342	-
Historical society	6,000	6,000	6,000	-
Total culture and recreation	\$ 237,449	\$ 237,449	\$ 240,100	\$ (2,651)
Conservation of natural resources				
Soil and water conservation	\$ 52,011	\$ 52,011	\$ 92,847	\$ (40,836)
County extension	151,042	151,042	151,264	(222)
Tree planting	7,000	7,000	707	6,293
Total conservation of natural resources	\$ 210,053	\$ 210,053	\$ 244,818	\$ (34,765)
Total Expenditures	\$ 6,408,458	\$ 6,408,899	\$ 6,479,838	\$ (70,939)

**WADENA COUNTY
WADENA, MINNESOTA**

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 13,033</u>	<u>\$ 12,113</u>	<u>\$ 295,591</u>	<u>\$ 283,478</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 361,000	\$ 361,000
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
Total Other Financing Sources (Uses)	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ 361,000</u>	<u>\$ 371,000</u>
Net Change in Fund Balance	<u>\$ 3,033</u>	<u>\$ 2,113</u>	<u>\$ 656,591</u>	<u>\$ 654,478</u>
Fund Balance - January 1	<u>3,931,368</u>	<u>3,931,368</u>	<u>3,931,368</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 3,934,401</u></u>	<u><u>\$ 3,933,481</u></u>	<u><u>\$ 4,587,959</u></u>	<u><u>\$ 654,478</u></u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-2

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,197,092	\$ 1,197,092	\$ 1,757,092	\$ 560,000
Intergovernmental	4,920,480	4,920,480	3,534,226	(1,386,254)
Miscellaneous	28,000	28,000	88,846	60,846
Total Revenues	\$ 6,145,572	\$ 6,145,572	\$ 5,380,164	\$ (765,408)
Expenditures				
Current				
Highways and streets				
Administration	\$ 344,518	\$ 344,518	\$ 356,401	\$ (11,883)
Maintenance	1,312,260	1,312,260	1,291,478	20,782
Construction	4,042,274	4,042,274	2,296,584	1,745,690
Equipment maintenance and shop	268,520	268,520	270,255	(1,735)
Total highways and streets	\$ 5,967,572	\$ 5,967,572	\$ 4,214,718	\$ 1,752,854
Intergovernmental				
Highways and streets	178,000	178,000	198,578	(20,578)
Total Expenditures	\$ 6,145,572	\$ 6,145,572	\$ 4,413,296	\$ 1,732,276
Net Change in Fund Balance	\$ -	\$ -	\$ 966,868	\$ 966,868
Fund Balance - January 1	8,740,479	8,740,479	8,740,479	-
Increase (decrease) in inventories	-	-	(32,037)	(32,037)
Fund Balance - December 31	\$ 8,740,479	\$ 8,740,479	\$ 9,675,310	\$ 934,831

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,726,038	\$ 1,726,038	\$ 1,662,684	\$ (63,354)
Intergovernmental	3,073,584	3,073,584	3,013,084	(60,500)
Charges for services	-	-	100	100
Miscellaneous	947,748	947,748	1,334,672	386,924
Total Revenues	\$ 5,747,370	\$ 5,747,370	\$ 6,010,540	\$ 263,170
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,600,506	\$ 1,600,506	\$ 1,758,770	\$ (158,264)
Social services	4,146,864	4,146,864	3,630,271	516,593
Total Expenditures	\$ 5,747,370	\$ 5,747,370	\$ 5,389,041	\$ 358,329
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 621,499	\$ 621,499
Other Financing Sources (Uses)				
Transfers out	-	-	(361,000)	(361,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 260,499	\$ 260,499
Fund Balance - January 1	3,819,764	3,819,764	3,819,764	-
Fund Balance - December 31	\$ 3,819,764	\$ 3,819,764	\$ 4,080,263	\$ 260,499

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-4

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 744,542	\$ 744,542	0.0%	\$ 5,568,072	13.4%
January 1, 2011	-	875,558	875,558	0.0	6,057,882	14.5
January 1, 2014	-	845,957	845,957	0.0	6,500,815	13.0

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0957%	\$ 4,959,671	\$ 5,092,537	97.39%	78.20%

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-6

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 446,587	\$ 446,587	\$ -	\$ 5,954,493	7.50%

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-7

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.067%	\$ 761,277	\$ 610,802	124.64%	86.60%

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-8

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 114,619	\$ 114,619	\$ -	\$ 707,525	16.20%

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-9

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.270%	\$ 41,742	\$ 481,006	8.68%	96.95%

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-10

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 40,072	\$ 40,072	\$ -	\$ 457,966	8.75%

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

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**WADENA COUNTY
WADENA, MINNESOTA**

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. 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 heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made budgetary amendments in the General Fund and the Public Health Nurse Special Revenue Fund.

2. Excess of Expenditures Over Budget

For the year ended December 31, 2015, the General Fund had expenditures in excess of budget of \$70,939.

3. Other Postemployment Benefits Funded Status

Wadena County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2008. See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect trends in the amounts reported.

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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.

Transit Fund - to account for the operations of the County Transit Department. Financing is provided from user charges, state and federal grants, and interest on investments.

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

CAPITAL PROJECTS FUND

Capital Projects - to account for the construction and remodel of the County's solid waste transfer station.

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-1

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

	Special Revenue (Exhibit C-1)	Capital Projects	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 1,614,585	\$ 286,928	\$ 1,901,513
Petty cash and change funds	390	-	390
Undistributed cash in agency funds	15,782	-	15,782
Taxes receivable - prior	3,752	-	3,752
Special assessments receivable - prior	23,175	-	23,175
Accounts receivable	117,790	-	117,790
Accrued interest receivable	34	-	34
Due from other funds	8,951	-	8,951
Due from other governments	337,336	-	337,336
Advance to other funds	12,500	-	12,500
	\$ 2,134,295	\$ 286,928	\$ 2,421,223
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 34,497	\$ -	\$ 34,497
Salaries payable	36,965	-	36,965
Contracts payable	-	170,794	170,794
Due to other funds	1,097	-	1,097
Due to other governments	68,018	-	68,018
	\$ 140,577	\$ 170,794	\$ 311,371
 Deferred Inflows of Resources			
Unavailable revenue	\$ 215,247	\$ -	\$ 215,247
 Fund Balances			
Nonspendable			
Advances to other funds	\$ 12,500	\$ -	\$ 12,500
Restricted			
SCORE	57,324	-	57,324
Assigned			
Solid waste	928,872	116,134	1,045,006
Transit	73,848	-	73,848
Public health	705,927	-	705,927
	\$ 1,778,471	\$ 116,134	\$ 1,894,605
Total Fund Balances	\$ 1,778,471	\$ 116,134	\$ 1,894,605
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,134,295	\$ 286,928	\$ 2,421,223

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-2

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

	Special Revenue (Exhibit C-2)	Capital Projects	Total (Exhibit 5)
Revenues			
Taxes	\$ 198,324	\$ -	\$ 198,324
Special assessments	421,911	-	421,911
Licenses and permits	27,226	-	27,226
Intergovernmental	1,184,746	-	1,184,746
Charges for services	941,745	-	941,745
Investment earnings	412	-	412
Miscellaneous	69,250	-	69,250
	\$ 2,843,614	\$ -	\$ 2,843,614
Expenditures			
Current			
Sanitation	\$ 1,222,647	\$ 942,185	\$ 2,164,832
Human services	518,674	-	518,674
Health	1,101,079	-	1,101,079
Debt service			
Bond issuance costs	-	49,911	49,911
	\$ 2,842,400	\$ 992,096	\$ 3,834,496
Excess of Revenues Over (Under) Expenditures	\$ 1,214	\$ (992,096)	\$ (990,882)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 102,259	\$ 102,259
Transfers out	(102,259)	-	(102,259)
Premium on bonds	-	10,971	10,971
Proceeds from sale of bonds	-	995,000	995,000
	\$ (102,259)	\$ 1,108,230	\$ 1,005,971
Net Change in Fund Balance	\$ (101,045)	\$ 116,134	\$ 15,089
Fund Balance - January 1	1,879,516	-	1,879,516
Fund Balance - December 31	\$ 1,778,471	\$ 116,134	\$ 1,894,605

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2015**

	<u>Public Health Nurse</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-1)</u>
<u>Assets</u>				
Cash and pooled investments	\$ 582,384	\$ 59,736	\$ 972,465	\$ 1,614,585
Petty cash and change funds	40	100	250	390
Undistributed cash in agency funds	2,514	-	13,268	15,782
Taxes receivable - prior	3,752	-	-	3,752
Special assessments receivable - prior	-	-	23,175	23,175
Accounts receivable	1,367	3,650	112,773	117,790
Accrued interest receivable	-	34	-	34
Due from other funds	3,721	5,230	-	8,951
Due from other governments	263,580	73,673	83	337,336
Advance to other funds	6,250	3,750	2,500	12,500
Total Assets	\$ 863,608	\$ 146,173	\$ 1,124,514	\$ 2,134,295
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 6,251	\$ 9,471	\$ 18,775	\$ 34,497
Salaries payable	26,885	7,430	2,650	36,965
Due to other funds	150	44	903	1,097
Due to other governments	1,442	120	66,456	68,018
Total Liabilities	\$ 34,728	\$ 17,065	\$ 88,784	\$ 140,577
Deferred Inflows of Resources				
Unavailable revenue	\$ 116,703	\$ 51,510	\$ 47,034	\$ 215,247
Fund Balances				
Nonspendable				
Advances to other funds	\$ 6,250	\$ 3,750	\$ 2,500	\$ 12,500
Restricted				
SCORE	-	-	57,324	57,324
Assigned				
Solid waste	-	-	928,872	928,872
Transit	-	73,848	-	73,848
Public health	705,927	-	-	705,927
Total Fund Balances	\$ 712,177	\$ 77,598	\$ 988,696	\$ 1,778,471
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 863,608	\$ 146,173	\$ 1,124,514	\$ 2,134,295

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-2

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

	<u>Public Health Nurse</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-2)</u>
Revenues				
Taxes	\$ 198,324	\$ -	\$ -	\$ 198,324
Special assessments	-	-	421,911	421,911
Licenses and permits	26,901	-	325	27,226
Intergovernmental	660,037	406,460	118,249	1,184,746
Charges for services	231,569	70,575	639,601	941,745
Investment earnings	-	412	-	412
Miscellaneous	43,325	10,000	15,925	69,250
Total Revenues	\$ 1,160,156	\$ 487,447	\$ 1,196,011	\$ 2,843,614
Expenditures				
Current				
Sanitation	\$ -	\$ -	\$ 1,222,647	\$ 1,222,647
Human services	-	518,674	-	518,674
Health	1,101,079	-	-	1,101,079
Total Expenditures	\$ 1,101,079	\$ 518,674	\$ 1,222,647	\$ 2,842,400
Excess of Revenues Over (Under) Expenditures	\$ 59,077	\$ (31,227)	\$ (26,636)	\$ 1,214
Other Financing Sources (Uses)				
Transfers out	-	-	(102,259)	(102,259)
Net Change in Fund Balance	\$ 59,077	\$ (31,227)	\$ (128,895)	\$ (101,045)
Fund Balance - January 1	653,100	108,825	1,117,591	1,879,516
Fund Balance - December 31	\$ 712,177	\$ 77,598	\$ 988,696	\$ 1,778,471

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-3

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 207,110	\$ 207,110	\$ 198,324	\$ (8,786)
Licenses and permits	27,000	27,000	26,901	(99)
Intergovernmental	391,723	670,903	660,037	(10,866)
Charges for services	231,707	256,456	231,569	(24,887)
Miscellaneous	188,384	37,725	43,325	5,600
Total Revenues	\$ 1,045,924	\$ 1,199,194	\$ 1,160,156	\$ (39,038)
Expenditures				
Current				
Health				
Nursing service	1,039,359	1,199,194	1,101,079	98,115
Net Change in Fund Balance	\$ 6,565	\$ -	\$ 59,077	\$ 59,077
Fund Balance - January 1	653,100	653,100	653,100	-
Fund Balance - December 31	\$ 659,665	\$ 653,100	\$ 712,177	\$ 59,077

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-4

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 447,490	\$ 447,490	\$ 406,460	\$ (41,030)
Charges for services	64,000	64,000	70,575	6,575
Investment earnings	-	-	412	412
Miscellaneous	18,000	18,000	10,000	(8,000)
Total Revenues	\$ 529,490	\$ 529,490	\$ 487,447	\$ (42,043)
Expenditures				
Current				
Human services				
Transportation	529,490	529,490	518,674	10,816
Net Change in Fund Balance	\$ -	\$ -	\$ (31,227)	\$ (31,227)
Fund Balance - January 1	108,825	108,825	108,825	-
Fund Balance - December 31	\$ 108,825	\$ 108,825	\$ 77,598	\$ (31,227)

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-5

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 400,000	\$ 400,000	\$ 421,911	\$ 21,911
Licenses and permits	350	350	325	(25)
Intergovernmental	71,655	71,655	118,249	46,594
Charges for services	598,650	598,650	639,601	40,951
Miscellaneous	-	-	15,925	15,925
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 1,070,655</u>	<u>\$ 1,070,655</u>	<u>\$ 1,196,011</u>	<u>\$ 125,356</u>
Expenditures				
Current				
Sanitation				
Solid waste	\$ 989,923	\$ 989,923	\$ 1,222,644	\$ (232,721)
Recycling	-	-	3	(3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 989,923</u>	<u>\$ 989,923</u>	<u>\$ 1,222,647</u>	<u>\$ (232,724)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 80,732</u>	<u>\$ 80,732</u>	<u>\$ (26,636)</u>	<u>\$ (107,368)</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(102,259)	(102,259)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	<u>\$ 80,732</u>	<u>\$ 80,732</u>	<u>\$ (128,895)</u>	<u>\$ (209,627)</u>
Fund Balance - January 1	<u>1,117,591</u>	<u>1,117,591</u>	<u>1,117,591</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 1,198,323</u></u>	<u><u>\$ 1,198,323</u></u>	<u><u>\$ 988,696</u></u>	<u><u>\$ (209,627)</u></u>

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**WADENA COUNTY
WADENA, MINNESOTA**

FIDUCIARY FUNDS

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**

EXHIBIT D-1

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>GOVERNMENTAL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>14,863</u>	\$ <u>65,230</u>	\$ <u>72,144</u>	\$ <u>7,949</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>14,863</u>	\$ <u>65,230</u>	\$ <u>72,144</u>	\$ <u>7,949</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>180,053</u>	\$ <u>16,325,389</u>	\$ <u>16,372,233</u>	\$ <u>133,209</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>180,053</u>	\$ <u>16,325,389</u>	\$ <u>16,372,233</u>	\$ <u>133,209</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>194,916</u>	\$ <u>16,390,619</u>	\$ <u>16,444,377</u>	\$ <u>141,158</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>194,916</u>	\$ <u>16,390,619</u>	\$ <u>16,444,377</u>	\$ <u>141,158</u>

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OTHER SCHEDULES

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2015**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Cash on hand and departmental checking	N/A	N/A	Continuous	\$ 2,590
Checking accounts	Two	0.10 to 0.15	Continuous	671,970
Money market savings	Seven	0.10 to 0.40	Continuous	7,229,320
MAGIC Fund	One	0.19	Continuous	7,805,988
Certificates of deposit	Eighteen	0.71 to 1.50	January 22, 2016 to April 18, 2020	<u>4,738,000</u>
Total Deposits and Investments				<u>\$ 20,447,868</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT E-2

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

Shared Revenue

State

Highway users tax	\$ 2,906,375
County program aid	859,201
PERA rate reimbursement	20,825
Disparity reduction aid	53,185
Police aid	79,756
Enhanced 911	86,151
Market value credit	242,686
Aquatic invasive species aid	39,803
	39,803

Total shared revenue **\$ 4,287,982**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 765,730
--	------------

Payments

Local

Local contributions	\$ 13,754
Payments in lieu of taxes	79,455
	79,455

Total payments **\$ 93,209**

Grants

State

Minnesota Department/Board of	
Public Safety	\$ 65,441
Transportation	460,624
Health	222,390
Natural Resources	83,109
Human Services	705,840
Water and Soil Resources	87,882
Veterans Affairs	10,000
Pollution Control Agency	69,692
Peace Officer Standards and Training Board	3,532
	3,532

Total state **\$ 1,708,510**

Federal

Department of/Agency	
Agriculture	\$ 188,987
Transportation	356,529
Education	3,255
Health and Human Services	1,536,952
Homeland Security	53,760
	53,760

Total federal **\$ 2,139,483**

Total state and federal grants **\$ 3,847,993**

Total Intergovernmental Revenue **\$ 8,994,914**

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT E-3

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Morrison-Todd-Wadena Community Health Services Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 59,429
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>129,558</u>
Total U.S. Department of Agriculture			<u>\$ 188,987</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	84175	\$ 208,383
Formula Grants for Rural Areas	20.509	Agr#05065	83,770
Formula Grants for Rural Areas (Total Formula Grants for Rural Areas 20.509 \$140,772)	20.509	Agr#07207	57,002
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC15-2015- WADENASD-0894	6,596
State and Community Highway Safety	20.600	F-ENFRC15-2015- WADENASD-1071	10,225
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$25,317)	20.600	F-ENFRC15-2015- WADENASD-1388	8,496
National Priority Safety Programs (Total expenditures for Highway Safety Cluster \$25,396)	20.616	F-ENFRC15-2015- WADENASD-1388	79
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC15-2015- WADENASD-0894	9,398
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$20,243)	20.608	F-ENFRC15-2015- WADENASD-1388	<u>10,845</u>
Total U.S. Department of Transportation			<u>\$ 394,794</u>
U.S. Department of Education			
Passed Through Morrison-Todd-Wadena Community Health Services Board Special Education - Grants for Infants and Families	84.181	Not Provided	<u>\$ 2,492</u>

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT E-3
(Continued)**

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Health and Human Services			
Passed Through Central Minnesota Council on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Not Provided	\$ 7,188
Passed Through Community Health Information Collaborative of Duluth Immunization Cooperative Agreements	93.268	Not Provided	150
Direct Drug-Free Communities Support Program Grants	93.276		113,909
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-1601MNFPS	10,315
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$301,502)	93.558	1601MFTANF	256,589
Child Support Enforcement	93.563	1604MNCSES	247,297
Child Support Enforcement (Total Child Support Enforcement 93.563 \$255,305)	93.563	1604MNCES	8,008
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNCMA	197
Child Care and Development Block Grant	93.575	G1601MNCDF	5,529
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	7,488
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	6,799
Foster Care - Title IV-E	93.658	1601MNFOS	70,243
Social Services Block Grant	93.667	16-01MNSOSR	127,846
Children's Health Insurance Program	93.767	1605MNS021	58
Medical Assistance Program	93.778	05-1605MNSADM	562,676
Medical Assistance Program (Total Medical Assistance Program 93.778 \$568,261)	93.778	05-1605MNSMAP	5,585
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-15	400
Passed Through Morrison-Todd-Wadena Community Health Services Board Public Health Emergency Preparedness	93.069	Not Provided	23,510
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Not Provided	76,372
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$301,502)	93.558	1601MFTANF	44,913
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	<u>23,826</u>
Total U.S. Department of Health and Human Services			<u>\$ 1,598,898</u>
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Hazard Mitigation Grant	97.039	DR1982.05 F-EMPG-2014-	\$ 3,723
Emergency Management Performance Grants	97.042	WADENACO-0687	<u>15,579</u>
Total U.S. Department of Homeland Security			<u>\$ 19,302</u>
Total Federal Awards			<u>\$ 2,204,473</u>

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

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

1. Reporting Entity

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

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	2,139,483
Grants received more than 60 days after year-end, unavailable in 2015		
Highway Planning and Construction (CFDA #20.205)		32,564
Formula Grants for Rural Areas (CFDA #20.509)		51,298
Child Support Enforcement (CDFA #93.563)		37,990
Public Health Emergency Preparedness (CFDA #93.069)		10,660
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA #93.505)		32,026
Temporary Assistance for Needy Families (CFDA #93.558)		6,510
Maternal and Child Health Services Block Grant to the States (CFDA #93.994)		5,958
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		41,681
Grants unavailable in 2014, recognized as revenue in 2015		
Highway Planning and Construction (CFDA #20.205)		(45,597)
Special Education - Grants for Infants and Families (CFDA #84.181)		(763)
Centers for Disease Control and Prevention - Investigations and Technical Assistance (CFDA #93.283)		(182)
Temporary Assistance for Needy Families (CFDA #93.558)		(7,983)
Child Care and Development Block Grant (CFDA #93.575)		(462)
Public Health Emergency Preparedness (CFDA #93.069)		(4,364)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA #93.505)		(13,483)
Maternal and Child Health Services Block Grant to the States (CFDA #93.994)		(4,724)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		(59,448)
Emergency Management Performance Grants (CFDA #97.042)		(16,691)
		(16,691)
Expenditures per Schedule of Expenditures of Federal Awards	\$	2,204,473

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**WADENA COUNTY
WADENA, MINNESOTA**

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

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

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

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

The major programs are:

Highway Planning and Construction	CFDA No. 20.205
Child Support Enforcement	CFDA No. 93.563
Medical Assistance Program	CFDA No. 93.778

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

Wadena County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1998-001

Departmental Segregation of Duties

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

Condition: Due to the limited number of personnel within several Wadena County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: 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 internal control point of view.

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

Cause: The County informed us that collecting fees for services at a department level provides a convenience for its customers. Fee services are provided in several locations, so having customers paying at a single point of collection, such as the Auditor/Treasurer's Office, would be very inconvenient. The staffing available in several of these smaller offices limits the potential for complete segregation of duties.

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

Client's Response:

Wadena County continues to review internal control procedures, including segregation of duties, in all departments of the County and will modify procedures when needed, due to limited staff. Further, the County will continue to review and apply oversight procedures to ensure that these policies and procedures are being followed by staff. In 2014, additional internal cash audits for small fee departments were implemented. In 2015, there were quarterly internal cash audits for all departments. These have continued in 2016 and, additionally, the County will conduct cash variance analysis for all Wadena County departments.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (2013-001)

During our audit, we identified material adjustments in the Road and Bridge Special Revenue Fund and the Solid Waste Special Revenue Fund, resulting in significant changes to the County's financial statements.

Resolution

No material audit adjustments were necessary to fairly present the 2015 financial statements.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM RESOLVED

Eligibility Testing (CFDA No. 93.778) (2014-001)

The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility process. During our previous audit of the Medical Assistance program, we noted conflicting information between data entered in MAXIS and the documentation in the case files.

Resolution

During the 2015 audit, information input into the MAXIS system was consistent with the information maintained in the case files.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Collateral to Secure Deposits (2014-002)

During our test of collateral pledged for bank deposits in excess of FDIC insurance, we noted the County had deposits at Wadena State Bank that were not adequately covered in accordance with the requirements of Minn. Stat. § 118A.03, subd. 3.

Resolution

All bank deposits tested for 2015 were adequately covered by FDIC insurance and collateral, as required by Minn. Stat. § 118A.03, subd. 3.



REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 19, 2016. Our report includes a reference to other auditors who audited the financial statements of the South Country Health Alliance joint venture as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1998-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Wadena County does not have any tax increment financing districts.

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

Wadena County's Response to Finding

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 19, 2016

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 19, 2016