

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

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

**YEAR ENDED DECEMBER 31, 2016**

## **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 650 public pension funds; and

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

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

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

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

**WADENA COUNTY  
WADENA, MINNESOTA**

**Year Ended December 31, 2016**



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

This page was left blank intentionally.

**WADENA COUNTY  
WADENA, MINNESOTA**

TABLE OF CONTENTS

|   | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| <b>Introductory Section</b>   |                |             |
| Organization  |                | 1           |
| <b>Financial Section</b>  |                |             |
| Independent Auditor's Report  |                | 2           |
| Management's Discussion and Analysis  |                | 5           |
| Basic Financial Statements  |                |             |
| Government-Wide Financial Statements  |                |             |
| Statement of Net Position--Governmental Activities  | 1              | 13          |
| Statement of Activities   | 2              | 15          |
| Fund Financial Statements   |                |             |
| Governmental Funds  |                |             |
| Balance Sheet   | 3              | 16          |
| Reconciliation of Governmental Funds Balance Sheet to the<br>Government-Wide Statement of Net Position--Governmental<br>Activities  | 4              | 18          |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balance   | 5              | 19          |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balance of Governmental Funds to the<br>Government-Wide Statement of Activities--Governmental<br>Activities | 6              | 21          |
| Fiduciary Funds   |                |             |
| Statement of Fiduciary Net Position   | 7              | 22          |
| Statement of Changes in Fiduciary Net Position  | 8              | 23          |
| Notes to the Financial Statements   |                | 24          |
| <b>Required Supplementary Information</b>   |                |             |
| Budgetary Comparison Schedules  |                |             |
| General Fund  | A-1            | 73          |
| Road and Bridge Special Revenue Fund  | A-2            | 76          |
| Social Services Special Revenue Fund  | A-3            | 77          |
| Schedule of Funding Progress - Other Postemployment Benefits  | A-4            | 78          |

**WADENA COUNTY  
WADENA, MINNESOTA**

TABLE OF CONTENTS

|  | Exhibit | Page |
|--|---------|------|
| <b>Financial Section</b>   |         |      |
| Required Supplementary Information (Continued)   |         |      |
| PERA General Employees Retirement Plan   |         |      |
| Schedule of Proportionate Share of Net Pension Liability   | A-5     | 79   |
| Schedule of Contributions  | A-6     | 80   |
| PERA Public Employees Police and Fire Plan   |         |      |
| Schedule of Proportionate Share of Net Pension Liability   | A-7     | 81   |
| Schedule of Contributions  | A-8     | 81   |
| PERA Public Employees Correctional Plan  |         |      |
| Schedule of Proportionate Share of Net Pension Liability   | A-9     | 82   |
| Schedule of Contributions  | A-10    | 82   |
| Notes to the Required Supplementary Information  |         | 83   |
| Supplementary Information  |         |      |
| Nonmajor Governmental Funds  |         | 86   |
| Combining Balance Sheet  | B-1     | 87   |
| Combining Statement of Revenues, Expenditures, and Changes<br>in Fund Balance                                  | B-2     | 88   |
| Combining Balance Sheet - Nonmajor Special Revenue Funds   | C-1     | 89   |
| Combining Statement of Revenues, Expenditures, and Changes<br>in Fund Balance - Nonmajor Special Revenue Funds | C-2     | 90   |
| Budgetary Comparison Schedules   |         |      |
| Public Health Nurse Special Revenue Fund   | C-3     | 91   |
| Transit Special Revenue Fund   | C-4     | 92   |
| Solid Waste Special Revenue Fund   | C-5     | 93   |
| Fiduciary Funds  |         | 94   |
| Combining Statement of Changes in Assets and Liabilities - All<br>Agency Funds                                 | D-1     | 95   |
| Other Schedules  |         |      |
| Schedule of Deposits and Investments   | E-1     | 96   |
| Schedule of Intergovernmental Revenue  | E-2     | 97   |
| Schedule of Expenditures of Federal Awards   | E-3     | 98   |
| Notes to the Schedule of Expenditures of Federal Awards  |         | 100  |

**WADENA COUNTY  
WADENA, MINNESOTA**

TABLE OF CONTENTS  
(Continued)

|   | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| <b>Management and Compliance Section</b>  |                |             |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> |                | 102         |
| Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance  |                | 105         |
| Schedule of Findings and Questioned Costs   |                | 108         |
| Corrective Action Plan  |                | 111         |
| Summary Schedule of Prior Audit Findings  |                | 112         |

This page was left blank intentionally.





This page was left blank intentionally.

**WADENA COUNTY  
WADENA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2016**

| <u>Office</u>                 | <u>Name</u>          | <u>District</u> | <u>Term Expires</u> |
|-------------------------------|----------------------|-----------------|---------------------|
| <b>Elected</b>                |                      |                 |                     |
| <b>Commissioners</b>          |                      |                 |                     |
| Board Member                  | Sheldon Monson       | District 1      | January 2019        |
| Chair                         | Jim Hofer            | District 2      | January 2017        |
| Board Member                  | William Stearns      | District 3      | January 2019        |
| Board Member                  | 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        |
| <b>Appointed</b>              |                      |                 |                     |
| Assessor                      | Lee Brekke           |                 | December 2016       |
| County Engineer               | Ryan Odden           |                 | May 2019            |
| Coroner                       | Gregory Smith, M.D.* |                 | December 2016       |
| Community Corrections Officer | Kathryn Langer       |                 | Indefinite          |
| Human Services Director       | Tanya Leskey         |                 | Indefinite          |
| Veterans Services Officer     | David Anderson       |                 | April 2018          |

\*Resigned effective December 31, 2016. Wadena County has contracted with Anoka County to provide coroner services.

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
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, 2016, 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, 2016, 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, \$1,320,291, represents 1.8 percent and 2.1 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, 2016, 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.

### ***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 Governmental Accounting Standards Board, 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 July 25, 2017, 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 the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 25, 2017

This page was left blank intentionally.

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

This page was left blank intentionally.

**WADENA COUNTY  
WADENA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(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, 2016. 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 and deferred outflows of resources of Wadena County exceeded its liabilities and deferred inflows of resources by \$62,813,130 at the close of 2016. Of this amount, \$5,366,666 (unrestricted net position) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- At the close of 2016, Wadena County's governmental funds reported combined ending fund balances of \$18,697,547, a decrease of \$1,540,590 in comparison with the prior year. Of the total fund balance, \$9,797,330 is available for spending at the County's discretion and is noted as committed, assigned, and unassigned fund balance.
- At the close of 2016, the committed, assigned, and unassigned fund balance for the General Fund was \$4,176,280, or 54.3 percent, of total General Fund expenditures.

**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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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, conservation of natural resources, and interest.

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 non-major 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, intergovernmental revenues, and expenditures of federal awards.

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 supplemental 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 non-major funds, as supplemental information.

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

Over time, net position serves as a useful indicator of the County's financial position. Wadena County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$62,813,130 at the close of 2016. The largest portion of Wadena County's net position (75.5 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>2016</u>                 | <u>2015</u>                 |
|-----------------------------------|-----------------------------|-----------------------------|
| Current and other assets          | \$ 26,293,222               | \$ 25,398,831               |
| Capital assets                    | <u>48,708,757</u>           | <u>44,809,962</u>           |
| Total Assets                      | <u>\$ 75,001,979</u>        | <u>\$ 70,208,793</u>        |
| Deferred Outflows of Resources    |                             |                             |
| Deferred pension outflows         | <u>\$ 6,180,879</u>         | <u>\$ 991,855</u>           |
| Long-term liabilities outstanding | \$ 13,915,526               | \$ 7,828,079                |
| Other liabilities                 | <u>3,178,411</u>            | <u>978,137</u>              |
| Total Liabilities                 | <u>\$ 17,093,937</u>        | <u>\$ 8,806,216</u>         |
| Deferred Inflows of Resources     |                             |                             |
| Deferred pension inflows          | <u>\$ 1,275,791</u>         | <u>\$ 724,750</u>           |
| Net Position                      |                             |                             |
| Investment in capital assets      | \$ 47,396,583               | \$ 43,804,301               |
| Restricted                        | 10,049,881                  | 10,146,741                  |
| Unrestricted                      | <u>5,366,666</u>            | <u>7,718,640</u>            |
| Total Net Position                | <u><u>\$ 62,813,130</u></u> | <u><u>\$ 61,669,682</u></u> |

The unrestricted net position amount of \$5,366,666 as of December 31, 2016, may be used to meet the County’s ongoing obligations to citizens and creditors.

**Governmental Activities**

Wadena County’s activities increased net position by \$1,143,448, or 1.85 percent, over the 2015 net position. The elements of the increase in net position are detailed below.

**Governmental Activities Changes in Net Position**

|  | <u>2016</u>          | <u>2015</u>          |
|--|----------------------|----------------------|
| Revenues   |                      |                      |
| Program revenues   |                      |                      |
| Charges for services   | \$ 2,540,408         | \$ 2,244,435         |
| Operating grants and contributions                           | 9,863,992            | 9,098,138            |
| Capital grants and contributions                             | 1,309,162            | 221,380              |
| General revenues   |                      |                      |
| Property taxes   | 8,074,570            | 7,675,786            |
| Transportation sales and use tax                             | 668,007              | 646,037              |
| Other taxes  | 44,644               | 8,192                |
| Grants and contributions not restricted to specific programs | 1,248,348            | 1,217,430            |
| Other  | <u>213,674</u>       | <u>178,389</u>       |
| Total Revenues   | <u>\$ 23,962,805</u> | <u>\$ 21,289,787</u> |



|                                   | <u>2016</u>          | <u>2015</u>          |
|-----------------------------------|----------------------|----------------------|
| Expenses                          |                      |                      |
| General government                | \$ 4,158,176         | \$ 3,385,928         |
| Public safety                     | 3,184,013            | 2,499,252            |
| Highways and streets              | 4,426,506            | 3,824,887            |
| Sanitation                        | 1,186,150            | 1,313,740            |
| Human services                    | 8,005,927            | 5,898,119            |
| Health                            | 1,246,691            | 1,123,007            |
| Culture and recreation            | 205,614              | 240,373              |
| Conservation of natural resources | 342,406              | 248,054              |
| Economic development              | 30,000               | -                    |
| Interest                          | 33,874               | 13,892               |
|                                   | <u>\$ 22,819,357</u> | <u>\$ 18,547,252</u> |
| Total Expenses                    |                      |                      |
| Increase in Net Position          | \$ 1,143,448         | \$ 2,742,535         |
| Net Position, January 1           | <u>61,669,682</u>    | <u>58,927,147</u>    |
| Net Position, December 31         | <u>\$ 62,813,130</u> | <u>\$ 61,669,682</u> |

## 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 \$18,697,547, a decrease of \$1,540,590 in comparison with the prior year. The committed, assigned, and unassigned fund balance in the amount of \$9,797,330 is available for spending at the County's discretion. The remainder of fund balance is non-spendable 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 \$4,176,280, while total fund balance was \$4,833,865. 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 54.3 percent of total General Fund expenditures. In 2016, fund balance in the General Fund increased by \$245,906 due to excess

expenditures over revenues of \$204,094 and a transfer in of funds from Human Services of \$450,000. In 2015, the General Fund increased by \$656,591 due to excess revenues over expenditures of \$295,591 and a transfer of funds from Human Services of \$361,000. The \$499,685 decrease in excess revenues over expenditures is due to an increase in tax revenue of \$243,200, an increase in Intergovernmental revenue of \$59,798, an increase in charges for services of \$54,884, an increase in investment earnings of \$34,521, and an increase in miscellaneous revenue of \$329,426, offset by a decrease in licenses and permits of \$4,632, a decrease in fines and forfeits of \$6,617, a decrease in gifts of \$300, an increase in general government expenditures of \$961,608, an increase in public safety expenditures of \$57,469, an increase in health expenditures of \$1,001, an increase in culture and recreation of \$70,560, an increase in conservation of natural resources expenditures of \$89,327, and an increase in economic development of \$30,000.

Fund balance in the Road and Bridge Special Revenue Fund decreased \$1,051,950 due to excess expenditures over revenues of \$1,386,023, proceeds from a capital lease in the amount of \$373,220, and a decrease in inventory of \$39,147. In 2015, the Road and Bridge Special Revenue Fund had excess revenue over expenditures of \$966,868. The \$2,352,891 decrease in excess revenues over expenditures is due to an increase in tax revenue of \$24,985, an increase in intergovernmental revenue of \$660,852, a decrease in miscellaneous revenue of \$1,227, an increase in highways and streets expenditures of \$3,030,015, and an increase in ntergovernmental highways and streets expenditures of \$7,486.

Fund balance in the Social Services Special Revenue Fund decreased \$627,993 due to excess expenditures over revenues of \$177,993 and a transfer out of \$450,000. In 2015, the Social Services Special Revenue Fund had excess revenues over expenditures of \$621,499. The \$799,492 decrease in excess revenues over expenditures is due to an increase in intergovernmental revenues of \$293,905, offset by a decrease in charges for services of \$40, a decrease in miscellaneous revenue of \$166,199, a decrease in tax revenues of \$12,827, and an increase in social services expenditures of \$914,331.

### **General Fund Budgetary Highlights**

The difference between the General Fund original budget and the final amended budget was a net change of (\$569). The difference between the final amended budget and the actual net change in fund balance was \$247,393. 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), an increase in fines and forfeits, 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 capital projects), county parks and soil and water conservation expenditures, and public safety expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2016, was \$48,708,757 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets for the current fiscal year increased 8.70 percent. The net increase was attributed to the County's investment in its infrastructure.

|                                     | Governmental Activities<br>Governmental Capital Assets |                      |
|-------------------------------------|--|----------------------|
|                                     | <u>2016</u>  | <u>2015</u>          |
| Land                                | \$ 793,400   | \$ 606,425           |
| Construction in progress            | 4,627,779  | 2,347,619            |
| Infrastructure                      | 36,880,747   | 37,291,459           |
| Buildings and building improvements | 4,318,052  | 2,783,197            |
| Furniture, equipment, and machinery | <u>2,088,779</u>                                       | <u>1,781,262</u>     |
| Total                               | <u>\$ 48,708,757</u>                                   | <u>\$ 44,809,962</u> |

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

### Long-Term Debt

At the end of the current fiscal year, the County has total debt outstanding of \$1,312,174.

|                          | <u>2016</u>         | <u>2015</u>         |
|--------------------------|---------------------|---------------------|
| General obligation bonds | \$ 1,005,130        | \$ 1,005,661        |
| Capital leases           | <u>307,044</u>      | <u>-</u>            |
| Total                    | <u>\$ 1,312,174</u> | <u>\$ 1,005,661</u> |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Wadena County's unemployment rate was 6.5 percent at the end of 2016, compared to the statewide rate of 4.1 percent for the same time period.
- Wadena County is not subject to levy limits for 2018.

- Wadena County's property tax delinquency was 2.91 percent at the end of 2016, which is down from the previous year's delinquent rate of 2.96 percent.
- The most current information available indicated that in 2017, 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 90.637 percent in payable 2017. The Wadena County Commissioners approved a Preliminary Payable 2017 Tax Levy of \$8,768,591 and a Final Payable 2017 Tax Levy of \$8,599,165, which represents a 4.86 percent increase over the Final Payable 2016 Tax Levy of \$8,200,246.

## **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**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

This page was left blank intentionally.



**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016**

**Assets**

|   |                             |
|---|-----------------------------|
| Cash and pooled investments                   | \$ 20,480,245               |
| Taxes receivable - delinquent                 | 368,409                     |
| Special assessments receivable - delinquent   | 33,729                      |
| Accounts receivable                           | 336,639                     |
| Accrued interest receivable                   | 19,635                      |
| Due from other governments                    | 3,429,062                   |
| Advances receivable                           | 107,500                     |
| Inventories                                   | 197,712                     |
| Investment in joint venture                   | 1,320,291                   |
| Capital assets                                |                             |
| Non-depreciable                               | 5,421,179                   |
| Depreciable - net of accumulated depreciation | <u>43,287,578</u>           |
| <b>Total Assets</b>                           | <b><u>\$ 75,001,979</u></b> |

**Deferred Outflows of Resources**

|                           |                            |
|---------------------------|----------------------------|
| Deferred pension outflows | <b><u>\$ 6,180,879</u></b> |
|---------------------------|----------------------------|

**Liabilities**

|                             |                             |
|-----------------------------|-----------------------------|
| Accounts payable            | \$ 615,396                  |
| Salaries payable            | 264,197                     |
| Contracts payable           | 1,749,867                   |
| Due to other governments    | 530,607                     |
| Accrued interest payable    | 17,844                      |
| Customer deposits           | 500                         |
| Long-term liabilities       |                             |
| Due within one year         | 517,030                     |
| Due in more than one year   | 1,413,954                   |
| Net pension liability       | 11,544,258                  |
| Net postemployment benefits | <u>440,284</u>              |
| <b>Total Liabilities</b>    | <b><u>\$ 17,093,937</u></b> |

**Deferred Inflows of Resources**

|                          |                            |
|--------------------------|----------------------------|
| Deferred pension inflows | <b><u>\$ 1,275,791</u></b> |
|--------------------------|----------------------------|

**WADENA COUNTY  
WADENA, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016**

**Net Position**

|                                   |                                    |
|-----------------------------------|------------------------------------|
| Net investment in capital assets  | \$ 47,396,583                      |
| Restricted for                    |                                    |
| General government                | 420,260                            |
| Public safety                     | 74,741                             |
| Highways and streets              | 9,295,661                          |
| Human services                    | 152,885                            |
| Health                            | 2,233                              |
| Conservation of natural resources | 96,244                             |
| Held in trust for other purposes  | 7,857                              |
| Unrestricted                      | <u>5,366,666</u>                   |
| <b>Total Net Position</b>         | <b><u><u>\$ 62,813,130</u></u></b> |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

| Expenses   | Program Revenues                      |  |  | Net (Expense)<br>Revenue<br>and Changes<br>in Net<br>Position |                       |
|--|---------------------------------------|--|--|---|-----------------------|
|  | Fees, Charges,<br>Fines,<br>and Other | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |   |                       |
| <b><u>Functions/Programs</u></b>                             |                                       |  |  |   |                       |
| <b>Primary government</b>                                    |                                       |  |  |   |                       |
| <b>Governmental activities</b>                               |                                       |  |  |   |                       |
| General government   | \$ 4,158,176                          | \$ 870,255                               | \$ 117,070                             | \$ -  | \$ (3,170,851)        |
| Public safety  | 3,184,013                             | 69,375                                   | 281,601                                | -   | (2,833,037)           |
| Highways and streets   | 4,426,506                             | 88,395                                   | 3,556,432                              | 1,309,162   | 527,483               |
| Sanitation   | 1,186,150                             | 723,384                                  | 503,047                                | -   | 40,281                |
| Human services   | 8,005,927                             | 486,550                                  | 4,550,927                              | -   | (2,968,450)           |
| Health   | 1,246,691                             | 281,580                                  | 724,558                                | -   | (240,553)             |
| Culture and recreation                                       | 205,614                               | 19,494                                   | 61,197                                 | -   | (124,923)             |
| Conservation of natural resources                            | 342,406                               | 1,375                                    | 69,160                                 | -   | (271,871)             |
| Economic development   | 30,000                                | -  | -                                      | -   | (30,000)              |
| Interest   | 33,874                                | -  | -                                      | -   | (33,874)              |
| <b>Total Governmental Activities</b>                         | <b>\$ 22,819,357</b>                  | <b>\$ 2,540,408</b>                      | <b>\$ 9,863,992</b>                    | <b>\$ 1,309,162</b>   | <b>\$ (9,105,795)</b> |
| <br><b>General Revenues</b>                                  |                                       |  |  |   |                       |
| Property taxes   |                                       |  |  | \$ 8,074,570  |                       |
| Transportation sales and use tax                             |                                       |  |  | 668,007   |                       |
| Other taxes  |                                       |  |  | 44,644  |                       |
| Payments in lieu of tax                                      |                                       |  |  | 79,793  |                       |
| Grants and contributions not restricted to specific programs |                                       |  |  | 1,248,348   |                       |
| Unrestricted investment earnings                             |                                       |  |  | 133,881   |                       |
| <b>Total general revenues</b>                                |                                       |  |  | <b>\$ 10,249,243</b>  |                       |
| <b>Change in Net Position</b>                                |                                       |  |  |   | <b>\$ 1,143,448</b>   |
| <b>Net Position - Beginning</b>                              |                                       |  |  |   | <b>61,669,682</b>     |
| <b>Net Position - Ending</b>                                 |                                       |  |  |   | <b>\$ 62,813,130</b>  |

This page was left blank intentionally.

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENTAL FUNDS**

This page was left blank intentionally.



**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

|   | <u>General</u>      | <u>Road and<br/>Bridge</u> | <u>Social<br/>Services</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|----------------------------|----------------------------|---|---|
| <b><u>Assets</u></b>  |                     |                            |                            |   |   |
| Cash and pooled investments   | \$ 5,125,510        | \$ 10,264,049              | \$ 3,217,605               | \$ 1,703,552                            | \$ 20,310,716                           |
| Petty cash and change funds   | 1,900               | 100                        | 200                        | 390                                     | 2,590                                   |
| Undistributed cash in agency funds  | 99,918              | 21,047                     | 30,600                     | 15,374                                  | 166,939                                 |
| Taxes receivable - delinquent   | 227,214             | 55,116                     | 78,690                     | 7,389                                   | 368,409                                 |
| Special assessments receivable - delinquent                                     | -                   | -                          | -                          | 33,729                                  | 33,729                                  |
| Accounts receivable   | 17,380              | 224                        | 196,175                    | 122,860                                 | 336,639                                 |
| Accrued interest receivable   | 19,541              | -                          | -                          | 94                                      | 19,635                                  |
| Due from other funds  | 1,223               | 1,525                      | 1,000                      | 4,773                                   | 8,521                                   |
| Due from other governments  | 162,356             | 2,547,458                  | 451,135                    | 268,113                                 | 3,429,062                               |
| Inventories   | -                   | 197,712                    | -                          | -                                       | 197,712                                 |
| Advances to other funds   | 56,250              | 11,250                     | 26,250                     | 13,750                                  | 107,500                                 |
| <b>Total Assets</b>   | <b>\$ 5,711,292</b> | <b>\$ 13,098,481</b>       | <b>\$ 4,001,655</b>        | <b>\$ 2,170,024</b>                     | <b>\$ 24,981,452</b>                    |
| <b><u>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</u></b> |                     |                            |                            |   |   |
| <b>Liabilities</b>  |                     |                            |                            |   |   |
| Accounts payable  | \$ 149,772          | \$ 125,317                 | \$ 285,361                 | \$ 54,946                               | \$ 615,396                              |
| Salaries payable  | 106,986             | 51,993                     | 57,922                     | 47,296                                  | 264,197                                 |
| Contracts payable   | 90,391              | 1,659,476                  | -                          | -                                       | 1,749,867                               |
| Due to other funds  | 3,951               | -                          | 1,270                      | 561                                     | 5,782                                   |
| Due to other governments  | 224,101             | 163,982                    | 79,445                     | 65,818                                  | 533,346                                 |
| Customer deposits   | -                   | 500                        | -                          | -                                       | 500                                     |
| <b>Total Liabilities</b>  | <b>\$ 575,201</b>   | <b>\$ 2,001,268</b>        | <b>\$ 423,998</b>          | <b>\$ 168,621</b>                       | <b>\$ 3,169,088</b>                     |
| <b>Deferred Inflows of Resources</b>  |                     |                            |                            |   |   |
| Unavailable revenue   | \$ 302,226          | \$ 2,473,853               | \$ 125,387                 | \$ 213,351                              | \$ 3,114,817                            |
| <b>Fund Balances</b>  |                     |                            |                            |   |   |
| Nonspendable  |                     |                            |                            |   |   |
| Inventories   | \$ -                | \$ 197,712                 | \$ -                       | \$ -                                    | \$ 197,712                              |
| Advances to other funds   | 56,250              | 11,250                     | 26,250                     | 13,750                                  | 107,500                                 |
| Missing heirs   | 7,857               | -                          | -                          | -                                       | 7,857                                   |

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

|   | <u>General</u>      | <u>Road and<br/>Bridge</u> | <u>Social<br/>Services</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|----------------------------|----------------------------|---|---|
| <b><u>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</u></b> |                     |                            |                            |   |   |
| <b>Fund Balances (Continued)</b>  |                     |                            |                            |   |   |
| Restricted  |                     |                            |                            |   |   |
| County building   | 79,260              | -                          | -                          | -                                       | 79,260                                  |
| Wellness  | 2,233               | -                          | -                          | -                                       | 2,233                                   |
| Sheriff donations   | 388                 | -                          | -                          | -                                       | 388                                     |
| Mental health initiative  | -                   | -                          | 151,754                    | -                                       | 151,754                                 |
| Capital project plan  | -                   | 715,785                    | -                          | -                                       | 715,785                                 |
| Peer center   | -                   | -                          | 1,131                      | -                                       | 1,131                                   |
| HAVA  | 15,321              | -                          | -                          | -                                       | 15,321                                  |
| SSTS refunds  | 4,116               | -                          | -                          | -                                       | 4,116                                   |
| Turnback fund   | -                   | 7,125,000                  | -                          | -                                       | 7,125,000                               |
| Low income septic   | 31,858              | -                          | -                          | -                                       | 31,858                                  |
| Shoreline grant   | 12,066              | -                          | -                          | -                                       | 12,066                                  |
| Compliance fund   | 184,653             | -                          | -                          | -                                       | 184,653                                 |
| Sheriff's forfeited property  | 5,406               | -                          | -                          | -                                       | 5,406                                   |
| Attorney's forfeited property   | 23,559              | -                          | -                          | -                                       | 23,559                                  |
| ISTS  | 52,320              | -                          | -                          | -                                       | 52,320                                  |
| Emergency management  | 479                 | -                          | -                          | -                                       | 479                                     |
| Gun permits   | 68,468              | -                          | -                          | -                                       | 68,468                                  |
| Recorder's equipment  | 113,351             | -                          | -                          | -                                       | 113,351                                 |
| Committed   |                     |                            |                            |   |   |
| Parks   | 253,307             | -                          | -                          | -                                       | 253,307                                 |
| Timber development  | 124,731             | -                          | -                          | -                                       | 124,731                                 |
| AS400   | 33,817              | -                          | -                          | -                                       | 33,817                                  |
| Solid waste   | -                   | -                          | -                          | 50,000                                  | 50,000                                  |
| Assigned  |                     |                            |                            |   |   |
| Human services  | -                   | -                          | 3,273,135                  | -                                       | 3,273,135                               |
| Road and bridge   | -                   | 573,613                    | -                          | -                                       | 573,613                                 |
| MCTT  | 177,669             | -                          | -                          | -                                       | 177,669                                 |
| Plat books  | 12,571              | -                          | -                          | -                                       | 12,571                                  |
| GIS   | 43,689              | -                          | -                          | -                                       | 43,689                                  |
| Solid waste   | -                   | -                          | -                          | 797,546                                 | 797,546                                 |
| Transit   | -                   | -                          | -                          | 189,096                                 | 189,096                                 |
| Public health   | -                   | -                          | -                          | 737,660                                 | 737,660                                 |
| Canteen   | 16,491              | -                          | -                          | -                                       | 16,491                                  |
| County agent brochures  | 2,856               | -                          | -                          | -                                       | 2,856                                   |
| Private pesticide manual  | 170                 | -                          | -                          | -                                       | 170                                     |
| County agent  | 5,191               | -                          | -                          | -                                       | 5,191                                   |
| Unassigned  | 3,505,788           | -                          | -                          | -                                       | 3,505,788                               |
| <b>Total Fund Balances</b>  | <b>\$ 4,833,865</b> | <b>\$ 8,623,360</b>        | <b>\$ 3,452,270</b>        | <b>\$ 1,788,052</b>                     | <b>\$ 18,697,547</b>                    |
| <b>Total Liabilities, Deferred Inflows<br/>of Resources, and Fund Balances</b>  | <b>\$ 5,711,292</b> | <b>\$ 13,098,481</b>       | <b>\$ 4,001,655</b>        | <b>\$ 2,170,024</b>                     | <b>\$ 24,981,452</b>                    |

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016**

|  |    |                     |                             |
|--|----|---------------------|-----------------------------|
| <b>Fund balances - total governmental funds (Exhibit 3)</b>  |    | <b>\$</b>           | <b>18,697,547</b>           |
| Amounts reported for governmental activities in the statement of net position are different because:   |    |                     |                             |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. |    |                     | 48,708,757                  |
| Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.                           |    |                     | 1,320,291                   |
| Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.                    |    |                     | 6,180,879                   |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.                                  |    |                     | 3,114,817                   |
| 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)           |                             |
| Capital leases payable   |    | (307,044)           |                             |
| Bond premium   |    | (10,130)            |                             |
| Accrued interest payable   |    | (17,844)            |                             |
| Compensated absences   |    | (618,810)           |                             |
| Net other postemployment liability   |    | (440,284)           |                             |
| Net pension liability  |    | <u>(11,544,258)</u> | (13,933,370)                |
| 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>(1,275,791)</u>          |
| <b>Net Position of Governmental Activities (Exhibit 1)</b>   |    |                     | <b><u>\$ 62,813,130</u></b> |

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <u>General</u>      | <u>Road and<br/>Bridge</u> | <u>Social<br/>Services</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|----------------------------|----------------------------|---|---|
| <b>Revenues</b>   |                     |                            |                            |   |   |
| Taxes   | \$ 5,058,699        | \$ 1,782,077               | \$ 1,649,857               | \$ 199,004                              | \$ 8,689,637                            |
| Special assessments                                     | -                   | -                          | -                          | 424,411                                 | 424,411                                 |
| Licenses and permits                                    | 58,238              | -                          | -                          | 28,656                                  | 86,894                                  |
| Intergovernmental                                       | 1,322,656           | 4,195,078                  | 3,306,989                  | 1,584,217                               | 10,408,940                              |
| Charges for services                                    | 314,217             | -                          | 60                         | 998,091                                 | 1,312,368                               |
| Fines and forfeits                                      | 22,642              | -                          | -                          | -                                       | 22,642                                  |
| Investment earnings                                     | 133,169             | -                          | -                          | 712                                     | 133,881                                 |
| Miscellaneous   | 576,088             | 87,619                     | 1,168,473                  | 75,854                                  | 1,908,034                               |
| <b>Total Revenues</b>                                   | <b>\$ 7,485,709</b> | <b>\$ 6,064,774</b>        | <b>\$ 6,125,379</b>        | <b>\$ 3,310,945</b>                     | <b>\$ 22,986,807</b>                    |
| <b>Expenditures</b>                                     |                     |                            |                            |   |   |
| <b>Current</b>  |                     |                            |                            |   |   |
| General government                                      | \$ 4,536,012        | \$ -                       | \$ -                       | \$ -                                    | \$ 4,536,012                            |
| Public safety   | 2,476,338           | -                          | -                          | -                                       | 2,476,338                               |
| Highways and streets                                    | -                   | 7,244,733                  | -                          | -                                       | 7,244,733                               |
| Sanitation  | -                   | -                          | -                          | 1,413,084                               | 1,413,084                               |
| Human services  | -                   | -                          | 6,303,372                  | 807,861                                 | 7,111,233                               |
| Health  | 2,648               | -                          | -                          | 1,165,790                               | 1,168,438                               |
| Culture and recreation                                  | 310,660             | -                          | -                          | -                                       | 310,660                                 |
| Conservation of natural resources                       | 334,145             | -                          | -                          | -                                       | 334,145                                 |
| Economic development                                    | 30,000              | -                          | -                          | -                                       | 30,000                                  |
| <b>Debt service</b>                                     |                     |                            |                            |   |   |
| Interest  | -                   | -                          | -                          | 30,763                                  | 30,763                                  |
| <b>Intergovernmental</b>                                |                     |                            |                            |   |   |
| Highways and streets                                    | -                   | 206,064                    | -                          | -                                       | 206,064                                 |
| <b>Total Expenditures</b>                               | <b>\$ 7,689,803</b> | <b>\$ 7,450,797</b>        | <b>\$ 6,303,372</b>        | <b>\$ 3,417,498</b>                     | <b>\$ 24,861,470</b>                    |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <b>\$ (204,094)</b> | <b>\$ (1,386,023)</b>      | <b>\$ (177,993)</b>        | <b>\$ (106,553)</b>                     | <b>\$ (1,874,663)</b>                   |
| <b>Other Financing Sources (Uses)</b>                   |                     |                            |                            |   |   |
| Transfers in  | \$ 450,000          | \$ -                       | \$ -                       | \$ 36,279                               | \$ 486,279                              |
| Transfers out   | -                   | -                          | (450,000)                  | (36,279)                                | (486,279)                               |
| Proceeds from capital lease                             | -                   | 373,220                    | -                          | -                                       | 373,220                                 |
| <b>Total Other Financing<br/>Sources (Uses)</b>         | <b>\$ 450,000</b>   | <b>\$ 373,220</b>          | <b>\$ (450,000)</b>        | <b>\$ -</b>                             | <b>\$ 373,220</b>                       |

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT 5  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                    | <u>General</u>      | <u>Road and<br/>Bridge</u> | <u>Social<br/>Services</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|------------------------------------|---------------------|----------------------------|----------------------------|---|---|
| Net Change in Fund Balance         | \$ 245,906          | \$ (1,012,803)             | \$ (627,993)               | \$ (106,553)                            | \$ (1,501,443)                          |
| Fund Balance - January 1           | 4,587,959           | 9,675,310                  | 4,080,263                  | 1,894,605                               | 20,238,137                              |
| Increase (decrease) in inventories | -                   | (39,147)                   | -                          | -                                       | (39,147)                                |
| Fund Balance - December 31         | <u>\$ 4,833,865</u> | <u>\$ 8,623,360</u>        | <u>\$ 3,452,270</u>        | <u>\$ 1,788,052</u>                     | <u>\$ 18,697,547</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, 2016**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ (1,501,443)**

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 | \$ 3,114,817       |           |
| Unavailable revenue - January 1   | <u>(2,063,152)</u> | 1,051,665 |

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 | \$ 5,828,105       |           |
| Current year depreciation                                  | <u>(1,929,310)</u> | 3,898,795 |

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. (813,316)

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               | \$ (3,642)       |                    |
| Amortization of premiums and bond issuance costs | 531              |                    |
| Change in capital lease payable                  | (307,044)        |                    |
| Change in compensated absences                   | 41,641           |                    |
| Change in inventories                            | (39,147)         |                    |
| Change in net other postemployment liability     | (41,007)         |                    |
| Change in net pension liability                  | (5,781,568)      |                    |
| Change in deferred pension outflows of resources | 5,189,024        |                    |
| Change in deferred pension inflows of resources  | <u>(551,041)</u> | <u>(1,492,253)</u> |

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,143,448**

## **FIDUCIARY FUNDS**

This page was left blank intentionally.



**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016**

|  | <b>Family Service<br/>Collaborative<br/>Investment<br/>Trust</b> | <b>Health<br/>Reimbursement<br/>Employee Benefit<br/>Trust</b> | <b>Agency<br/>Funds</b> |
|--|--|--|-------------------------|
| <b><u>Assets</u></b>   |  |  |                         |
| Cash and pooled investments  | \$ 210,537   | \$ 310,497   | \$ 168,435              |
| Receivables  |  |  |                         |
| Interest   | 74   | -  | -                       |
| Due from other governments   | 9,576  | -  | -                       |
| <b>Total Assets</b>  | <b>\$ 220,187</b>  | <b>\$ 310,497</b>  | <b>\$ 168,435</b>       |
| <b><u>Liabilities, Deferred Inflows of<br/>Resources, and Net Position</u></b> |  |  |                         |
| <b>Liabilities</b>   |  |  |                         |
| Due to other funds   | \$ 2,739   | \$ -   | \$ -                    |
| Due to other governments   | -  | -  | 168,435                 |
| Advances from governmental funds   | -  | 107,500  | -                       |
| <b>Total Liabilities</b>   | <b>\$ 2,739</b>  | <b>\$ 107,500</b>  | <b>\$ 168,435</b>       |
| <b>Net Position</b>  |  |  |                         |
| Net position, held in trust for pool participants                              | \$ 217,448   | \$ -   |                         |
| Net position, held in trust for employees                                      | -  | 202,997  |                         |
| <b>Total Net Position</b>  | <b>\$ 217,448</b>  | <b>\$ 202,997</b>  |                         |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <b>Family Service<br/>Collaborative<br/>Investment<br/>Trust</b> | <b>Health<br/>Reimbursement<br/>Employee Benefit<br/>Trust</b> |
|---|--|--|
|   | <hr/>  | <hr/>  |
| <b><u>Additions</u></b>                     |  |  |
| Contributions from employers                | \$ -   | \$ 112,737   |
| Contributions from participants             | 62,719   | -  |
| Investment earnings                         |  |  |
| Interest                                    | 752  | -  |
|   | <hr/>  | <hr/>  |
| <b>Total Additions</b>                      | <b>\$ 63,471</b>   | <b>\$ 112,737</b>  |
| <b><u>Deductions</u></b>                    |  |  |
| Benefit payments                            | \$ -   | \$ 99,384  |
| Pool participant withdrawals                | 17,132   | -  |
|   | <hr/>  | <hr/>  |
| <b>Total Deductions</b>                     | <b>\$ 17,132</b>   | <b>\$ 99,384</b>   |
| <b>Change in Net Position</b>               | <b>\$ 46,339</b>   | <b>\$ 13,353</b>   |
| <b>Net Position - Beginning of the Year</b> | <b>171,109</b>   | <b>189,644</b>   |
|   | <hr/>  | <hr/>  |
| <b>Net Position - End of the Year</b>       | <b>\$ 217,448</b>  | <b>\$ 202,997</b>  |
|   | <hr/> <hr/>  | <hr/> <hr/>  |

**WADENA COUNTY  
WADENA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

---

---

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, 2016. 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. Shared revenues are generally recognized in the period the appropriation goes into effect. 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 taxes are recognized as revenues in the year for which they are levied provided

**WADENA COUNTY  
WADENA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated 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. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive interest earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled interest earnings for 2016 were \$133,881.

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.

Included in total cash are the assets held for the Wadena County Family Service Collaborative. For the purposes of financial reporting, the Family Service Collaborative's portion of the County's pool of cash is reported as an investment trust fund.

**WADENA COUNTY  
WADENA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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 delinquent taxes receivable.

3. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2011 through 2016. No allowances for special assessments are shown because such amounts are not expected to be material.

4. 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)

5. 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 acquisition value. The County's capitalization thresholds for capital assets are as follows:

| Assets                              | Capitalization<br>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)

6. 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. Compensated absences are liquidated by the General Fund and other funds that have personal services.

7. 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.

**WADENA COUNTY  
WADENA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

8. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated through the General Fund and other funds that have personal services.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date; changes in actuarial assumptions, pension plan changes in proportionate share, differences between expected and actual pension plans economic experience, 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 delinquent taxes receivable, delinquent special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue

**WADENA COUNTY  
WADENA, MINNESOTA**

---

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

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.

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

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

**WADENA COUNTY  
WADENA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

Restricted - amounts in which constraints that 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.

**WADENA COUNTY  
WADENA, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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.

12. 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, 2016, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

13. 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

**WADENA COUNTY  
WADENA, MINNESOTA**

---

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following individual nonmajor funds had expenditures in excess of budget for the year ended December 31, 2016.

|                                  | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|----------------------------------|---------------------|---------------------|---------------|
| Solid Waste Special Revenue Fund | \$ 1,291,434        | \$ 1,231,564        | \$ 59,870     |
| Transit Special Revenue Fund     | 807,861             | 557,523             | 250,338       |

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

The County's total cash and investments are reported as follows:

|  |               |
|--|---------------|
| Government-wide statement of net position          |               |
| Governmental activities                            |               |
| Cash and pooled investments                        | \$ 20,480,245 |
| Statement of fiduciary net position                |               |
| Cash and pooled investments                        |               |
| Family Service Collaborative Investment Trust Fund | 210,537       |
| Health Reimbursement Employee Benefit Trust Fund   | 310,497       |
| Agency funds                                       | 168,435       |
| Total Cash and Investments                         | \$ 21,169,714 |
|  |               |
| Deposits   | \$ 12,326,585 |
| Petty cash and change funds                        | 2,590         |
| Investments  | 8,840,539     |
| Total Deposits, Cash on Hand, and Investments      | \$ 21,169,714 |

**WADENA COUNTY  
WADENA, MINNESOTA**

---

3. Detailed Notes on All Funds,

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

a. Deposits

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County policy for custodial credit risk is to follow Minn. Stat. ch. 118A.03. As of December 31, 2016, 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;

**WADENA COUNTY  
WADENA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a policy to mitigate interest rate risk. As of December 31, 2016, all of the County's investments were in the MAGIC Fund.



**WADENA COUNTY  
WADENA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County does not have a policy to mitigate interest rate risk. As of December 31, 2016, all of the County's investments were in the MAGIC Fund.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities in the possession of an outside party. The County does not have a policy to mitigate interest rate risk. As of December 31, 2016, all of the County's investments were in the MAGIC Fund.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to make investments which shall suggest diversification to avoid risks. As of December 31, 2016, all of the County's investments were in the MAGIC Fund.

Fair Value of Investments

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

**WADENA COUNTY  
WADENA, MINNESOTA**

---

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

2. Receivables

Receivables as of December 31, 2016, for the County's governmental activities are as follows:

|                               | Total<br>Receivables | Amounts Not<br>Scheduled for<br>Collection During<br>the Subsequent<br>Year |
|-------------------------------|----------------------|---|
| Governmental Activities       |                      |   |
| Taxes                         | \$ 368,409           | \$ -  |
| Special assessments           | 33,729               | -   |
| Accounts                      | 336,639              | -   |
| Interest                      | 19,635               | -   |
| Due from other governments    | 3,429,062            | -   |
| Total Governmental Activities | \$ 4,187,474         | \$ -  |

**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, 2016, was as follows:

|  | Beginning<br>Balance | Increase     | Decrease     | Ending<br>Balance |
|--|----------------------|--------------|--------------|-------------------|
| Capital assets not depreciated                 |                      |              |              |                   |
| Land   | \$ 606,425           | \$ 186,975   | \$ -         | \$ 793,400        |
| Construction in progress                       | 2,347,619            | 4,646,333    | 2,366,173    | 4,627,779         |
| Total capital assets not depreciated           | \$ 2,954,044         | \$ 4,833,308 | \$ 2,366,173 | \$ 5,421,179      |
| Capital assets depreciated                     |                      |              |              |                   |
| Buildings                                      | \$ 5,564,688         | \$ 1,088,460 | \$ -         | \$ 6,653,148      |
| Building improvements                          | 1,030,255            | 586,297      | -            | 1,616,552         |
| Machinery, furniture, and equipment            | 5,573,327            | 745,411      | 268,057      | 6,050,681         |
| Infrastructure                                 | 57,975,045           | 940,802      | -            | 58,915,847        |
| Total capital assets depreciated               | \$ 70,143,315        | \$ 3,360,970 | \$ 268,057   | \$ 73,236,228     |
| Less: accumulated depreciation for             |                      |              |              |                   |
| Buildings                                      | \$ 3,704,039         | \$ 96,843    | \$ -         | \$ 3,800,882      |
| Building improvements                          | 107,707              | 43,059       | -            | 150,766           |
| Machinery, furniture, and equipment            | 3,792,065            | 437,894      | 268,057      | 3,961,902         |
| Infrastructure                                 | 20,683,586           | 1,351,514    | -            | 22,035,100        |
| Total accumulated depreciation                 | \$ 28,287,397        | \$ 1,929,310 | \$ 268,057   | \$ 29,948,650     |
| Total capital assets depreciated, net          | \$ 41,855,918        | \$ 1,431,660 | \$ -         | \$ 43,287,578     |
| Governmental Activities<br>Capital Assets, Net | \$ 44,809,962        | \$ 6,264,968 | \$ 2,366,173 | \$ 48,708,757     |

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

|  |              |
|--|--------------|
| Governmental Activities  |              |
| General government   | \$ 118,125   |
| Public safety  | 93,902       |
| Highways and streets, including depreciation<br>of infrastructure assets | 1,587,564    |
| Sanitation   | 84,899       |
| Human services   | 43,369       |
| Health   | 1,451        |
| Total Depreciation Expense - Governmental Activities                     | \$ 1,929,310 |

**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, 2016, were \$6,180,879.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, is as follows:

1. Due To/From Other Funds

| Receivable Fund                       | Payable Fund                 | Amount   |
|---------------------------------------|------------------------------|----------|
| General                               | Social Services              | \$ 1,219 |
|                                       | Family Service Collaborative |          |
|                                       | Investment Trust             | 4        |
| Total due to General Fund             |                              | \$ 1,223 |
| Road and Bridge                       | General                      | \$ 964   |
|                                       | Other governmental funds     | 561      |
| Total due to Road and Bridge Fund     |                              | \$ 1,525 |
| Social Services                       | General                      | \$ 53    |
|                                       | Family Service Collaborative |          |
|                                       | Investment Trust             | 947      |
| Total due to Social Services Fund     |                              | \$ 1,000 |
| Other governmental funds              | General                      | \$ 2,934 |
|                                       | Social Services              | 51       |
|                                       | Family Service Collaborative |          |
|                                       | Investment Trust             | 1,788    |
| Total due to other governmental funds |                              | \$ 4,773 |
| Total Due To/From Other Funds         |                              | \$ 8,521 |

**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 | \$ 56,250         |
| Road and Bridge                    | Health Reimbursement Employee Benefit Trust | 11,250            |
| Social Services                    | Health Reimbursement Employee Benefit Trust | 26,250            |
| Other governmental funds           | Health Reimbursement Employee Benefit Trust | 13,750            |
| Total Advances To/From Other Funds |   | <u>\$ 107,500</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, 2016, consisted of the following:

|   |                   |  |
|---|-------------------|--|
| Transfer to General Fund from Social Services Fund      | \$ 450,000        | To provide funding for the courtroom remodel project.              |
| Transfer to Capital Projects Fund from Solid Waste Fund | <u>36,279</u>     | To provide for costs associated with the transfer station project. |
| Total Transfers Between Funds                           | <u>\$ 486,279</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, 2016, were as follows:

|                          | Governmental<br>Activities |
|--------------------------|----------------------------|
| Accounts                 | \$ 615,396                 |
| Salaries                 | 264,197                    |
| Contracts payable        | 1,749,867                  |
| Due to other governments | 533,346                    |
| Total Payables           | \$ 3,162,806               |

2. Construction Commitments

The government has active construction projects as of December 31, 2016.

|                                  | Spent-to-Date | Remaining<br>Commitment |
|----------------------------------|---------------|-------------------------|
| Annex Project                    | \$ 137,508    | \$ 1,319,488            |
| Workforce Center Remodel Project | 167,480       | 109,585                 |

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, 2016, 33 employees had health reimbursement accounts. The County advanced \$107,500 to the Health Reimbursement Employee Benefit Trust Fund as of December 31, 2016.

4. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition for certain equipment and facilities. These lease agreements qualify as capital leases for account purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Payments on these lease agreements are made from the Road and Bridge Fund. These capital leases consist of the following at December 31, 2016:

| Lease                      | Maturity | Installment | Payment<br>Amount | Original   | Balance           |
|----------------------------|----------|-------------|-------------------|------------|-------------------|
| 2016 CAT 316 EL Excavator  | 2021     | Annual      | \$ 36,108         | \$ 203,640 | \$ 167,532        |
| 2016 CAT 938M Wheel Loader | 2021     | Annual      | 30,068            | 169,580    | 139,512           |
| Total Capital Leases       |          |             |                   |            | <u>\$ 307,044</u> |

The future minimum lease obligations and the net present value of these minimum lease obligations as of December 31, 2016, were as follows:

| Year Ending<br>December 31              | Governmental<br>Activities |
|---|----------------------------|
| 2017                                    | \$ 66,177                  |
| 2018                                    | 66,177                     |
| 2019                                    | 66,177                     |
| 2020                                    | 66,177                     |
| 2021                                    | 66,179                     |
| Total minimum lease payments            | \$ 330,887                 |
| Less: amount representing interest      | <u>(23,843)</u>            |
| Present Value of Minimum Lease Payments | <u>\$ 307,044</u>          |

**WADENA COUNTY  
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. 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, 2016</u> |
|-------------------------------------|-----------------------|----------------------------|---------------------------|------------------------------|--|
| General obligation bonds            |                       |                            |                           |                              |  |
| 2015 Solid Waste Bonds              | 2036                  | \$40,000 -<br>\$65,000     | 1.50 -<br>3.75            | <u>\$ 995,000</u>            | \$ 995,000                                   |
| Add: unamortized premium            |                       |                            |                           |                              | <u>10,130</u>                                |
| Total General Obligation Bonds, Net |                       |                            |                           |                              | <u>\$ 1,005,130</u>                          |

6. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

| <u>Year Ending<br/>December 31</u> | <u>General Obligation Bonds</u> |                   |
|------------------------------------|---------------------------------|-------------------|
|                                    | <u>Principal</u>                | <u>Interest</u>   |
| 2017                               | \$ 40,000                       | \$ 27,188         |
| 2018                               | 40,000                          | 26,588            |
| 2019                               | 40,000                          | 25,988            |
| 2020                               | 40,000                          | 25,388            |
| 2021                               | 45,000                          | 24,638            |
| 2022 - 2026                        | 230,000                         | 108,713           |
| 2027 - 2031                        | 260,000                         | 74,138            |
| 2032 - 2036                        | <u>300,000</u>                  | <u>28,669</u>     |
| Total                              | <u>\$ 995,000</u>               | <u>\$ 341,310</u> |



**WADENA COUNTY  
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

Governmental Activities

|                                | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Bonds payable                  |                              |                   |                   |                           |                                |
| General obligation bonds       | \$ 995,000                   | \$ -              | \$ -              | \$ 995,000                | \$ 40,000                      |
| Add: unamortized premium       | 10,661                       | -                 | 531               | 10,130                    | -                              |
| Total bonds payable            | \$ 1,005,661                 | \$ -              | \$ 531            | \$ 1,005,130              | \$ 40,000                      |
| Capital leases                 | -                            | 373,220           | 66,176            | 307,044                   | 59,786                         |
| Compensated absences           | 660,451                      | 329,012           | 370,653           | 618,810                   | 417,244                        |
| Total Long-Term<br>Liabilities | <u>\$ 1,666,112</u>          | <u>\$ 702,232</u> | <u>\$ 437,360</u> | <u>\$ 1,930,984</u>       | <u>\$ 517,030</u>              |

8. 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<br/>Assessments</u> | <u>Grants and<br/>Allotments</u> | <u>Other</u>      | <u>Total</u>        |
|-----------------------------|-------------------|--------------------------------|----------------------------------|-------------------|---------------------|
| Major governmental funds    |                   |                                |                                  |                   |                     |
| General                     | \$ 186,511        | \$ -                           | \$ 107,605                       | \$ 8,110          | \$ 302,226          |
| Road and Bridge             | 45,913            | -                              | 2,389,649                        | 38,291            | 2,473,853           |
| Social Services             | 65,067            | -                              | 41,478                           | 18,842            | 125,387             |
| Nonmajor governmental funds |                   |                                |                                  |                   |                     |
| Public Health Nurse         | 5,765             | -                              | 124,319                          | 115               | 130,199             |
| Solid Waste                 | -                 | 27,945                         | -                                | 55,207            | 83,152              |
| Total                       | <u>\$ 303,256</u> | <u>\$ 27,945</u>               | <u>\$ 2,663,051</u>              | <u>\$ 120,565</u> | <u>\$ 3,114,817</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.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. 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 (accounted for in the 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 (accounted for in the 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 Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive 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. Only Method 2 is used for members hired after June, 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. 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 Plan 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 Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. 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 Plan Basic Plan members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

|   |        |
|---|--------|
| General Employees Retirement Plan             |        |
| Basic Plan members                            | 11.78% |
| Coordinated Plan members                      | 7.50   |
| Minneapolis Employees Retirement Fund members | 9.75   |
| Public Employees Police and Fire Plan         | 16.20  |
| Public Employees Correctional Plan            | 8.75   |

The employee and employer contribution rates did not change from the previous year.

**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, 2016, to the pension plans were:

|                                       |    |         |
|---------------------------------------|----|---------|
| General Employees Retirement Plan     | \$ | 460,017 |
| Public Employees Police and Fire Plan |    | 110,937 |
| Public Employees Correctional Plan    |    | 40,132  |

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$7,737,887 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0953 percent. It was 0.0957 percent measured as of June 30, 2015. The County recognized pension expense of \$1,019,367 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$30,120 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

**WADENA COUNTY  
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

|  |                     |
|--|---------------------|
| County's proportionate share of the net pension liability  | \$ 7,737,887        |
| State of Minnesota's proportionate share of the net pension liability associated with the County | <u>101,013</u>      |
| Total  | <u>\$ 7,838,900</u> |

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience   | \$ -                                 | \$ 629,286                          |
| Changes in actuarial assumptions                              | 1,515,085                            | -                                   |
| Difference between projected and actual investment earnings   | 1,470,154                            | -                                   |
| Changes in proportion   | 66,077                               | 304,757                             |
| Contributions paid to PERA subsequent to the measurement date | <u>251,805</u>                       | <u>-</u>                            |
| Total   | <u>\$ 3,303,121</u>                  | <u>\$ 934,043</u>                   |

A total of \$251,805 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**WADENA COUNTY  
WADENA, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

| <u>Year Ended<br/>December 31</u> | <u>Pension<br/>Expense<br/>Amount</u> |
|-----------------------------------|---------------------------------------|
| 2017                              | \$ 547,618                            |
| 2018                              | 547,618                               |
| 2019                              | 742,532                               |
| 2020                              | 279,505                               |

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$2,929,617 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.073 percent. It was 0.067 percent measured as of June 30, 2015. The County recognized pension expense of \$525,785 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$6,570 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 Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**WADENA COUNTY  
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience   | \$ -                                 | \$ 327,238                          |
| Changes in actuarial assumptions                              | 1,612,296                            | -                                   |
| Difference between projected and actual investment earnings   | 438,172                              | -                                   |
| Changes in proportion   | 85,613                               | -                                   |
| Contributions paid to PERA subsequent to the measurement date | 59,414                               | -                                   |
| Total   | \$ 2,195,495                         | \$ 327,238                          |

The \$59,414 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>December 31 | Pension<br>Expense<br>Amount |
|---------------------------|------------------------------|
| 2017                      | \$ 388,468                   |
| 2018                      | 388,468                      |
| 2019                      | 388,468                      |
| 2020                      | 355,309                      |
| 2021                      | 288,130                      |



**WADENA COUNTY  
WADENA, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of \$876,754 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.24 percent. It was 0.27 percent measured as of June 30, 2015. The County recognized pension expense of \$246,209 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience   | \$ 686                               | \$ 10,654                           |
| Changes in actuarial assumptions                              | 558,598                              | -                                   |
| Difference between projected and actual investment earnings   | 101,406                              | -                                   |
| Changes in proportion   | -                                    | 3,856                               |
| Contributions paid to PERA subsequent to the measurement date | 21,573                               | -                                   |
| Total   | \$ 682,263                           | \$ 14,510                           |

**WADENA COUNTY  
WADENA, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The \$21,573 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended<br/>December 31</u> | <u>Pension<br/>Expense<br/>Amount</u> |
|-----------------------------------|---------------------------------------|
| 2017                              | \$ 207,279                            |
| 2018                              | 207,279                               |
| 2019                              | 212,798                               |
| 2020                              | 18,824                                |

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was \$1,791,361.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

|                              |                       |
|------------------------------|-----------------------|
| Inflation                    | 2.50 percent per year |
| Active member payroll growth | 3.25 percent per year |
| Investment rate of return    | 7.50 percent          |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees, Police and Fire Plan and Public Employees Correctional Plan were based on

**WADENA COUNTY  
WADENA, MINNESOTA**

---

---

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 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<br/>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  |

**WADENA COUNTY  
WADENA, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. 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, the fiduciary net position of the General Employees Retirement Plan 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. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

**WADENA COUNTY  
WADENA, MINNESOTA**

---

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Change in Actuarial Assumptions

General Employees Retirement Plan (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**WADENA COUNTY  
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

8. 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:

|             | Proportionate Share of the           |                          |  |                          |                                       |                          |
|-------------|--------------------------------------|--------------------------|--|--------------------------|---------------------------------------|--------------------------|
|             | General Employees<br>Retirement Plan |                          | Public Employees<br>Police and Fire Plan |                          | Public Employees<br>Correctional Plan |                          |
|             | Discount<br>Rate                     | Net Pension<br>Liability | Discount<br>Rate                         | Net Pension<br>Liability | Discount<br>Rate                      | Net Pension<br>Liability |
| 1% Decrease | 6.50%                                | \$ 10,990,093            | 4.60%                                    | \$ 4,101,075             | 4.31%                                 | \$ 1,320,120             |
| Current     | 7.50                                 | 7,737,887                | 5.60                                     | 2,929,617                | 5.31                                  | 876,754                  |
| 1% Increase | 8.50                                 | 5,058,955                | 6.60                                     | 1,972,447                | 6.31                                  | 530,621                  |

9. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

Three 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, 2016, were:

|                               | Employee | Employer |
|-------------------------------|----------|----------|
| Contribution amount           | \$ 3,620 | \$ 3,620 |
| 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         |    | 17,967          |
| Adjustment to ARC                       |    | <u>(25,701)</u> |
| Annual OPEB cost (expense)              | \$ | 123,539         |
| Contributions made                      |    | <u>(82,532)</u> |
| Increase in net OPEB obligation         | \$ | 41,007          |
| Net OPEB Obligation - Beginning of Year |    | <u>399,277</u>  |
| Net OPEB Obligation - End of Year       | \$ | <u>440,284</u>  |

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, 2014, 2015, and 2016, were as follows:

| Fiscal Year-End   | Annual<br>OPEB Cost | Employer<br>Contribution | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------------|---------------------|--------------------------|---|------------------------|
| December 31, 2014 | \$ 125,793          | \$ 68,919                | 54.8%   | \$ 358,734             |
| December 31, 2015 | 124,582             | 84,039                   | 67.5  | 399,277                |
| December 31, 2016 | 123,539             | 82,532                   | 66.8  | 440,284                |



**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, 2016, was 21 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 \$500,000 per claim in 2016 and in 2017. 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, Mahnomen, 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, Douglas, Grant, Otter Tail, Pope, and Wadena Counties, and the Cities of Alexandria, Fargo, Fergus Falls, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders.

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 2016.

Separate financial information can be obtained from:

Douglas County Courthouse  
305 - 8th Avenue West  
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 2016, 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, 2016, was \$1,320,291. 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)

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, Meecker, 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 North  
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 \$90,840 to the Library for the year ended December 31, 2016.

Separate financial information can be obtained from:

Kitchigami Regional Library  
P. O. Box 84  
Pine River, Minnesota 56474  
[www.krls.org](http://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. During the year, Wadena County did not make any payments to the Minnesota Counties Computer Cooperative.

**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 2016.

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.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Redwood, Roseau, Stevens, Todd, Traverse, and Wadena Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. The County's responsibility does not extend beyond making this appointment.

This page was left blank intentionally.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                 | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
|                                 | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>                 |                         |                     |                           |                                       |
| Taxes                           | \$ 5,410,032            | \$ 5,410,032        | \$ 5,058,699              | \$ (351,333)                          |
| Licenses and permits            | 51,510                  | 51,510              | 58,238                    | 6,728                                 |
| Intergovernmental               | 1,066,027               | 1,066,948           | 1,322,656                 | 255,708                               |
| Charges for services            | 262,766                 | 262,766             | 314,217                   | 51,451                                |
| Fines and forfeits              | 15,000                  | 15,000              | 22,642                    | 7,642                                 |
| Investment earnings             | 84,150                  | 84,150              | 133,169                   | 49,019                                |
| Miscellaneous                   | 177,358                 | 177,358             | 576,088                   | 398,730                               |
| <b>Total Revenues</b>           | <b>\$ 7,066,843</b>     | <b>\$ 7,067,764</b> | <b>\$ 7,485,709</b>       | <b>\$ 417,945</b>                     |
| <b>Expenditures</b>             |                         |                     |                           |                                       |
| <b>Current</b>                  |                         |                     |                           |                                       |
| <b>General government</b>       |                         |                     |                           |                                       |
| Commissioners                   | \$ 169,525              | \$ 169,525          | \$ 181,791                | \$ (12,266)                           |
| MCIT dividends                  | -                       | -                   | 840                       | (840)                                 |
| Law library                     | 25,000                  | 25,000              | 22,334                    | 2,666                                 |
| County coordinator              | 154,777                 | 154,777             | 221,707                   | (66,930)                              |
| County auditor/treasurer        | 727,847                 | 727,847             | 643,185                   | 84,662                                |
| Data processing                 | 445,648                 | 445,648             | 384,819                   | 60,829                                |
| Central services                | 63,500                  | 63,500              | 71,371                    | (7,871)                               |
| Elections                       | 62,505                  | 62,505              | 50,688                    | 11,817                                |
| Voter registration              | 1,000                   | 1,000               | 235                       | 765                                   |
| HAVA grant - elections          | 7,500                   | 7,500               | 8,642                     | (1,142)                               |
| County attorney                 | 439,737                 | 439,737             | 428,090                   | 11,647                                |
| Court-appointed attorney        | 67,500                  | 67,500              | 50,270                    | 17,230                                |
| County recorder                 | 261,479                 | 261,479             | 231,839                   | 29,640                                |
| County assessor                 | 440,313                 | 440,313             | 434,721                   | 5,592                                 |
| Planning and zoning             | 167,534                 | 167,534             | 183,697                   | (16,163)                              |
| GIS and GPS                     | 85,562                  | 85,562              | 87,243                    | (1,681)                               |
| Building and plant              | 562,032                 | 562,032             | 1,108,983                 | (546,951)                             |
| Veteran services                | 76,456                  | 76,456              | 83,241                    | (6,785)                               |
| Other general government        | 446,620                 | 446,620             | 342,316                   | 104,304                               |
| <b>Total general government</b> | <b>\$ 4,204,535</b>     | <b>\$ 4,204,535</b> | <b>\$ 4,536,012</b>       | <b>\$ (331,477)</b>                   |

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Expenditures</b>                            |                         |                     |                           |                                       |
| <b>Current (Continued)</b>                     |                         |                     |                           |                                       |
| <b>Public safety</b>                           |                         |                     |                           |                                       |
| 911 enhancement                                | \$ 37,978               | \$ 37,978           | \$ 43,044                 | \$ (5,066)                            |
| County sheriff                                 | 1,718,970               | 1,719,539           | 1,748,979                 | (29,440)                              |
| Boat and water safety enforcement              | 3,894                   | 3,901               | 4,985                     | (1,084)                               |
| Coroner  | 35,000                  | 35,000              | 33,000                    | 2,000                                 |
| Snowmobile safety/safety officer               | 7,390                   | 8,304               | 4,579                     | 3,725                                 |
| Forfeiture funds - sheriff                     | -                       | -                   | 12,440                    | (12,440)                              |
| ATV grant                                      | 5,496                   | 5,496               | 4,399                     | 1,097                                 |
| Safe and sober                                 | -                       | -                   | 28,552                    | (28,552)                              |
| Jail/800 MHz radio                             | 245,142                 | 245,142             | 300,613                   | (55,471)                              |
| Corrections                                    | 175,003                 | 175,003             | 226,041                   | (51,038)                              |
| Civil defense/emergency services               | 83,625                  | 83,625              | 69,706                    | 13,919                                |
| <b>Total public safety</b>                     | <b>\$ 2,312,498</b>     | <b>\$ 2,313,988</b> | <b>\$ 2,476,338</b>       | <b>\$ (162,350)</b>                   |
| <b>Health</b>                                  |                         |                     |                           |                                       |
| Wellness program                               | \$ -                    | \$ -                | \$ 2,648                  | \$ (2,648)                            |
| <b>Culture and recreation</b>                  |                         |                     |                           |                                       |
| County parks                                   | \$ 46,331               | \$ 46,331           | \$ 150,671                | \$ (104,340)                          |
| Ag society                                     | 31,890                  | 31,890              | 24,440                    | 7,450                                 |
| Snowmobile grants                              | 80,000                  | 80,000              | 32,209                    | 47,791                                |
| Humane society                                 | 4,500                   | 4,500               | 4,500                     | -                                     |
| Kitchigami library                             | 90,840                  | 90,840              | 90,840                    | -                                     |
| Historical society                             | 8,000                   | 8,000               | 8,000                     | -                                     |
| <b>Total culture and recreation</b>            | <b>\$ 261,561</b>       | <b>\$ 261,561</b>   | <b>\$ 310,660</b>         | <b>\$ (49,099)</b>                    |
| <b>Conservation of natural resources</b>       |                         |                     |                           |                                       |
| Soil and water conservation                    | \$ 82,027               | \$ 82,027           | \$ 173,118                | \$ (91,091)                           |
| County extension                               | 155,140                 | 155,140             | 160,283                   | (5,143)                               |
| Tree planting                                  | 7,000                   | 7,000               | 744                       | 6,256                                 |
| <b>Total conservation of natural resources</b> | <b>\$ 244,167</b>       | <b>\$ 244,167</b>   | <b>\$ 334,145</b>         | <b>\$ (89,978)</b>                    |
| <b>Economic development</b>                    |                         |                     |                           |                                       |
| West Central EDA                               | \$ 35,000               | \$ 35,000           | \$ 30,000                 | \$ 5,000                              |
| <b>Total Expenditures</b>                      | <b>\$ 7,057,761</b>     | <b>\$ 7,059,251</b> | <b>\$ 7,689,803</b>       | <b>\$ (630,552)</b>                   |



**WADENA COUNTY  
WADENA, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ 9,082</b>         | <b>\$ 8,513</b>     | <b>\$ (204,094)</b>       | <b>\$ (212,607)</b>                   |
| <b>Other Financing Sources (Uses)</b>                   |                         |                     |                           |                                       |
| Transfers in  | \$ -                    | \$ -                | \$ 450,000                | \$ 450,000                            |
| Transfers out   | (10,000)                | (10,000)            | -                         | 10,000                                |
| <b>Total Other Financing Sources<br/>(Uses)</b>         | <b>\$ (10,000)</b>      | <b>\$ (10,000)</b>  | <b>\$ 450,000</b>         | <b>\$ 460,000</b>                     |
| <b>Net Change in Fund Balance</b>                       | <b>\$ (918)</b>         | <b>\$ (1,487)</b>   | <b>\$ 245,906</b>         | <b>\$ 247,393</b>                     |
| <b>Fund Balance - January 1</b>                         | <b>4,587,959</b>        | <b>4,587,959</b>    | <b>4,587,959</b>          | <b>-</b>                              |
| <b>Fund Balance - December 31</b>                       | <b>\$ 4,587,041</b>     | <b>\$ 4,586,472</b> | <b>\$ 4,833,865</b>       | <b>\$ 247,393</b>                     |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>   |                         |                     |                           |                                       |
| Taxes   | \$ 1,899,592            | \$ 1,899,592        | \$ 1,782,077              | \$ (117,515)                          |
| Intergovernmental                                       | 3,960,452               | 3,960,452           | 4,195,078                 | 234,626                               |
| Miscellaneous   | 41,000                  | 41,000              | 87,619                    | 46,619                                |
| <b>Total Revenues</b>                                   | <b>\$ 5,901,044</b>     | <b>\$ 5,901,044</b> | <b>\$ 6,064,774</b>       | <b>\$ 163,730</b>                     |
| <b>Expenditures</b>                                     |                         |                     |                           |                                       |
| <b>Current</b>  |                         |                     |                           |                                       |
| <b>Highways and streets</b>                             |                         |                     |                           |                                       |
| Administration  | \$ 367,046              | \$ 367,046          | \$ 387,705                | \$ (20,659)                           |
| Maintenance   | 1,434,937               | 1,434,937           | 1,811,406                 | (376,469)                             |
| Construction  | 3,601,761               | 3,601,761           | 4,720,367                 | (1,118,606)                           |
| Equipment maintenance and shop                          | 298,722                 | 298,722             | 325,255                   | (26,533)                              |
| <b>Total highways and streets</b>                       | <b>\$ 5,702,466</b>     | <b>\$ 5,702,466</b> | <b>\$ 7,244,733</b>       | <b>\$ (1,542,267)</b>                 |
| <b>Intergovernmental</b>                                |                         |                     |                           |                                       |
| Highways and streets                                    | 198,578                 | 198,578             | 206,064                   | (7,486)                               |
| <b>Total Expenditures</b>                               | <b>\$ 5,901,044</b>     | <b>\$ 5,901,044</b> | <b>\$ 7,450,797</b>       | <b>\$ (1,549,753)</b>                 |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ (1,386,023)</b>     | <b>\$ (1,386,023)</b>                 |
| <b>Other Financing Sources</b>                          |                         |                     |                           |                                       |
| Proceeds from capital lease                             | -                       | -                   | 373,220                   | 373,220                               |
| <b>Net Change in Fund Balance</b>                       | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ (1,012,803)</b>     | <b>\$ (1,012,803)</b>                 |
| <b>Fund Balance - January 1</b>                         | <b>9,675,310</b>        | <b>9,675,310</b>    | <b>9,675,310</b>          | <b>-</b>                              |
| <b>Increase (decrease) in inventories</b>               | <b>-</b>                | <b>-</b>            | <b>(39,147)</b>           | <b>(39,147)</b>                       |
| <b>Fund Balance - December 31</b>                       | <b>\$ 9,675,310</b>     | <b>\$ 9,675,310</b> | <b>\$ 8,623,360</b>       | <b>\$ (1,051,950)</b>                 |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>   |                         |                     |                           |                                       |
| Taxes   | \$ 1,767,412            | \$ 1,767,412        | \$ 1,649,857              | \$ (117,555)                          |
| Intergovernmental                                       | 3,054,566               | 3,054,566           | 3,306,989                 | 252,423                               |
| Charges for services                                    | -                       | -                   | 60                        | 60                                    |
| Miscellaneous   | 1,275,217               | 1,275,217           | 1,168,473                 | (106,744)                             |
| <b>Total Revenues</b>                                   | <b>\$ 6,097,195</b>     | <b>\$ 6,097,195</b> | <b>\$ 6,125,379</b>       | <b>\$ 28,184</b>                      |
| <b>Expenditures</b>                                     |                         |                     |                           |                                       |
| <b>Current</b>  |                         |                     |                           |                                       |
| <b>Human services</b>                                   |                         |                     |                           |                                       |
| Income maintenance                                      | \$ 1,688,530            | \$ 1,688,530        | \$ 1,773,266              | \$ (84,736)                           |
| Social services   | 4,508,665               | 4,508,665           | 4,530,106                 | (21,441)                              |
| <b>Total Expenditures</b>                               | <b>\$ 6,197,195</b>     | <b>\$ 6,197,195</b> | <b>\$ 6,303,372</b>       | <b>\$ (106,177)</b>                   |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ (100,000)</b>     | <b>\$ (100,000)</b> | <b>\$ (177,993)</b>       | <b>\$ (77,993)</b>                    |
| <b>Other Financing Sources (Uses)</b>                   |                         |                     |                           |                                       |
| Transfers out   | -                       | -                   | (450,000)                 | (450,000)                             |
| <b>Net Change in Fund Balance</b>                       | <b>\$ (100,000)</b>     | <b>\$ (100,000)</b> | <b>\$ (627,993)</b>       | <b>\$ (527,993)</b>                   |
| <b>Fund Balance - January 1</b>                         | <b>4,080,263</b>        | <b>4,080,263</b>    | <b>4,080,263</b>          | <b>-</b>                              |
| <b>Fund Balance - December 31</b>                       | <b>\$ 3,980,263</b>     | <b>\$ 3,980,263</b> | <b>\$ 3,452,270</b>       | <b>\$ (527,993)</b>                   |

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT A-4**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2016**

| <u>Actuarial<br/>Valuation Date</u> | <u>Actuarial<br/>Value of<br/>Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(b)</u> | <u>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(UAAL)<br/>(b - a)</u> | <u>Funded<br/>Ratio<br/>(a/b)</u> | <u>Covered<br/>Payroll<br/>(c)</u> | <u>UAAL as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>((b - a)/c)</u> |
|-------------------------------------|--|--|--|-----------------------------------|------------------------------------|--|
| January 1, 2008                     | \$ -   | \$ 744,542   | \$ 744,542   | 0.00%                             | \$ 5,568,072                       | 13.4%  |
| January 1, 2011                     | -  | 875,558  | 875,558  | 0.00                              | 6,057,882                          | 14.5   |
| January 1, 2014                     | -  | 845,957  | 845,957  | 0.00                              | 6,500,815                          | 13.0   |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT A-5*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2016**

| <b>Measurement<br/>Date</b> | <b>Employer's<br/>Proportion<br/>of the Net<br/>Pension<br/>Liability<br/>(Asset)</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability<br/>(Asset)<br/>(a)</b> | <b>State's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability<br/>Associated<br/>with Wadena<br/>County<br/>(b)</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability and<br/>the State's<br/>Related<br/>Share of the<br/>Net Pension<br/>Liability<br/>(Asset)<br/>(a + b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>Net Pension<br/>Liability<br/>(Asset) as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>(a/c)</b> | <b>Plan<br/>Fiduciary<br/>Net Position<br/>as a<br/>Percentage<br/>of the Total<br/>Pension<br/>Liability</b> |
|-----------------------------|---|--|---|---|------------------------------------|---|---|
| 2016                        | 0.0953%   | \$ 7,737,887   | \$ 101,013  | \$ 7,838,900  | \$ 4,069,740                       | 190.13%   | 68.91%  |
| 2015                        | 0.0957  | 4,959,671  | N/A   | 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.  
N/A - Not Applicable

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2016**

| <b>Year<br/>Ending</b> | <b>Statutorily<br/>Required<br/>Contributions<br/>(a)</b> | <b>Actual<br/>Contributions<br/>in Relation to<br/>Statutorily<br/>Required<br/>Contributions<br/>(b)</b> | <b>Contribution<br/>(Deficiency)<br/>Excess<br/>(b - a)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>Actual<br/>Contributions<br/>as a Percentage<br/>of Covered<br/>Payroll<br/>(b/c)</b> |
|------------------------|---|---|---|------------------------------------|--|
| 2016                   | \$ 460,017  | \$ 460,017  | \$ -  | \$ 6,133,569                       | 7.50%  |
| 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 PLAN  
DECEMBER 31, 2016**

| Measurement<br>Date | Employer's<br>Proportion<br>of the Net<br>Pension<br>Liability<br>(Asset) | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset)<br>(a) | Covered<br>Payroll<br>(b) | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>as a Percentage of<br>Covered Payroll<br>(a/b) | Plan Fiduciary<br>Net Position<br>as a Percentage<br>of the Total<br>Pension Liability |
|---------------------|---|---|---------------------------|---|--|
| 2016                | 0.073%  | \$ 2,929,617  | \$ 706,982                | 414.38%   | 63.88%   |
| 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 PLAN  
DECEMBER 31, 2016**

| Year<br>Ending | Statutorily<br>Required<br>Contributions<br>(a) | Actual<br>Contributions<br>in Relation to<br>Statutorily<br>Required<br>Contributions<br>(b) | Contribution<br>(Deficiency)<br>Excess<br>(b - a) | Covered<br>Payroll<br>(c) | Actual<br>Contributions<br>as a Percentage<br>of Covered<br>Payroll<br>(b/c) |
|----------------|---|--|---|---------------------------|--|
| 2016           | \$ 110,937                                      | \$ 110,937   | \$ -  | \$ 684,797                | 16.20%   |
| 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 PLAN  
DECEMBER 31, 2016**

| Measurement<br>Date | Employer's<br>Proportion<br>of the Net<br>Pension<br>Liability<br>(Asset) | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset)<br>(a) | Covered<br>Payroll<br>(b) | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>as a Percentage of<br>Covered Payroll<br>(a/b) | Plan Fiduciary<br>Net Position<br>as a Percentage<br>of the Total<br>Pension Liability |
|---------------------|---|---|---------------------------|---|--|
| 2016                | 0.240%  | \$ 876,754  | \$ 447,194                | 196.06%   | 58.16%   |
| 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 PLAN  
DECEMBER 31, 2016**

| Year<br>Ending | Statutorily<br>Required<br>Contributions<br>(a) | Actual<br>Contributions<br>in Relation to<br>Statutorily<br>Required<br>Contributions<br>(b) | Contribution<br>(Deficiency)<br>Excess<br>(b - a) | Covered<br>Payroll<br>(c) | Actual<br>Contributions<br>as a Percentage<br>of Covered<br>Payroll<br>(b/c) |
|----------------|---|--|---|---------------------------|--|
| 2016           | \$ 40,132                                       | \$ 40,132  | \$ -  | \$ 458,656                | 8.75%  |
| 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.



**WADENA COUNTY  
WADENA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

---

---

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 Road and Bridge Special Revenue Fund.

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2016.

|                                      | <u>Expenditures</u> | <u>Budget</u> | <u>Excess</u> |
|--------------------------------------|---------------------|---------------|---------------|
| General Fund                         | \$ 7,689,803        | \$ 7,059,251  | \$ 630,552    |
| Road and Bridge Special Revenue Fund | 7,450,797           | 5,901,044     | 1,549,753     |
| Social Services Special Revenue Fund | 6,303,372           | 6,197,195     | 106,177       |

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.

**WADENA COUNTY  
WADENA, MINNESOTA**

---

---

3. Other Postemployment Benefits Funded Status (Continued)

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.

4. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2014

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated to reflect the projection of 2000 rates to 2014 based on scale BB.

5. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016.

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**WADENA COUNTY  
WADENA, MINNESOTA**

---

---

5. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

This page was left blank intentionally.

**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**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.

This page was left blank intentionally.



**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

|   | <b>Special Revenue<br/>(Exhibit C-1)</b> | <b>Capital Projects</b> | <b>Total<br/>(Exhibit 3)</b> |
|---|--|-------------------------|------------------------------|
| <b><u>Assets</u></b>  |  |                         |                              |
| Cash and pooled investments   | \$ 1,703,552                             | \$ -                    | \$ 1,703,552                 |
| Petty cash and change funds   | 390                                      | -                       | 390                          |
| Undistributed cash in agency funds  | 15,374                                   | -                       | 15,374                       |
| Taxes receivable - delinquent   | 7,389                                    | -                       | 7,389                        |
| Special assessments receivable - delinquent                                     | 33,729                                   | -                       | 33,729                       |
| Accounts receivable   | 122,860                                  | -                       | 122,860                      |
| Accrued interest receivable   | 94                                       | -                       | 94                           |
| Due from other funds  | 4,773                                    | -                       | 4,773                        |
| Due from other governments  | 268,113                                  | -                       | 268,113                      |
| Advance to other funds  | 13,750                                   | -                       | 13,750                       |
|   | <b>\$ 2,170,024</b>                      | <b>\$ -</b>             | <b>\$ 2,170,024</b>          |
| <br><b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> |  |                         |                              |
| <b>Liabilities</b>  |  |                         |                              |
| Accounts payable  | \$ 54,946                                | \$ -                    | \$ 54,946                    |
| Salaries payable  | 47,296                                   | -                       | 47,296                       |
| Due to other funds  | 561                                      | -                       | 561                          |
| Due to other governments  | 65,818                                   | -                       | 65,818                       |
|   | <b>\$ 168,621</b>                        | <b>\$ -</b>             | <b>\$ 168,621</b>            |
| <br><b>Deferred Inflows of Resources</b>  |  |                         |                              |
| Unavailable revenue   | <b>\$ 213,351</b>                        | <b>\$ -</b>             | <b>\$ 213,351</b>            |
| <br><b>Fund Balances</b>  |  |                         |                              |
| Nonspendable  |  |                         |                              |
| Advances to other funds   | \$ 13,750                                | \$ -                    | \$ 13,750                    |
| Committed   |  |                         |                              |
| Solid waste   | 50,000                                   | -                       | 50,000                       |
| Assigned  |  |                         |                              |
| Solid waste   | 797,546                                  | -                       | 797,546                      |
| Transit   | 189,096                                  | -                       | 189,096                      |
| Public health   | 737,660                                  | -                       | 737,660                      |
|   | <b>\$ 1,788,052</b>                      | <b>\$ -</b>             | <b>\$ 1,788,052</b>          |
| <b>Total Fund Balances</b>  | <b>\$ 1,788,052</b>                      | <b>\$ -</b>             | <b>\$ 1,788,052</b>          |
| <br><b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>  | <b>\$ 2,170,024</b>                      | <b>\$ -</b>             | <b>\$ 2,170,024</b>          |

**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, 2016**

|   | <b>Special Revenue<br/>(Exhibit C-2)</b> | <b>Capital Projects</b> | <b>Total<br/>(Exhibit 5)</b> |
|---|--|-------------------------|------------------------------|
| <b>Revenues</b>   |  |                         |                              |
| Taxes   | \$ 199,004                               | \$ -                    | \$ 199,004                   |
| Special assessments                                     | 424,411                                  | -                       | 424,411                      |
| Licenses and permits                                    | 28,656                                   | -                       | 28,656                       |
| Intergovernmental                                       | 1,584,217                                | -                       | 1,584,217                    |
| Charges for services                                    | 998,091                                  | -                       | 998,091                      |
| Investment earnings                                     | 712                                      | -                       | 712                          |
| Miscellaneous   | 75,854                                   | -                       | 75,854                       |
|   | <b>\$ 3,310,945</b>                      | <b>\$ -</b>             | <b>\$ 3,310,945</b>          |
| <b>Expenditures</b>                                     |  |                         |                              |
| <b>Current</b>  |  |                         |                              |
| Sanitation  | \$ 1,277,240                             | \$ 135,844              | \$ 1,413,084                 |
| Human services  | 807,861                                  | -                       | 807,861                      |
| Health  | 1,165,790                                | -                       | 1,165,790                    |
| <b>Debt service</b>                                     |  |                         |                              |
| Interest  | 14,194                                   | 16,569                  | 30,763                       |
|   | <b>\$ 3,265,085</b>                      | <b>\$ 152,413</b>       | <b>\$ 3,417,498</b>          |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ 45,860</b>                         | <b>\$ (152,413)</b>     | <b>\$ (106,553)</b>          |
| <b>Other Financing Sources (Uses)</b>                   |  |                         |                              |
| Transfers in  | \$ -                                     | \$ 36,279               | \$ 36,279                    |
| Transfers out   | (36,279)                                 | -                       | (36,279)                     |
|   | <b>\$ (36,279)</b>                       | <b>\$ 36,279</b>        | <b>\$ -</b>                  |
| <b>Net Change in Fund Balance</b>                       | <b>\$ 9,581</b>                          | <b>\$ (116,134)</b>     | <b>\$ (106,553)</b>          |
| <b>Fund Balance - January 1</b>                         | <b>1,778,471</b>                         | <b>116,134</b>          | <b>1,894,605</b>             |
| <b>Fund Balance - December 31</b>                       | <b>\$ 1,788,052</b>                      | <b>\$ -</b>             | <b>\$ 1,788,052</b>          |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT C-1*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2016**

|   | <u>Public<br/>Health Nurse</u> | <u>Transit</u>    | <u>Solid<br/>Waste</u> | <u>Total<br/>(Exhibit B-1)</u> |
|---|--------------------------------|-------------------|------------------------|--------------------------------|
| <b><u>Assets</u></b>  |                                |                   |                        |                                |
| Cash and pooled investments   | \$ 635,825                     | \$ 202,530        | \$ 865,197             | \$ 1,703,552                   |
| Petty cash and change funds   | 40                             | 100               | 250                    | 390                            |
| Undistributed cash in agency funds  | 3,159                          | -                 | 12,215                 | 15,374                         |
| Taxes receivable - delinquent   | 7,389                          | -                 | -                      | 7,389                          |
| Special assessments receivable - delinquent                                 | -                              | -                 | 33,729                 | 33,729                         |
| Accounts receivable   | 580                            | 16,796            | 105,484                | 122,860                        |
| Accrued interest receivable   | -                              | 94                | -                      | 94                             |
| Due from other funds  | 1,788                          | 51                | 2,934                  | 4,773                          |
| Due from other governments  | 262,890                        | 1,837             | 3,386                  | 268,113                        |
| Advance to other funds  | 7,500                          | 2,500             | 3,750                  | 13,750                         |
| <b>Total Assets</b>   | <b>\$ 919,171</b>              | <b>\$ 223,908</b> | <b>\$ 1,026,945</b>    | <b>\$ 2,170,024</b>            |
| <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> |                                |                   |                        |                                |
| <b>Liabilities</b>  |                                |                   |                        |                                |
| Accounts payable  | \$ 12,762                      | \$ 18,127         | \$ 24,057              | \$ 54,946                      |
| Salaries payable  | 29,330                         | 13,643            | 4,323                  | 47,296                         |
| Due to other funds  | -                              | 320               | 241                    | 561                            |
| Due to other governments  | 1,720                          | 222               | 63,876                 | 65,818                         |
| <b>Total Liabilities</b>  | <b>\$ 43,812</b>               | <b>\$ 32,312</b>  | <b>\$ 92,497</b>       | <b>\$ 168,621</b>              |
| <b>Deferred Inflows of Resources</b>  |                                |                   |                        |                                |
| Unavailable revenue   | \$ 130,199                     | \$ -              | \$ 83,152              | \$ 213,351                     |
| <b>Fund Balances</b>  |                                |                   |                        |                                |
| Nonspendable  |                                |                   |                        |                                |
| Advances to other funds   | \$ 7,500                       | \$ 2,500          | \$ 3,750               | \$ 13,750                      |
| Committed   |                                |                   |                        |                                |
| Solid waste   | -                              | -                 | 50,000                 | 50,000                         |
| Assigned  |                                |                   |                        |                                |
| Solid waste   | -                              | -                 | 797,546                | 797,546                        |
| Transit   | -                              | 189,096           | -                      | 189,096                        |
| Public health   | 737,660                        | -                 | -                      | 737,660                        |
| <b>Total Fund Balances</b>  | <b>\$ 745,160</b>              | <b>\$ 191,596</b> | <b>\$ 851,296</b>      | <b>\$ 1,788,052</b>            |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>  | <b>\$ 919,171</b>              | <b>\$ 223,908</b> | <b>\$ 1,026,945</b>    | <b>\$ 2,170,024</b>            |

**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, 2016**

|   | <u>Public<br/>Health Nurse</u> | <u>Transit</u>    | <u>Solid<br/>Waste</u> | <u>Total<br/>(Exhibit B-2)</u> |
|---|--------------------------------|-------------------|------------------------|--------------------------------|
| <b>Revenues</b>   |                                |                   |                        |                                |
| Taxes   | \$ 199,004                     | \$ -              | \$ -                   | \$ 199,004                     |
| Special assessments                                     | -                              | -                 | 424,411                | 424,411                        |
| Licenses and permits                                    | 28,631                         | -                 | 25                     | 28,656                         |
| Intergovernmental                                       | 718,149                        | 797,358           | 68,710                 | 1,584,217                      |
| Charges for services                                    | 206,314                        | 123,789           | 667,988                | 998,091                        |
| Investment earnings                                     | -                              | 712               | -                      | 712                            |
| Miscellaneous   | 46,675                         | -                 | 29,179                 | 75,854                         |
| <b>Total Revenues</b>                                   | <b>\$ 1,198,773</b>            | <b>\$ 921,859</b> | <b>\$ 1,190,313</b>    | <b>\$ 3,310,945</b>            |
| <b>Expenditures</b>                                     |                                |                   |                        |                                |
| <b>Current</b>  |                                |                   |                        |                                |
| Sanitation  | \$ -                           | \$ -              | \$ 1,277,240           | \$ 1,277,240                   |
| Human services  | -                              | 807,861           | -                      | 807,861                        |
| Health  | 1,165,790                      | -                 | -                      | 1,165,790                      |
| <b>Debt service</b>                                     |                                |                   |                        |                                |
| Interest  | -                              | -                 | 14,194                 | 14,194                         |
| <b>Total Expenditures</b>                               | <b>\$ 1,165,790</b>            | <b>\$ 807,861</b> | <b>\$ 1,291,434</b>    | <b>\$ 3,265,085</b>            |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ 32,983</b>               | <b>\$ 113,998</b> | <b>\$ (101,121)</b>    | <b>\$ 45,860</b>               |
| <b>Other Financing Sources (Uses)</b>                   |                                |                   |                        |                                |
| Transfers out   | -                              | -                 | (36,279)               | (36,279)                       |
| <b>Net Change in Fund Balance</b>                       | <b>\$ 32,983</b>               | <b>\$ 113,998</b> | <b>\$ (137,400)</b>    | <b>\$ 9,581</b>                |
| <b>Fund Balance - January 1</b>                         | <b>712,177</b>                 | <b>77,598</b>     | <b>988,696</b>         | <b>1,778,471</b>               |
| <b>Fund Balance - December 31</b>                       | <b>\$ 745,160</b>              | <b>\$ 191,596</b> | <b>\$ 851,296</b>      | <b>\$ 1,788,052</b>            |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>                   |                         |                     |                           |                                       |
| Taxes                             | \$ 207,110              | \$ 207,110          | \$ 199,004                | \$ (8,106)                            |
| Licenses and permits              | 27,000                  | 27,000              | 28,631                    | 1,631                                 |
| Intergovernmental                 | 636,926                 | 636,926             | 718,149                   | 81,223                                |
| Charges for services              | 278,270                 | 278,270             | 206,314                   | (71,956)                              |
| Miscellaneous                     | 39,225                  | 39,225              | 46,675                    | 7,450                                 |
| <b>Total Revenues</b>             | <b>\$ 1,188,531</b>     | <b>\$ 1,188,531</b> | <b>\$ 1,198,773</b>       | <b>\$ 10,242</b>                      |
| <b>Expenditures</b>               |                         |                     |                           |                                       |
| <b>Current</b>                    |                         |                     |                           |                                       |
| <b>Health</b>                     |                         |                     |                           |                                       |
| Nursing service                   | 1,188,531               | 1,188,531           | 1,165,790                 | 22,741                                |
| <b>Net Change in Fund Balance</b> | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ 32,983</b>          | <b>\$ 32,983</b>                      |
| <b>Fund Balance - January 1</b>   | <b>712,177</b>          | <b>712,177</b>      | <b>712,177</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 712,177</b>       | <b>\$ 712,177</b>   | <b>\$ 745,160</b>         | <b>\$ 32,983</b>                      |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
TRANSIT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|                                   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>                   |                         |                   |                           |                                       |
| Intergovernmental                 | \$ 476,674              | \$ 476,674        | \$ 797,358                | \$ 320,684                            |
| Charges for services              | 74,000                  | 74,000            | 123,789                   | 49,789                                |
| Investment earnings               | -                       | -                 | 712                       | 712                                   |
| Miscellaneous                     | 15,000                  | 15,000            | -                         | (15,000)                              |
| <b>Total Revenues</b>             | <b>\$ 565,674</b>       | <b>\$ 565,674</b> | <b>\$ 921,859</b>         | <b>\$ 356,185</b>                     |
| <b>Expenditures</b>               |                         |                   |                           |                                       |
| <b>Current</b>                    |                         |                   |                           |                                       |
| <b>Human services</b>             |                         |                   |                           |                                       |
| Transportation                    | 557,523                 | 557,523           | 807,861                   | (250,338)                             |
| <b>Net Change in Fund Balance</b> | <b>\$ 8,151</b>         | <b>\$ 8,151</b>   | <b>\$ 113,998</b>         | <b>\$ 105,847</b>                     |
| <b>Fund Balance - January 1</b>   | <b>77,598</b>           | <b>77,598</b>     | <b>77,598</b>             | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 85,749</b>        | <b>\$ 85,749</b>  | <b>\$ 191,596</b>         | <b>\$ 105,847</b>                     |

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT C-5*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>   |                         |                     |                           |                                       |
| Special assessments                                     | \$ 420,000              | \$ 420,000          | \$ 424,411                | \$ 4,411                              |
| Licenses and permits                                    | 350                     | 350                 | 25                        | (325)                                 |
| Intergovernmental                                       | 71,655                  | 71,655              | 68,710                    | (2,945)                               |
| Charges for services                                    | 650,850                 | 650,850             | 667,988                   | 17,138                                |
| Miscellaneous   | 42,400                  | 42,400              | 29,179                    | (13,221)                              |
| <b>Total Revenues</b>                                   | <b>\$ 1,185,255</b>     | <b>\$ 1,185,255</b> | <b>\$ 1,190,313</b>       | <b>\$ 5,058</b>                       |
| <b>Expenditures</b>                                     |                         |                     |                           |                                       |
| <b>Current</b>  |                         |                     |                           |                                       |
| Sanitation  | \$ 1,201,249            | \$ 1,201,249        | \$ 1,277,240              | \$ (75,991)                           |
| <b>Debt service</b>                                     |                         |                     |                           |                                       |
| Interest  | 30,315                  | 30,315              | 14,194                    | 16,121                                |
| <b>Total Expenditures</b>                               | <b>\$ 1,231,564</b>     | <b>\$ 1,231,564</b> | <b>\$ 1,291,434</b>       | <b>\$ (59,870)</b>                    |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ (46,309)</b>      | <b>\$ (46,309)</b>  | <b>\$ (101,121)</b>       | <b>\$ (54,812)</b>                    |
| <b>Other Financing Sources (Uses)</b>                   |                         |                     |                           |                                       |
| Transfers out   | -                       | -                   | (36,279)                  | (36,279)                              |
| <b>Net Change in Fund Balance</b>                       | <b>\$ (46,309)</b>      | <b>\$ (46,309)</b>  | <b>\$ (137,400)</b>       | <b>\$ (91,091)</b>                    |
| <b>Fund Balance - January 1</b>                         | <b>988,696</b>          | <b>988,696</b>      | <b>988,696</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b>                       | <b>\$ 942,387</b>       | <b>\$ 942,387</b>   | <b>\$ 851,296</b>         | <b>\$ (91,091)</b>                    |

This page was left blank intentionally.



**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.

This page was left blank intentionally.

**WADENA COUNTY  
WADENA, MINNESOTA**

*EXHIBIT D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <b>Balance<br/>January 1</b> | <b>Additions</b> | <b>Deductions</b> | <b>Balance<br/>December 31</b> |
|--|------------------------------|------------------|-------------------|--------------------------------|
| <b><u>GOVERNMENTAL</u></b>               |                              |                  |                   |                                |
| <b><u>Assets</u></b>                     |                              |                  |                   |                                |
| Cash and pooled investments              | \$ 7,949                     | \$ 71,528        | \$ 75,059         | \$ 4,418                       |
| <b><u>Liabilities</u></b>                |                              |                  |                   |                                |
| Due to other governments                 | \$ 7,949                     | \$ 71,528        | \$ 75,059         | \$ 4,418                       |
| <br><b><u>TAXES AND PENALTIES</u></b>    |                              |                  |                   |                                |
| <b><u>Assets</u></b>                     |                              |                  |                   |                                |
| Cash and pooled investments              | \$ 133,209                   | \$ 17,853,232    | \$ 17,822,424     | \$ 164,017                     |
| <b><u>Liabilities</u></b>                |                              |                  |                   |                                |
| Due to other governments                 | \$ 133,209                   | \$ 17,853,232    | \$ 17,822,424     | \$ 164,017                     |
| <br><b><u>TOTAL ALL AGENCY FUNDS</u></b> |                              |                  |                   |                                |
| <b><u>Assets</u></b>                     |                              |                  |                   |                                |
| Cash and pooled investments              | \$ 141,158                   | \$ 17,924,760    | \$ 17,897,483     | \$ 168,435                     |
| <b><u>Liabilities</u></b>                |                              |                  |                   |                                |
| Due to other governments                 | \$ 141,158                   | \$ 17,924,760    | \$ 17,897,483     | \$ 168,435                     |

This page was left blank intentionally.

## **OTHER SCHEDULES**

This page was left blank intentionally.

**WADENA COUNTY  
WADENA, MINNESOTA**

***EXHIBIT E-1***

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2016**

|  | <u>Number</u> | <u>Interest<br/>Rate (%)</u> | <u>Maturity Dates</u>                 | <u>Fair Value</u>           |
|--|---------------|------------------------------|---------------------------------------|-----------------------------|
| <b>Cash and Pooled Investments</b>     |               |                              |                                       |                             |
| Cash on hand and departmental checking | N/A           | N/A                          | Continuous                            | \$ 2,590                    |
| Checking accounts                      | Two           | 0.10 to 0.15                 | Continuous                            | 1,347,022                   |
| Money market savings                   | Seven         | 0.05 to 0.50                 | Continuous                            | 6,241,563                   |
| MAGIC Fund                             | One           | 0.78                         | Continuous                            | 8,840,539                   |
| Certificates of deposit                | Eighteen      | 0.71 to 1.50                 | January 22, 2016 to<br>April 18, 2020 | <u>4,738,000</u>            |
| <b>Total Deposits and Investments</b>  |               |                              |                                       | <b><u>\$ 21,169,714</u></b> |

**WADENA COUNTY  
WADENA, MINNESOTA**

***EXHIBIT E-2***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Appropriations and Shared Revenue**

**State**

|                              |                |
|------------------------------|----------------|
| Highway users tax            | \$ 2,952,104   |
| County program aid           | 891,245        |
| PERA rate reimbursement      | 20,825         |
| Disparity reduction aid      | 53,186         |
| Police aid                   | 87,512         |
| Aquatic invasive species aid | 39,645         |
| Enhanced 911                 | 86,151         |
| Market value credit          | 243,447        |
|                              | <u>243,447</u> |

**Total shared revenue** **\$ 4,374,115**

**Reimbursement for Services**

**State**

|  |               |
|--|---------------|
| Reimbursement for services - Social Services     | \$ 885,876    |
| Reimbursement for services - Public Health Nurse | 58,346        |
| Reimbursement for services - Transit             | 19,587        |
|  | <u>19,587</u> |

**Total reimbursement for services** **\$ 963,809**

**Payments**

**Local**

|                           |               |
|---------------------------|---------------|
| Local contributions       | \$ 3,693      |
| Payments in lieu of taxes | 79,793        |
|                           | <u>79,793</u> |

**Total payments** **\$ 83,486**

**Grants**

**State**

|  |              |
|--|--------------|
| Minnesota Department/Board of              |              |
| Public Safety                              | \$ 15,198    |
| Transportation                             | 1,553,644    |
| Health                                     | 213,554      |
| Natural Resources                          | 65,091       |
| Human Services                             | 773,014      |
| Water and Soil Resources                   | 81,311       |
| Veterans Affairs                           | 10,000       |
| Pollution Control Agency                   | 80,825       |
| Peace Officer Standards and Training Board | 4,377        |
|  | <u>4,377</u> |

**Total state** **\$ 2,797,014**

**Federal**

|                           |               |
|---------------------------|---------------|
| Department of/Agency      |               |
| Agriculture               | \$ 196,349    |
| Transportation            | 257,617       |
| Education                 | 1,450         |
| Health and Human Services | 1,675,182     |
| Homeland Security         | 59,918        |
|                           | <u>59,918</u> |

**Total federal** **\$ 2,190,516**

**Total state and federal grants** **\$ 4,987,530**

**Total Intergovernmental Revenue** **\$ 10,408,940**



**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT E-3**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Program or Cluster Title</b>   | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grant<br/>Number</b> | <b>Expenditures</b>      |
|---|------------------------------------|--|--------------------------|
| <b>U.S. Department of Agriculture</b>   |                                    |  |                          |
| Passed Through Morrison-Todd-Wadena Community Health Services Board<br>Special Supplemental Nutrition Program for Women, Infants, and Children                          | 10.557                             | Not Provided                             | \$ 108,157               |
| Passed Through Minnesota Department of Human Services<br>State Administrative Matching Grants for the Supplemental Nutrition<br>Assistance Program                      | 10.561                             | 16162MN101S2514                          | <u>130,310</u>           |
| <b>Total U.S. Department of Agriculture</b>   |                                    |  | <b>\$ <u>238,467</u></b> |
| <b>U.S. Department of Transportation</b>  |                                    |  |                          |
| Passed Through Minnesota Department of Transportation<br>Highway Planning and Construction  | 20.205                             | 99980                                    | \$ 131,730               |
| Formula Grants for Rural Areas  | 20.509                             | Agr#05065                                | 376                      |
| Passed Through Minnesota Department of Public Safety<br>Highway Safety Cluster  |                                    |  |                          |
| State and Community Highway Safety  | 20.600                             | F-ENFRC16-2016-<br>WADENASD-1488         | 908                      |
| State and Community Highway Safety  | 20.600                             | F-ENFRC16-2016-<br>WADENASD-1783         | 3,192                    |
| State and Community Highway Safety<br>(Total State and Community Highway Safety 20.600 \$12,068)  | 20.600                             | F-ENFRC16-2016-<br>WADENASD-2125         | 7,968                    |
| National Priority Safety Programs   | 20.616                             | F-ENFRC16-2016-<br>WADENASD-1488         | 4,686                    |
| National Priority Safety Programs   | 20.616                             | F-ENFRC16-2016-<br>WADENASD-1783         | 6,924                    |
| National Priority Safety Programs<br>(Total National Priority Safety Programs 20.616 \$14,168)<br>(Total expenditures for Highway Safety Cluster \$26,236)              | 20.616                             | F-ENFRC16-2016-<br>WADENASD-1934         | 2,558                    |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated  | 20.608                             | F-ENFRC16-2016-<br>WADENASD-1488         | 7,055                    |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated  | 20.608                             | F-ENFRC16-2016-<br>WADENASD-1783         | 252                      |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated<br>(Total Minimum Penalties for Repeat Offenders for Driving While<br>Intoxicated 20.608 \$15,413) | 20.608                             | F-ENFRC16-2016-<br>WADENASD-2125         | 8,106                    |
| <b>Total U.S. Department of Transportation</b>  |                                    |  | <b>\$ <u>173,755</u></b> |
| <b>U.S. Department of Education</b>   |                                    |  |                          |
| Passed Through Morrison-Todd-Wadena Community Health Services Board<br>Special Education - Grants for Infants and Families  | 84.181                             | Not Provided                             | <b>\$ <u>1,933</u></b>   |

**WADENA COUNTY  
WADENA, MINNESOTA**

**EXHIBIT E-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Program or Cluster Title</b>                               | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Grant<br/>Number</b> | <b>Expenditures</b> |
|---|------------------------------------|--|---------------------|
| <b>U.S. Department of Health and Human Services</b>   |                                    |  |                     |
| Direct  |                                    |  |                     |
| Drug-Free Communities Support Program Grants  | 93.276                             |  | \$ 122,215          |
| Passed Through Central Minnesota Council on Aging   |                                    |  |                     |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive<br>Services and Senior Centers | 93.044                             | Not Provided                             | 20,813              |
| Passed Through Morrison-Todd-Wadena Community Health Services Board                                       |                                    |  |                     |
| Public Health Emergency Preparedness  | 93.069                             | Not Provided                             | 28,062              |
| Immunization Cooperative Agreements   | 93.268                             | Not Provided                             | 2,325               |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home<br>Visiting Program                  | 93.505                             | Not Provided                             | 76,347              |
| Temporary Assistance for Needy Families   | 93.558                             | Not Provided                             | 27,396              |
| (Total Temporary Assistance for Needy Families 93.558 \$277,013)  |                                    |  |                     |
| Maternal and Child Health Services Block Grant to the States  | 93.994                             | Not Provided                             | 23,826              |
| Passed Through Minnesota Department of Human Services   |                                    |  |                     |
| Promoting Safe and Stable Families  | 93.556                             | G-1601MNFSS                              | 5,396               |
| Temporary Assistance for Needy Families   | 93.558                             | 1601MNTANF                               | 31,776              |
| Temporary Assistance for Needy Families   | 93.558                             | 1601MFTANF                               | 217,841             |
| (Total Temporary Assistance for Needy Families 93.558 \$277,013)  |                                    |  |                     |
| Child Support Enforcement   | 93.563                             | 1604MNCEST                               | 239,059             |
| Child Support Enforcement   | 93.563                             | 1604MNCSES                               | 13,152              |
| (Total Child Support Enforcement 93.563 \$252,211)  |                                    |  |                     |
| Refugee and Entrant Assistance - State-Administered Programs  | 93.566                             | 1601MNRCA                                | 119                 |
| Child Care and Development Block Grant  | 93.575                             | G1601MNCCDF                              | 4,785               |
| Community-Based Child Abuse Prevention Grants   | 93.590                             | G-1502MNFPG                              | 10,421              |
| Stephanie Tubbs Jones Child Welfare Services Program  | 93.645                             | G-1601MNCWSS                             | 2,928               |
| Foster Care - Title IV-E  | 93.658                             | 1601MNFOST                               | 66,766              |
| Social Services Block Grant   | 93.667                             | 16-01MNSOSR                              | 115,184             |
| Medical Assistance Program  | 93.778                             | 05-1605MN5ADM                            | 627,623             |
| Medical Assistance Program  | 93.778                             | 05-1605MN5MAP                            | 12,383              |
| (Total Medical Assistance Program 93.778 \$640,006)   |                                    |  |                     |
| Block Grants for Community Mental Health Services   | 93.958                             | SM010027-16                              | 3,166               |
| Block Grants for Prevention and Treatment of Substance Abuse  | 93.959                             | TI010027-15                              | 800                 |
|   |                                    |  | <u>800</u>          |
| <b>Total U.S. Department of Health and Human Services</b>   |                                    |  | <b>\$ 1,652,383</b> |
| <b>U.S. Department of Homeland Security</b>   |                                    |  |                     |
| Passed Through Minnesota Department of Public Safety  |                                    |  |                     |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)                                   | 97.036                             | DR-1921                                  | \$ 1,927            |
| Emergency Management Performance Grants   | 97.042                             | F-EMPG-2016-<br>WADENACO-1991            | 16,310              |
|   |                                    |  | <u>16,310</u>       |
| <b>Total U.S. Department of Homeland Security</b>   |                                    |  | <b>\$ 18,237</b>    |
| <b>Total Federal Awards</b>   |                                    |  | <b>\$ 2,084,775</b> |

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

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, 2016**

---

---

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, 2016. 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 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                                      | \$ | 2,190,516 |
| Grants received more than 60 days after year-end, unavailable in 2016                                |    |           |
| Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)               |    | 42,118    |
| Special Education - Grants for Infants and Families (CFDA #84.181)                                   |    | 483       |
| Public Health Emergency Preparedness (CFDA #93.069)  |    | 5,066     |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA #93.505) |    | 25,016    |
| Promoting Safe and Stable Families (CFDA #93.556)  |    | 490       |
| Temporary Assistance for Needy Families (CFDA #93.558)   |    | 33,276    |
| Child Care and Development Block Grant (CFDA #93.575)  |    | 216       |
| Stephanie Tubbs Jones Child Welfare Services Program (CFDA #93.645)                                  |    | 323       |
| Maternal and Child Health Services Block Grant to the States (CFDA #93.994)                          |    | 5,958     |
| Grants unavailable in 2015, recognized as revenue in 2016  |    |           |
| Highway Planning and Construction (CFDA #20.205)   |    | (32,564)  |
| Formula Grants for Rural Areas (CFDA #20.509)  |    | (51,298)  |
| 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)   |
| Child Support Enforcement (CFDA #93.563)   |    | (37,990)  |
| 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)  |
|  |    | (41,681)  |
| Expenditures per Schedule of Expenditures of Federal Awards  | \$ | 2,084,775 |



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

## **REPORT ON 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 25, 2017. 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 that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

### **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. 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **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.



## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 25, 2017

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

### Independent Auditor's Report

Board of County Commissioners  
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, 2016. 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.

***Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)***

As described in the accompanying Schedule of Findings and Questioned Costs, Wadena County did not comply with requirements regarding CFDA No. 93.778 Medical Assistance Program as described in finding number 2016-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

***Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Medical Assistance Program for the year ended December 31, 2016.

***Unmodified Opinion on Each of the Other Major Federal Programs***

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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2016.

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

**Report on Internal Control Over Compliance**

Management of 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

Wadena County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Wadena County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 25, 2017

This page was left blank intentionally.

**WADENA COUNTY  
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major federal programs: **Unmodified for all major programs, except for Medical Assistance Program, which is qualified.**

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

The major programs are:

|  |                 |
|--|-----------------|
| State Administrative Matching Grants for the |                 |
| Supplemental Nutrition Assistance Program    | CFDA No. 10.561 |
| 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***

None.

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

ITEM ARISING THIS YEAR

Finding Number 2016-001

Eligibility

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

**Pass-Through Agency:** Minnesota Department of Human Services

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

**Condition:** The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, the following exceptions were detected in our sample of 40 cases tested:

- one case file did not contain the application/renewal form supporting eligibility for 2016;
- four case files had asset information in MAXIS for bank deposits; however, the amounts did not match the supporting documentation verified with outside sources; and
- five case files had asset information in MAXIS for bank deposits which were not verified with outside sources.

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



**Context:** The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

The State of Minnesota contracts with the County to perform the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the Minnesota Department of Human Services maintains the computer system, MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

**Effect:** Missing information, or the improper input of information into MAXIS, increases the risk that a program participant will receive benefits when they are not eligible.

**Cause:** County program personnel entering case information into MAXIS did not ensure all required information was verified as required.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly obtained and input into MAXIS. Consideration should be given to providing additional training to program personnel.

**View of Responsible Official:** Acknowledged

#### **IV. PREVIOUSLY REPORTED ITEM RESOLVED**

1998-001 Departmental Segregation of Duties

This page was left blank intentionally.

**REPRESENTATION OF WADENA COUNTY  
WADENA, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2016-001**

**Finding Title: Eligibility**

**Program: Medical Assistance Program (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Pam Jenson, Administrative Services Supervisor

Corrective Action Planned:

Verification of assets will be done for the elderly/disabled population. DHS states if a person is receiving SSI, we accept SSI eligibility as verification of other income. However this policy does not apply to assets: verification of all assets is required at application, renewal, and when a new asset is reported.

Anticipated Completion Date:

Immediately.

This page was left blank intentionally.

**REPRESENTATION OF WADENA COUNTY  
WADENA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 1998-001**

**Finding Title: Departmental Segregation of Duties**

**Summary of 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.

**Summary of Corrective Action Previously Reported:** 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.

**Status:** Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   X