STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

WADENA COUNTY
WADENA, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

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.

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WADENA COUNTY
WADENA, MINNESOTA

Year Ended December 31, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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WADENA, MINNESOTA

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Introductory Section

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WADENA COUNTY
WADENA, MINNESOTA

ORGANIZATION
DECEMBER 31, 2017

Office	Name	District	Term Expires
Elected			
Commissioners			
Vice Chair	Sheldon Monson	District 1	January 2019
Board Member	Jim Hofer	District 2	January 2021
Board Member	William Stearns	District 3	January 2019
Board Member	Charles Horsager	District 4	January 2021
Chair	David Hillukka	District 5	January 2019
Attorney	Kyra Ladd		January 2019
Auditor/Treasurer	Judy Taves		January 2019
County Recorder	Soledad Henriksen		January 2019
Registrar of Titles	Soledad Henriksen		January 2019
County Sheriff	Michael D. Carr		January 2019
Appointed			
Assessor	Lee Brekke		December 2020
County Engineer	Ryan Odden		May 2019
Community Corrections Officer	Kathryn Langer		Indefinite
Human Services Director	Tanya Leskey		Indefinite
Veterans Services Officer	David Anderson		April 2018

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
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, 2017, 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, 2017, 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, $1,761,315, represents 2.3 percent and 2.7 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, 2017, 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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2018, 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 solely 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 effectiveness of Wadena County's 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	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 10, 2018

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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WADENA COUNTY
WADENA, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(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, 2017. 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 $65,128,415 at the close of 2017. Of this amount, $4,576,642 (unrestricted net position) may be used to meet Wadena County's ongoing obligations to citizens and creditors.

- At the close of 2017, Wadena County's governmental funds reported combined ending fund balances of $18,277,144, a decrease of $420,403 in comparison with the prior year. Of the total fund balance, $9,860,108 is available for spending at the County's discretion and is noted as committed, assigned, and unassigned fund balance.

- At the close of 2017, the committed, assigned, and unassigned fund balance for the General Fund was $3,604,979, or 40.6 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.

<u>Governmental Funds</u>

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 six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund 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 three 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 supplementary information for the County's major funds. Wadena County also budgets for the Public Health Special Revenue Fund, Transit Special Revenue Fund, and Solid Waste Special Revenue Fund, which are nonmajor funds, as supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Wadena County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $65,128,415 at the close of 2017. The largest portion of Wadena County's net position (77.6 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

		2017		2016
Current and other assets	$	24,385,536	$	26,293,222
Capital assets		51,993,951		48,708,757
Total Assets	$	76,379,487	$	75,001,979
Deferred Outflows of Resources				
Deferred pension outflows	$	3,698,344	$	6,180,879
Long-term liabilities outstanding	$	10,566,727	$	13,915,526
Other liabilities		1,096,188		3,178,411
Total Liabilities	$	11,662,915	$	17,093,937
Deferred Inflows of Resources				
Deferred pension inflows	$	3,086,166	$	1,275,791
Prepaid property taxes		200,335		-
Total Deferred Inflows of Resources	$	3,286,501	$	1,275,791
Net Position				
Net investment in capital assets	$	50,537,105	$	47,396,583
Restricted		10,014,668		10,049,881
Unrestricted		4,576,642		5,366,666
Total Net Position	$	65,128,415	$	62,813,130

The unrestricted net position amount of $4,576,642 as of December 31, 2017, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wadena County's activities increased net position by $2,315,285, or 3.7 percent, over the 2016 net position. The elements of the increase in net position are detailed as follows.

Governmental Activities Changes in Net Position

	2017	2016
Revenues		
Program revenues		
Charges for services	$ 3,271,790	$ 2,540,408
Operating grants and contributions	8,933,174	9,863,992
Capital grants and contributions	-	1,309,162
General revenues		
Property taxes	8,341,323	8,074,570
Transportation sales and use tax	706,324	668,007
Other taxes	13,146	44,644
Grants and contributions not restricted to specific programs	1,883,928	1,248,348
Other	267,740	213,674
Total Revenues	$ 23,417,425	$ 23,962,805
Expenses		
General government	$ 4,292,704	$ 4,158,176
Public safety	2,952,940	3,184,013
Highways and streets	3,735,143	4,426,506
Sanitation	1,311,702	1,186,150
Human services	6,770,602	8,005,927
Health	1,246,324	1,246,691
Culture and recreation	406,447	205,614
Conservation of natural resources	322,330	342,406
Economic development	30,000	30,000
Interest	33,948	33,874
Total Expenses	$ 21,102,140	$ 22,819,357
Change in Net Position	$ 2,315,285	$ 1,143,448
Net Position, January 1	62,813,130	61,669,682
Net Position, December 31	$ 65,128,415	$ 62,813,130

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 $18,277,144, a decrease of $420,403 in comparison with the prior year. The committed, assigned, and unassigned fund balance in the amount of $9,860,108 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 $3,604,979, while total fund balance was $4,339,972. 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 40.6 percent of total General Fund expenditures. In 2017, fund balance in the General Fund decreased by $493,893 due to excess expenditures over revenues of $693,893 and a transfer in of funds from Human Services of $200,000. In 2016, 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. The $489,799 increase in excess expenditures over revenues between 2016 and 2017 is due to an increase in tax revenue of $237,906, an increase in licenses and permits of $28,048, an increase in intergovernmental revenue of $772,354, an increase in investment earnings of $47,360, and an increase in fines and forfeits of $11,861, offset by a decrease in charges for services of $20,537, a decrease in miscellaneous revenues of $387,832, an increase in general government expenditures of $1,148,225, an increase in public safety expenditures of $65,068, a decrease in health expenditures of $1,621, a decrease in culture and recreation of $13,849, and a decrease in conservation of natural resources expenditures of $18,864.

Fund balance in the Road and Bridge Special Revenue Fund increased $308,317 due to excess expenditures over revenues of $138,850, proceeds from a capital lease in the amount of $300,830, and an increase in inventory of $146,337. In 2016, the Road and Bridge Special Revenue Fund had excess expenditures over revenue of $1,386,023. The $1,247,173 decrease in excess expenditures over revenue from 2016 to 2017 is due to a decrease in tax revenue of $37,864, a decrease in intergovernmental revenue of $382,986, a decrease in miscellaneous revenue of $16,921, offset by a decrease in highways and streets expenditures of $1,806,461, an increase of debt service principal of $115,628, an increase of debt service interest of $6,391, and a decrease in intergovernmental highways and streets expenditures of $502.

Fund balance in the Social Services Special Revenue Fund decreased $291,903 due to excess expenditures over revenues of $91,903 and a transfer out of $200,000. In 2016, the Social Services Special Revenue Fund had excess expenditures over revenues of $177,993. The $86,090 decrease in excess expenditures over revenues from 2016 to 2017 is due to a decrease in tax revenues of $173,797, an increase in intergovernmental revenues of $24,814, a decrease in miscellaneous revenue of $918,526, and an increase in charges for services of $703,739, offset by a decrease in social services expenditures of $102,266.

General Fund Budgetary Highlights

The difference between the General Fund original budget and the final amended budget was a net change of ($11,023). The difference between the final amended budget and the actual net change in fund balance was ($482,870). 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 charges for services, an increase in fines and forfeits, an increase in investment earnings, and an increase in miscellaneous revenues. The main budget to actual expenditure variance was the substantial increase in building and plant (due to capital projects) in the amount of $1,577,489, as the final budget amount was $599,052 but the actual expenditures were $2,176,541.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2017, was $51,993,951 (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 6.70 percent. The net increase was attributed to the County's investment in its infrastructure.

Governmental Activities
Governmental Capital Assets

	2017	2016
Land	$ 797,127	$ 793,400
Construction in progress	4,803,835	4,627,779
Infrastructure	38,080,019	36,880,747
Buildings and building improvements	6,192,178	4,318,052
Furniture, equipment, and machinery	2,120,792	2,088,779
Total	$ 51,993,951	$ 48,708,757

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 $1,456,846.

	2017	2016
General obligation bonds	$ 964,600	$ 1,005,130
Capital leases	492,246	307,044
Total	$ 1,456,846	$ 1,312,174

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Wadena County's unemployment rate was 6.3 percent at the end of 2017, compared to the statewide rate of 3.4 percent for the same time period.

- Wadena County is not subject to levy limits for 2019.

- Wadena County's property tax delinquency was 2.48 percent at the end of 2017, which is down from the previous year's delinquent rate of 2.91 percent.

- The most current information available indicated that in 2018, 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 87.817 percent in payable 2018. The Wadena County Commissioners approved a Preliminary Payable 2018 Tax Levy of $8,850,381 and a Final Payable 2018 Tax Levy of $8,813,963, which represents a 2.5 percent increase over the Final Payable 2017 Tax Levy of $8,599,165.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Assets		
Cash and pooled investments	$	18,179,685
Taxes receivable - delinquent		360,785
Special assessments receivable - delinquent		32,865
Accounts receivable		438,043
Accrued interest receivable		23,042
Due from other governments		3,177,002
Advances receivable		68,750
Inventories		344,049
Investment in joint venture		1,761,315
Capital assets		
Non-depreciable		5,600,962
Depreciable - net of accumulated depreciation		46,392,989
Total Assets	**$**	**76,379,487**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**3,698,344**
Liabilities		
Accounts payable	$	462,185
Salaries payable		225,022
Contracts payable		111,054
Due to other governments		279,134
Accrued interest payable		18,293
Customer deposits		500
Long-term liabilities		
Due within one year		543,034
Due in more than one year		1,512,815
Net pension liability		8,026,975
Net other postemployment benefits obligation		483,903
Total Liabilities	**$**	**11,662,915**
Deferred Inflows of Resources		
Deferred pension inflows	$	3,086,166
Prepaid property taxes		200,335
Total Deferred Inflows of Resources	**$**	**3,286,501**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Net Position	
Net investment in capital assets	$ 50,537,105
Restricted for	
General government	509,865
Public safety	89,678
Highways and streets	9,145,891
Human services	170,034
Health	3,833
Conservation of natural resources	81,454
Held in trust for other purposes	13,913
Unrestricted	4,576,642
Total Net Position	**$ 65,128,415**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 4,292,704	$ 481,322	$ 266,107	$ -	$ (3,545,275)
Public safety	2,952,940	103,974	255,674	-	(2,593,292)
Highways and streets	3,735,143	33,302	3,406,160	-	(295,681)
Sanitation	1,311,702	1,275,937	68,711	-	32,946
Human services	6,770,602	1,106,754	3,924,537	-	(1,739,311)
Health	1,246,324	249,693	831,116	-	(165,515)
Culture and recreation	406,447	20,197	169,321	-	(216,929)
Conservation of natural resources	322,330	611	11,548	-	(310,171)
Economic development	30,000	-	-	-	(30,000)
Interest	33,948	-	-	-	(33,948)
Total Governmental Activities	**$ 21,102,140**	**$ 3,271,790**	**$ 8,933,174**	**$ -**	**$ (8,897,176)**

General Revenues	
Property taxes	$ 8,341,323
Transportation sales and use tax	706,324
Other taxes	13,146
Payments in lieu of tax	86,575
Grants and contributions not restricted to specific programs	1,883,928
Unrestricted investment earnings	181,165
Total general revenues	**$ 11,212,461**
Change in Net Position	**$ 2,315,285**
Net Position - Beginning	**62,813,130**
Net Position - Ending	**$ 65,128,415**

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

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	$ 4,530,491	$ 8,677,949	$ 2,976,217	$ 1,639,557	$ 17,824,214
Petty cash and change funds	1,900	100	200	390	2,590
Undistributed cash in agency funds	217,075	41,339	69,648	24,819	352,881
Taxes receivable - delinquent	224,509	49,872	78,530	7,874	360,785
Special assessments receivable - delinquent	-	-	-	32,865	32,865
Accounts receivable	53,400	3,214	184,756	196,673	438,043
Accrued interest receivable	22,988	-	-	54	23,042
Due from other funds	1,195	987	991	3,228	6,401
Due from other governments	57,168	2,298,237	374,855	442,574	3,172,834
Inventories	-	344,049	-	-	344,049
Advances to other funds	36,250	3,750	20,000	8,750	68,750
Total Assets	**$ 5,144,976**	**$ 11,419,497**	**$ 3,705,197**	**$ 2,356,784**	**$ 22,626,454**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 195,040	$ 68,844	$ 151,407	$ 46,894	$ 462,185
Salaries payable	100,979	31,280	42,725	50,038	225,022
Contracts payable	-	72,277	-	38,777	111,054
Due to other funds	687	-	1,246	300	2,233
Due to other governments	161,713	18,148	76,305	22,968	279,134
Customer deposits	-	500	-	-	500
Total Liabilities	**$ 458,419**	**$ 191,049**	**$ 271,683**	**$ 158,977**	**$ 1,080,128**
Deferred Inflows of Resources					
Unavailable revenue	$ 224,706	$ 2,272,018	$ 230,720	$ 341,403	$ 3,068,847
Prepaid property taxes	121,879	24,753	42,427	11,276	200,335
Total Deferred Inflows of Resources	**$ 346,585**	**$ 2,296,771**	**$ 273,147**	**$ 352,679**	**$ 3,269,182**
Fund Balances					
Nonspendable					
Inventories	$ -	$ 344,049	$ -	$ -	$ 344,049
Advances to other funds	36,250	3,750	20,000	8,750	68,750
Missing heirs	13,913	-	-	-	13,913

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Fund Balances (Continued)					
Restricted					
County building	198,864	-	-	-	198,864
State-aid highway projects	-	180,698	-	-	180,698
Wellness	3,833	-	-	-	3,833
Sheriff donations	388	-	-	-	388
Mental health initiative	-	-	168,903	-	168,903
Capital project plan	-	81,144	-	-	81,144
Peer center	-	-	1,131	-	1,131
Turnback fund	-	6,873,618	-	-	6,873,618
Low income septic	17,068	-	-	-	17,068
Shoreline grant	12,066	-	-	-	12,066
Compliance fund	198,188	-	-	-	198,188
Sheriff's forfeited property	8,709	-	-	-	8,709
Attorney's forfeited property	20,743	-	-	-	20,743
ISTS	52,320	-	-	-	52,320
Emergency management	479	-	-	-	479
Gun permits	80,102	-	-	-	80,102
Recorder's equipment	92,070	-	-	-	92,070
Committed					
Parks	245,726	-	-	-	245,726
Timber development	118,262	-	-	-	118,262
AS400	35,912	-	-	-	35,912
Solid waste	-	-	-	100,000	100,000
Assigned					
Human services	-	-	2,970,333	-	2,970,333
Road and bridge	-	1,448,418	-	-	1,448,418
MCIT	210,720	-	-	-	210,720
Plat books	12,797	-	-	-	12,797
GIS	53,742	-	-	-	53,742
Solid waste	-	-	-	784,242	784,242
Transit	-	-	-	146,961	146,961
Public health	-	-	-	805,175	805,175
Canteen	15,485	-	-	-	15,485
County agent brochures	2,681	-	-	-	2,681
Private pesticide manual	250	-	-	-	250
County agent	5,358	-	-	-	5,358
Unassigned	2,904,046	-	-	-	2,904,046
Total Fund Balances	**$ 4,339,972**	**$ 8,931,677**	**$ 3,160,367**	**$ 1,845,128**	**$ 18,277,144**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 5,144,976**	**$ 11,419,497**	**$ 3,705,197**	**$ 2,356,784**	**$ 22,626,454**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Fund balances - total governmental funds (Exhibit 3)		**$ 18,277,144**
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.		51,993,951
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		1,761,315
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		3,698,344
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,068,847
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (955,000)	
Capital leases payable	(492,246)	
Bond premium	(9,600)	
Accrued interest payable	(18,293)	
Compensated absences	(599,003)	
Net other postemployment benefits obligation	(483,903)	
Net pension liability	(8,026,975)	(10,585,020)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,086,166)
Net Position of Governmental Activities (Exhibit 1)		**$ 65,128,415**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 5,296,605	$ 1,744,213	$ 1,823,654	$ 199,228	$ 9,063,700
Special assessments	-	-	-	463,512	463,512
Licenses and permits	86,286	-	-	30,951	117,237
Intergovernmental	2,095,010	3,812,092	3,331,803	1,626,194	10,865,099
Charges for services	293,680	-	703,799	1,003,821	2,001,300
Fines and forfeits	34,503	-	-	-	34,503
Investment earnings	180,529	-	-	636	181,165
Miscellaneous	188,256	70,698	249,947	110,967	619,868
Total Revenues	**$ 8,174,869**	**$ 5,627,003**	**$ 6,109,203**	**$ 3,435,309**	**$ 23,346,384**
Expenditures					
Current					
General government	$ 5,684,237	$ -	$ -	$ -	$ 5,684,237
Public safety	2,541,406	-	-	-	2,541,406
Highways and streets	-	5,438,272	-	-	5,438,272
Sanitation	-	-	-	1,202,984	1,202,984
Human services	-	-	6,201,106	847,848	7,048,954
Health	1,027	-	-	1,259,763	1,260,790
Culture and recreation	296,811	-	-	-	296,811
Conservation of natural resources	315,281	-	-	-	315,281
Economic development	30,000	-	-	-	30,000
Intergovernmental					
Highways and streets	-	205,562	-	-	205,562
Debt service					
Principal	-	115,628	-	40,000	155,628
Interest	-	6,391	-	27,638	34,029
Total Expenditures	**$ 8,868,762**	**$ 5,765,853**	**$ 6,201,106**	**$ 3,378,233**	**$ 24,213,954**
Excess of Revenues Over (Under) Expenditures	**$ (693,893)**	**$ (138,850)**	**$ (91,903)**	**$ 57,076**	**$ (867,570)**
Other Financing Sources (Uses)					
Transfers in	$ 200,000	$ -	$ -	$ -	$ 200,000
Transfers out	-	-	(200,000)	-	(200,000)
Capital lease	-	300,830	-	-	300,830
Total Other Financing Sources (Uses)	**$ 200,000**	**$ 300,830**	**$ (200,000)**	**$ -**	**$ 300,830**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 5
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Net Change in Fund Balance	$ (493,893)	$ 161,980	$ (291,903)	$ 57,076	$ (566,740)
Fund Balance - January 1	4,833,865	8,623,360	3,452,270	1,788,052	18,697,547
Increase (decrease) in inventories	-	146,337	-	-	146,337
Fund Balance - December 31	$ 4,339,972	$ 8,931,677	$ 3,160,367	$ 1,845,128	$ 18,277,144

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

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, 2017

Net change in fund balance - total governmental funds (Exhibit 5)			**$**	**(566,740)**
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	$	3,068,847		
Unavailable revenue - January 1		(3,114,817)		(45,970)
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	$	5,253,657		
Current year depreciation		(1,968,463)		3,285,194
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.				441,024
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.				
Proceeds of new debt				
Capital lease financing (see Note 3.C.4. for more information)				(300,830)
Principal repayments				
General obligation bonds	$	40,000		
Capital lease		115,628		
Amortization of premium on bonds		530		156,158

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

EXHIBIT 6
(Continued)

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, 2017

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	$ (449)	
Change in compensated absences	19,807	
Change in inventories	146,337	
Change in net other postemployment liability	(43,619)	
Change in net pension liability	3,517,283	
Change in deferred pension outflows of resources	(2,482,535)	
Change in deferred pension inflows of resources	(1,810,375)	(653,551)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 2,315,285**

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FIDUCIARY FUNDS

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust	Agency Funds
Assets			
Cash and pooled investments	$ 251,546	$ 255,427	$ 303,334
Receivables			
Accounts	1,454	-	-
Interest	104	-	-
Due from other governments	15,070	-	-
Total Assets	**$ 268,174**	**$ 255,427**	**$ 303,334**
Liabilities and Net Position			
Liabilities			
Due to governmental funds	$ 4,168	$ -	$ -
Due to other governments	-	-	303,334
Advances from governmental funds	-	68,750	-
Total Liabilities	**$ 4,168**	**$ 68,750**	**$ 303,334**
Net Position			
Net position, held in trust for pool participants	$ 264,006	$ -	
Net position, held in trust for employees	-	186,677	
Total Net Position	**$ 264,006**	**$ 186,677**	

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust
Additions		
Contributions from employers	$ -	$ 67,448
Contributions from participants	71,547	-
Investment earnings		
Interest	1,118	-
Total Additions	**$ 72,665**	**$ 67,448**
Deductions		
Benefit payments	$ -	$ 83,768
Pool participant withdrawals	26,107	-
Total Deductions	**$ 26,107**	**$ 83,768**
Change in Net Position	**$ 46,558**	**$ (16,320)**
Net Position - Beginning of the Year	**217,448**	**202,997**
Net Position - End of the Year	**$ 264,006**	**$ 186,677**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2017. 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. The County Auditor/Treasurer serves as clerk of the Board of Commissioners, but has no vote.

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 Wadena 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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

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

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

      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 assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Social Services Special Revenue Fund accounts for restricted revenues from the federal, state, and other oversight agencies, as well as assigned 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 full 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

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 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 investment earnings for 2017 were $182,283.

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.

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 nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

The County had no accounts receivable scheduled to be collected beyond one year.

3. 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.

1. Summary of Significant Accounting Policies

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as 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 (entry price) on the date of donation. The County's capitalization thresholds for capital assets are as follows:

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation 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. 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. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both the current and noncurrent portions of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave. Compensated absences are liquidated by the General Fund and other governmental funds that have personal services.

6. 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, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds 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.

1. Summary of Significant Accounting Policies

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

7. 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 governmental funds that have personal services.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, 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 plan 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. The County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

special assessments receivable, grant monies, charges for services, and miscellaneous revenue, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of changes in actuarial assumptions, differences between expected and actual pension plan economic experience, pension plan changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. The last item, prepaid property taxes, arise under both the modified accrual and the full accrual basis of accounting and is reported in both the governmental funds balance sheet and the statement of net position. These amounts represent the County's share of 2018 property taxes collected in advance. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied.

9. 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.

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position (Continued)

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

10. Classification of Fund Balances

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

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

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.

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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 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.

11. 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, 2017, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

12. Use of Estimates

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

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, 2017.

	Expenditures	Final Budget	Excess
Public Health Nurse Special Revenue Fund	$ 1,259,763	$ 1,170,988	$ 88,775
Transit Special Revenue Fund	847,848	754,039	93,809

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 cash equivalents	$ 18,179,685
Statement of fiduciary net position	
Cash and cash equivalents	
Family Service Collaborative Investment Trust Fund	251,546
Health Reimbursement Employee Benefit Trust Fund	255,427
Agency funds	303,334
Total Cash and Cash Equivalents	$ 18,989,992

Deposits	
Checking	$ 1,243,079
Savings	2,384,274
Non-negotiable certificates of deposit	4,725,000
Invested in MAGIC Fund	10,635,049
Petty cash and change funds	2,590
Total Deposits and Cash on Hand	$ 18,989,992

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, 2017, 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:

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

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

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

(4) bankers’ acceptances of United States banks;

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

(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, 2017, all of the County’s investments were in the MAGIC Fund.

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 credit risk. As of December 31, 2017, 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 custodial credit risk. As of December 31, 2017, 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, 2017, 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.

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, 2017, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 360,785	$ -
Special assessments	32,865	-
Accounts	438,043	-
Accrued interest	23,042	-
Due from other governments	3,177,002	-
Total Governmental Activities	$ 4,031,737	$ -

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, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 793,400	$ 3,727	$ -	$ 797,127
Construction in progress	4,627,779	2,041,688	1,865,632	4,803,835
Total capital assets not depreciated	$ 5,421,179	$ 2,045,415	$ 1,865,632	$ 5,600,962
Capital assets depreciated				
Buildings	$ 6,653,148	$ 1,909,382	$ -	$ 8,562,530
Building improvements	1,616,552	140,303	-	1,756,855
Machinery, furniture, and equipment	6,050,681	464,832	113,458	6,402,055
Infrastructure	58,915,847	2,559,357	-	61,475,204
Total capital assets depreciated	$ 73,236,228	$ 5,073,874	$ 113,458	$ 78,196,644
Less: accumulated depreciation for				
Buildings	$ 3,800,882	$ 117,856	$ -	$ 3,918,738
Building improvements	150,766	57,703	-	208,469
Machinery, furniture, and equipment	3,961,902	432,819	113,458	4,281,263
Infrastructure	22,035,100	1,360,085	-	23,395,185
Total accumulated depreciation	$ 29,948,650	$ 1,968,463	$ 113,458	$ 31,803,655
Total capital assets depreciated, net	$ 43,287,578	$ 3,105,411	$ -	$ 46,392,989
Governmental Activities Capital Assets, Net	$ 48,708,757	$ 5,150,826	$ 1,865,632	$ 51,993,951

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

Governmental Activities	
General government	$ 138,725
Public safety	90,074
Highways and streets, including depreciation of infrastructure assets	1,583,081
Sanitation	93,677
Human services	59,730
Health	3,176
Total Depreciation Expense - Governmental Activities	$ 1,968,463

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	$ 1,195
Road and Bridge Special Revenue Fund	General Fund	$ 687
	Other governmental funds	300
Total due to Road and Bridge Special Revenue Fund		$ 987
Social Services Special Revenue Fund	Family Service Collaborative Investment Trust Fund	$ 991
Other governmental funds	Social Services Special Revenue Fund	$ 51
	Family Service Collaborative Investment Trust Fund	3,177
Total due to other governmental funds		$ 3,228
Total Due To/From Other Funds		$ 6,401

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.

3. Detailed Notes on All Funds

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

2. Advances To/From Other Funds

The composition of interfund balances as of December 31, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Health Reimbursement Employee Benefit Trust Fund	$ 36,250
Road and Bridge Special Revenue Fund	Health Reimbursement Employee Benefit Trust Fund	3,750
Social Services Special Revenue Fund	Health Reimbursement Employee Benefit Trust Fund	20,000
Other governmental funds	Health Reimbursement Employee Benefit Trust Fund	8,750
Total Advances To/From Other Funds		$ 68,750

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, 2017, consisted of the following:

Transfer to General Fund from Social Services Special Revenue Fund	$ 200,000	To provide funding for the annex project.

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

	Governmental Activities
Accounts	$ 462,185
Salaries	225,022
Contracts payable	111,054
Due to other governments	279,134
Total Payables	$ 1,077,395

2. Construction Commitments

The County has active construction projects as of December 31, 2017.

	Spent-to-Date	Remaining Commitment
Public Health Remodel Project	$ 50,765	$ 46,135

Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2017.

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.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Health Reimbursement Account (Continued)

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.

As of December 31, 2017, 40 employees had health reimbursement accounts. The County advanced $68,750 to the Health Reimbursement Employee Benefit Trust Fund as of December 31, 2017.

4. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition for highway equipment. These lease agreements qualify as capital leases for accounting 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, 2017:

Lease	Maturity	Installment	Payment Amount	Original	Balance
2016 CAT 316 EL Excavator	2021	Annual	$ 36,108	$ 203,640	$ 134,911
2016 CAT 938M Wheel Loader	2021	Annual	30,068	169,580	112,347
2017 CAT 140M3 Grader	2022	Annual	55,341	300,830	244,988
Total Capital Leases					$ 492,246

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease obligations as of December 31, 2017, were as follows:

Year Ending December 31	Governmental Activities
2018	$ 121,518
2019	121,518
2020	121,518
2021	121,518
2022	55,342
Total minimum lease payments	$ 541,414
Less: amount representing interest	(49,168)
Present Value of Minimum Lease Payments	$ 492,246

5. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2015 G.O. Solid Waste Bonds	2036	$40,000 - $65,000	1.50 - 3.75	$ 995,000	$ 955,000
Add: unamortized premium					9,600
Total General Obligation Bonds, Net					$ 964,600

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2018	$ 40,000	$ 26,588
2019	40,000	25,988
2020	40,000	25,388
2021	45,000	24,638
2022	45,000	23,738
2023 - 2027	235,000	102,863
2028 - 2032	265,000	66,263
2033 - 2036	245,000	18,656
Total	$ 955,000	$ 314,122

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 995,000	$ -	$ 40,000	$ 955,000	$ 40,000
Add: unamortized premium	10,130	-	530	9,600	-
Total bonds payable	$ 1,005,130	$ -	$ 40,530	$ 964,600	$ 40,000
Capital leases	307,044	300,830	115,628	492,246	104,341
Compensated absences	618,810	554,687	574,494	599,003	398,693
Total Long-Term Liabilities	$ 1,930,984	$ 855,517	$ 730,652	$ 2,055,849	$ 543,034

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

8. Deferred Inflows of Resources - Unavailable Revenue/Prepaid Property Taxes

Unavailable revenue consists of taxes, special assessments, state and 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. Prepaid property taxes consist of the County's share of 2018 property taxes collected in advance. Deferred inflows of resources at December 31, 2017, are summarized below by fund:

	Taxes	Special Assessments	Grants and Allotments	Interest	Other	Total
Major governmental funds						
General	$ 308,358	$ -	$ 31,333	$ 442	$ 6,452	$ 346,585
Road and Bridge	66,970	-	2,228,906	-	895	2,296,771
Social Services	107,668	-	113,365	-	52,114	273,147
Nonmajor governmental funds						
Public Health Nurse	10,882	-	69,506	-	-	80,388
Transit	-	-	141,503	-	1,000	142,503
Solid Waste	6,806	27,191	-	-	95,791	129,788
Total	$ 500,684	$ 27,191	$ 2,584,613	$ 442	$ 156,252	$ 3,269,182
Deferred inflows of resources						
Prepaid property taxes	$ 200,335	$ -	$ -	$ -	$ -	$ 200,335
Unavailable revenue	300,349	27,191	2,584,613	442	156,252	3,068,847
Total	$ 500,684	$ 27,191	$ 2,584,613	$ 442	$ 156,252	$ 3,269,182

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 Plan, the Public Employees Police and Fire Plan, and the Local

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), 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. No County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (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 prorated basis 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 Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

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. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, 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. For Public Employees Police and Fire Plan 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.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement Plan 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 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 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Coordinated Plan members	7.50%
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.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	$	475,330
Public Employees Police and Fire Plan		116,394
Public Employees Correctional Plan		38,550

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $6,441,389 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1009 percent. It was 0.0953 percent measured as of June 30, 2016. The County recognized pension expense of $926,902 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $2,338 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 required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County's proportionate share of the net pension liability	$	6,441,389
State of Minnesota's proportionate share of the net pension liability associated with the County		80,960
Total	$	6,522,349

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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 212,289	$ 391,740
Changes in actuarial assumptions	1,010,056	645,750
Difference between projected and actual investment earnings	-	20,428
Changes in proportion	385,071	165,984
Contributions paid to PERA subsequent to the measurement date	239,833	-
Total	$ 1,847,249	$ 1,223,902

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The $239,833 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 243,383
2019	438,295
2020	(24,733)
2021	(273,431)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $958,584 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, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.0710 percent. It was 0.0730 percent measured as of June 30, 2016. The County recognized pension expense of $251,407 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $6,390 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.

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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 22,065	$ 256,852
Changes in actuarial assumptions	1,289,837	1,360,952
Difference between projected and actual investment earnings	16,166	-
Changes in proportion	67,051	66,886
Contributions paid to PERA subsequent to the measurement date	58,171	-
Total	$ 1,453,290	$ 1,684,690

The $58,171 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 31,270
2019	31,270
2020	(1,889)
2021	(69,069)
2022	(281,153)

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of $627,002 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.2200 percent. It was 0.2400 percent measured as of June 30, 2016. The County recognized pension expense of $236,320 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 457	$ 11,128
Changes in actuarial assumptions	372,399	109,142
Difference between projected and actual investment earnings	4,064	-
Changes in proportion	-	57,304
Contributions paid to PERA subsequent to the measurement date	20,885	-
Total	$ 397,805	$ 177,574

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The $20,885 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 133,245
2019	138,763
2020	(55,206)
2021	(17,456)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $1,414,629.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, 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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 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 through 2044 and 2064, respectively, and 2.5 percent thereafter. 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, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

The long-term expected rate of return on pension plan investments is 7.50 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

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 2017, which remained consistent with 2016. 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 and the Public Employees Police and Fire Plan were 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 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, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 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 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of 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 to the point of asset depletion and 3.56 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      7. Changes in Actuarial Assumptions

         Public Employees Police and Fire Plan (Continued)

         - The assumed percentage of married female members was decreased from 65 percent to 60 percent.

         - The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

         - The assumed percentage of female members electing joint and survivor annuities was increased.

         - The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

         - The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

         Public Employees Correctional Plan

         - The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Correctional Plan (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, 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 Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 9,991,074	6.50%	$ 1,805,294	4.96%	$ 1,033,221
Current	7.50	6,441,389	7.50	958,584	5.96	627,002
1% Increase	8.50	3,535,328	8.50	259,579	6.96	309,943

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; 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.

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

Four Commissioners 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.

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 Wadena County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	$ 4,648	$ 4,648
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.

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

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 2017, there were 165 participants in the plan, including 7 retirees and 2 spouses.

The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

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	$ 142,174
Interest on net OPEB obligation	15,410
Adjustment to ARC	(23,531)
Annual OPEB cost (expense)	$ 134,053
Contributions made	(90,434)
Increase in net OPEB obligation	$ 43,619
Net OPEB Obligation - Beginning of Year	440,284
Net OPEB Obligation - End of Year	$ 483,903

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2015, 2016, and 2017, were as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 124,582	$ 84,039	67.5%	$ 399,277
December 31, 2016	123,539	82,532	66.8	440,284
December 31, 2017	134,053	90,434	67.5	483,903

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was $860,254, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $860,254. The covered payroll (annual payroll of active employees covered by the plan) was $7,427,666, and the ratio of the UAAL to the covered payroll was 11.6 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.

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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, 2017, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 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 6.50 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 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, 2017, was 20 years.

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). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. 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.

5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2017 and in 2018. 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.

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

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

B. Joint Ventures

Todd-Wadena Community Corrections

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

The management of the Community Corrections is vested in a Joint Powers Board composed of 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.

Wadena County's contribution for the year ended 2017 was $213,006.

Separate financial information can be obtained from:

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

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, 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.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties. Wadena County did not contribute to the NCDPSA in 2017.

Separate financial information can be obtained from:

Clearwater County Auditor
213 North Main Avenue
Bagley, Minnesota 56621

West Central Minnesota Drug & Violent Crimes Task Force

The West Central Minnesota Drug & Violent Crimes 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, Detroit Lakes, Fergus Falls, Glenwood, Pelican Rapids, Starbuck, and Wadena. The Task Force's objectives are to coordinate and strengthen efforts to identify, apprehend, and prosecute drug-related 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.

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 contributed $1,000 to the Task Force in 2017.

Separate financial information can be obtained from:

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

6. Summary of Significant Contingencies and Other Items

   B. Joint Ventures (Continued)

      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.

      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 2017, Wadena County contributed $500 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. Wadena County did not contribute to the Community Health Board in 2017.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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.

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, 2017, was $1,761,315. 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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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, Crow Wing, 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

Central Minnesota Emergency Services Board

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

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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.

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority (Continued)

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 did not contribute to Prairie Lakes Municipal Solid Waste Authority.

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 $91,763 to the Library for the year ended December 31, 2017.

Separate financial information can be obtained from:

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

6. Summary of Significant Contingencies and Other Items

   B. Joint Ventures (Continued)

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

      The Rural Minnesota Concentrated Employment Program, Inc. (RMCEP), is a private non-profit corporation that provides workforce development services in a 19-county area in North Central and West Central Minnesota. The agency was incorporated in 1968 to operate employment and training programs which include Workforce Innovation and Opportunity Act (WIOA) services. RMCEP was established to create job training and employment opportunities for economically disadvantaged, underemployed and unemployed persons, and youthful persons in both the private and the public sector. Wadena County did not provide contributions to this organization in 2017.

   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 contributions to the Minnesota Counties Computer Cooperative.

      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 2017.

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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, Becker, Beltrami, Big Stone, Clay, Clearwater, Cottonwood, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Morrison, Norman, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, Traverse, Wadena, Watonwan, and Wilkin Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of 12 appointees, each with an alternate, who are appointed annually by each respective County Board they represent. Each County also appoints a delegate and alternate to the Board of Directors. The County's responsibility does not extend beyond making this appointment.

REQUIRED SUPPLEMENTARY INFORMATION

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 5,735,631	$ 5,735,631	$ 5,296,605	$ (439,026)
Licenses and permits	51,510	51,510	86,286	34,776
Intergovernmental	1,137,725	1,137,047	2,095,010	957,963
Charges for services	267,289	267,289	293,680	26,391
Fines and forfeits	15,000	15,000	34,503	19,503
Investment earnings	84,150	84,150	180,529	96,379
Miscellaneous	159,558	159,558	188,256	28,698
Total Revenues	**$ 7,450,863**	**$ 7,450,185**	**$ 8,174,869**	**$ 724,684**
Expenditures				
Current				
General government				
Commissioners	$ 178,199	$ 178,199	$ 198,487	$ (20,288)
MCIT dividends	-	-	28,134	(28,134)
Law library	26,600	26,600	23,743	2,857
County coordinator	331,308	331,308	316,827	14,481
County auditor/treasurer	661,458	661,458	577,797	83,661
Data processing	471,508	471,508	406,953	64,555
Central services	59,500	59,500	61,543	(2,043)
Elections	69,162	69,162	16,529	52,633
Voter registration	250	250	653	(403)
HAVA grant - elections	7,500	7,500	8,642	(1,142)
County attorney	574,731	574,731	512,648	62,083
Court-appointed attorney	67,500	70,500	67,775	2,725
County recorder	267,578	267,578	276,567	(8,989)
County assessor	466,086	466,086	407,186	58,900
Planning and zoning	179,021	179,021	198,971	(19,950)
GIS and GPS	94,036	94,036	87,848	6,188
Building and plant	592,302	599,052	2,176,541	(1,577,489)
Veteran services	80,851	80,851	85,705	(4,854)
Other general government	242,680	242,680	231,688	10,992
Total general government	**$ 4,370,270**	**$ 4,380,020**	**$ 5,684,237**	**$ (1,304,217)**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
911 enhancement	$ 37,978	$ 37,978	$ 72,138	$ (34,160)
County sheriff	1,875,634	1,877,301	1,757,204	120,097
Boat and water safety enforcement	3,901	2,829	4,897	(2,068)
Coroner	35,000	35,000	42,628	(7,628)
Snowmobile safety/safety officer	5,815	5,815	3,994	1,821
Forfeiture funds - sheriff	-	-	9,522	(9,522)
ATV grant	5,496	5,496	3,579	1,917
Safe and sober	-	-	39,382	(39,382)
Jail/800 MHz radio	265,142	265,142	300,489	(35,347)
Corrections	213,006	213,006	213,006	-
Civil defense/emergency services	89,047	89,047	94,567	(5,520)
Total public safety	**$ 2,531,019**	**$ 2,531,614**	**$ 2,541,406**	**$ (9,792)**
Health				
Wellness program	**$ -**	**$ -**	**$ 1,027**	**$ (1,027)**
Culture and recreation				
County parks	$ 47,390	$ 47,390	$ 70,544	$ (23,154)
Ag society	28,000	28,000	22,000	6,000
Snowmobile grants	65,000	65,000	90,704	(25,704)
Humane society	5,800	5,800	5,800	-
Kitchigami library	91,763	91,763	91,763	-
Historical society	16,000	16,000	16,000	-
Total culture and recreation	**$ 253,953**	**$ 253,953**	**$ 296,811**	**$ (42,858)**
Conservation of natural resources				
Soil and water conservation	$ 82,087	$ 82,087	$ 149,795	$ (67,708)
County extension	166,534	166,534	158,798	7,736
Tree planting	7,000	7,000	6,688	312
Total conservation of natural resources	**$ 255,621**	**$ 255,621**	**$ 315,281**	**$ (59,660)**
Economic development				
West Central EDA	**$ 30,000**	**$ 30,000**	**$ 30,000**	**$ -**
Total Expenditures	**$ 7,440,863**	**$ 7,451,208**	**$ 8,868,762**	**$ (1,417,554)**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Excess of Revenues Over (Under) Expenditures	**$ 10,000**	**$ (1,023)**	**$ (693,893)**	**$ (692,870)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 200,000	$ 200,000
Transfers out	(10,000)	(10,000)	-	10,000
Total Other Financing Sources (Uses)	**$ (10,000)**	**$ (10,000)**	**$ 200,000**	**$ 210,000**
Net Change in Fund Balance	**$ -**	**$ (11,023)**	**$ (493,893)**	**$ (482,870)**
Fund Balance - January 1	**4,833,865**	**4,833,865**	**4,833,865**	**-**
Fund Balance - December 31	**$ 4,833,865**	**$ 4,822,842**	**$ 4,339,972**	**$ (482,870)**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,930,328	$ 1,930,328	$ 1,744,213	$ (186,115)
Intergovernmental	3,694,901	3,694,901	3,812,092	117,191
Miscellaneous	41,000	41,000	70,698	29,698
Total Revenues	**$ 5,666,229**	**$ 5,666,229**	**$ 5,627,003**	**$ (39,226)**
Expenditures				
Current				
Highways and streets				
Administration	$ 384,778	$ 384,778	$ 376,691	$ 8,087
Maintenance	1,454,508	1,454,508	1,467,580	(13,072)
Construction	3,295,285	3,295,285	3,325,383	(30,098)
Equipment maintenance and shop	321,473	321,473	268,618	52,855
Total highways and streets	**$ 5,456,044**	**$ 5,456,044**	**$ 5,438,272**	**$ 17,772**
Intergovernmental				
Highways and streets	**$ 210,185**	**$ 210,185**	**$ 205,562**	**$ 4,623**
Debt service				
Principal	$ -	$ -	$ 115,628	$ (115,628)
Interest	-	-	6,391	(6,391)
Total debt service	**$ -**	**$ -**	**$ 122,019**	**$ (122,019)**
Total Expenditures	**$ 5,666,229**	**$ 5,666,229**	**$ 5,765,853**	**$ (99,624)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (138,850)**	**$ (138,850)**
Other Financing Sources				
Capital lease	-	-	300,830	300,830
Net Change in Fund Balance	**$ -**	**$ -**	**$ 161,980**	**$ 161,980**
Fund Balance - January 1	**8,623,360**	**8,623,360**	**8,623,360**	**-**
Increase (decrease) in inventories	**-**	**-**	**146,337**	**146,337**
Fund Balance - December 31	**$ 8,623,360**	**$ 8,623,360**	**$ 8,931,677**	**$ 308,317**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,953,922	$ 1,953,922	$ 1,823,654	$ (130,268)
Intergovernmental	3,198,971	3,218,971	3,331,803	112,832
Charges for services	645,000	645,000	703,799	58,799
Miscellaneous	464,455	464,455	249,947	(214,508)
Total Revenues	**$ 6,262,348**	**$ 6,282,348**	**$ 6,109,203**	**$ (173,145)**
Expenditures				
Current				
Human services				
Income maintenance	$ 1,832,238	$ 1,832,238	$ 1,540,683	$ 291,555
Social services	4,730,110	4,758,810	4,660,423	98,387
Total Expenditures	**$ 6,562,348**	**$ 6,591,048**	**$ 6,201,106**	**$ 389,942**
Excess of Revenues Over (Under) Expenditures	**$ (300,000)**	**$ (308,700)**	**$ (91,903)**	**$ 216,797**
Other Financing Sources (Uses)				
Transfers out	-	-	(200,000)	(200,000)
Net Change in Fund Balance	**$ (300,000)**	**$ (308,700)**	**$ (291,903)**	**$ 16,797**
Fund Balance - January 1	**3,452,270**	**3,452,270**	**3,452,270**	**-**
Fund Balance - December 31	**$ 3,152,270**	**$ 3,143,570**	**$ 3,160,367**	**$ 16,797**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-4

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2011	$ -	$ 875,558	$ 875,558	0.00%	$ 6,057,882	14.45%
January 1, 2014	-	845,957	845,957	0.00	6,500,815	13.01
January 1, 2017	-	860,254	860,254	0.00	7,427,666	11.58

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Wadena County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.1009%	$ 6,441,389	$ 80,960	$ 6,522,349	$ 5,919,200	108.82%	75.90%
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	78.19

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, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	$ 475,330	$ 475,330	$ -	$ 6,337,736	7.50%
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, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.071%	$ 958,584	$ 726,148	132.01%	85.43%
2016	0.073	2,929,617	706,982	414.38	63.88
2015	0.067	761,277	610,802	124.64	86.61

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, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	$ 116,394	$ 116,394	$ -	$ 718,478	16.20%
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.

The notes to the required supplementary information are an integral part of these schedules.

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.220%	$ 627,002	$ 448,432	139.82%	67.89%
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, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	$ 38,550	$ 38,550	$ -	$ 440,577	8.75%
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.

The notes to the required supplementary information are an integral part of these schedules.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

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 Social Services Special Revenue Fund.

2. Budget Amendments

Revenue budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 7,450,863	$ (678)	$ 7,450,185
Social Services Special Revenue Fund	6,262,348	20,000	6,282,348

Expenditure budgets were amended in the following funds:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 7,440,863	$ 10,345	$ 7,451,208
Social Services Special Revenue Fund	6,562,348	28,700	6,591,048

3. 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, 2017.

	Expenditures	Budget	Excess
General Fund	$ 8,868,762	$ 7,451,208	$ 1,417,554
Road and Bridge Special Revenue Fund	5,765,853	5,666,229	99,624

4. Other Postemployment Benefits Funded Status

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

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

5. 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.

2017

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

5. Other Postemployment Benefits - Significant Actuarial Assumption Changes

   2017

   Actuarial Assumptions (Continued)

   - The mortality table was updated from RP 2000 Combined Healthy Table projected to 2014 with Scale BB (with Blue Collar adjustment for Police and Fire) to the RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).

   - The withdrawal and retirement tables for all employees were updated.

   - The discount rate was changed from 4.50 percent to 3.50 percent.

   - The percentage of future retirees who are assumed to continue on one of the County's medical plans post-employment was reduced from 50 percent to 45 percent.

   - The percentage of future retirees who are assumed to continue medical coverage for their spouses on one of the County's medical plans post-employment was reduced from 40 percent to 30 percent.

6. 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:

   General Employees Retirement Plan

   2017

   - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

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

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

2016

- 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.

Public Employees Police and Fire Plan

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

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

Public Employees Police and Fire Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

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

Public Employees Police and Fire Plan (Continued)

2016

- 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

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

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

Public Employees Correctional Plan (Continued)

2016

- 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.

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SUPPLEMENTARY INFORMATION

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WADENA COUNTY
WADENA, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017

	Public Health Nurse	Transit	Solid Waste	Total (Exhibit 3)
Assets				
Cash and pooled investments	$ 741,700	$ 83,096	$ 814,761	$ 1,639,557
Petty cash and change funds	40	100	250	390
Undistributed cash in agency funds	7,378	-	17,441	24,819
Taxes receivable - delinquent	7,874	-	-	7,874
Special assessments receivable - delinquent	-	-	32,865	32,865
Accounts receivable	1,446	5,850	189,377	196,673
Accrued interest receivable	-	54	-	54
Due from other funds	3,177	51	-	3,228
Due from other governments	213,807	228,693	74	442,574
Advance to other funds	5,000	2,500	1,250	8,750
Total Assets	**$ 980,422**	**$ 320,344**	**$ 1,056,018**	**$ 2,356,784**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 13,368	$ 15,156	$ 18,370	$ 46,894
Salaries payable	33,227	12,853	3,958	50,038
Contracts payable	38,777	-	-	38,777
Due to other funds	-	300	-	300
Due to other governments	4,487	71	18,410	22,968
Total Liabilities	**$ 89,859**	**$ 28,380**	**$ 40,738**	**$ 158,977**
Deferred Inflows of Resources				
Unavailable revenue	$ 75,918	$ 142,503	$ 122,982	$ 341,403
Prepaid property taxes	4,470	-	6,806	11,276
Total Deferred Inflows of Resources	**$ 80,388**	**$ 142,503**	**$ 129,788**	**$ 352,679**
Fund Balances				
Nonspendable				
Advances to other funds	$ 5,000	$ 2,500	$ 1,250	$ 8,750
Committed				
Solid waste	-	-	100,000	100,000
Assigned				
Solid waste	-	-	784,242	784,242
Transit	-	146,961	-	146,961
Public health	805,175	-	-	805,175
Total Fund Balances	**$ 810,175**	**$ 149,461**	**$ 885,492**	**$ 1,845,128**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 980,422**	**$ 320,344**	**$ 1,056,018**	**$ 2,356,784**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Public Health Nurse	Transit	Solid Waste	Total (Exhibit 5)
Revenues				
Taxes	$ 199,228	$ -	$ -	$ 199,228
Special assessments	-	-	463,512	463,512
Licenses and permits	30,951	-	-	30,951
Intergovernmental	875,742	681,741	68,711	1,626,194
Charges for services	171,528	121,515	710,778	1,003,821
Investment earnings	-	636	-	636
Miscellaneous	47,329	1,821	61,817	110,967
Total Revenues	**$ 1,324,778**	**$ 805,713**	**$ 1,304,818**	**$ 3,435,309**
Expenditures				
Current				
Sanitation	$ -	$ -	$ 1,202,984	$ 1,202,984
Human services	-	847,848	-	847,848
Health	1,259,763	-	-	1,259,763
Debt service				
Principal	-	-	40,000	40,000
Interest	-	-	27,638	27,638
Total Expenditures	**$ 1,259,763**	**$ 847,848**	**$ 1,270,622**	**$ 3,378,233**
Net Change in Fund Balance	**$ 65,015**	**$ (42,135)**	**$ 34,196**	**$ 57,076**
Fund Balance - January 1	**745,160**	**191,596**	**851,296**	**1,788,052**
Fund Balance - December 31	**$ 810,175**	**$ 149,461**	**$ 885,492**	**$ 1,845,128**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 207,110	$ 207,110	$ 199,228	$ (7,882)
Licenses and permits	29,863	29,863	30,951	1,088
Intergovernmental	649,405	649,405	875,742	226,337
Charges for services	237,910	237,910	171,528	(66,382)
Miscellaneous	46,700	46,700	47,329	629
Total Revenues	**$ 1,170,988**	**$ 1,170,988**	**$ 1,324,778**	**$ 153,790**
Expenditures				
Current				
Health				
Nursing service	1,170,988	1,170,988	1,259,763	(88,775)
Net Change in Fund Balance	**$ -**	**$ -**	**$ 65,015**	**$ 65,015**
Fund Balance - January 1	**745,160**	**745,160**	**745,160**	**-**
Fund Balance - December 31	**$ 745,160**	**$ 745,160**	**$ 810,175**	**$ 65,015**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
TRANSIT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Intergovernmental	$ 570,000	$ 570,000	$ 681,741	$ 111,741
Charges for services	123,700	123,700	121,515	(2,185)
Investment earnings	-	-	636	636
Miscellaneous	13,500	13,500	1,821	(11,679)
Total Revenues	**$ 707,200**	**$ 707,200**	**$ 805,713**	**$ 98,513**
Expenditures				
Current				
Human services				
Transportation	754,039	754,039	847,848	(93,809)
Net Change in Fund Balance	**$ (46,839)**	**$ (46,839)**	**$ (42,135)**	**$ 4,704**
Fund Balance - January 1	**191,596**	**191,596**	**191,596**	**-**
Fund Balance - December 31	**$ 144,757**	**$ 144,757**	**$ 149,461**	**$ 4,704**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT B-5

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 420,000	$ 420,000	$ 463,512	$ 43,512
Licenses and permits	500	500	-	(500)
Intergovernmental	71,655	71,655	68,711	(2,944)
Charges for services	648,200	648,200	710,778	62,578
Miscellaneous	28,600	28,600	61,817	33,217
Total Revenues	**$ 1,168,955**	**$ 1,168,955**	**$ 1,304,818**	**$ 135,863**
Expenditures				
Current				
Sanitation	$ 1,212,080	$ 1,212,080	$ 1,202,984	$ 9,096
Debt service				
Principal	40,000	40,000	40,000	-
Interest	27,188	27,188	27,638	(450)
Total Expenditures	**$ 1,279,268**	**$ 1,279,268**	**$ 1,270,622**	**$ 8,646**
Net Change in Fund Balance	**$ (110,313)**	**$ (110,313)**	**$ 34,196**	**$ 144,509**
Fund Balance - January 1	**851,296**	**851,296**	**851,296**	**-**
Fund Balance - December 31	**$ 740,983**	**$ 740,983**	**$ 885,492**	**$ 144,509**

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FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
GOVERNMENTAL				
Assets				
Cash and pooled investments	$ 4,418	$ 63,601	$ 63,026	$ 4,993
Liabilities				
Due to other governments	$ 4,418	$ 63,601	$ 63,026	$ 4,993
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 164,017	$ 18,186,631	$ 18,052,307	$ 298,341
Liabilities				
Due to other governments	$ 164,017	$ 18,186,631	$ 18,052,307	$ 298,341
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 168,435	$ 18,250,232	$ 18,115,333	$ 303,334
Liabilities				
Due to other governments	$ 168,435	$ 18,250,232	$ 18,115,333	$ 303,334

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OTHER SCHEDULES

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-1

SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2017

	Number	Interest Rate (%)	Maturity Dates	Fair Value
Cash and Pooled Investments				
Cash on hand and departmental checking	N/A	N/A	Continuous	$ 2,590
Checking accounts	Two	0.15 to 0.29	Continuous	1,243,079
Money market savings	Seven	0.05 to 0.65	Continuous	2,384,274
MAGIC Fund	One	1.19	Continuous	10,635,049
Non-negotiable certificates of deposit	Seventeen	1.00 to 1.50	October 7, 2018 to April 18, 2020	4,725,000
Total Cash and Pooled Investments				**$ 18,989,992**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-2

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Appropriations and Shared Revenue		
State		
Highway users tax	$	3,216,807
County program aid		1,497,160
PERA rate reimbursement		20,825
Disparity reduction aid		53,186
Police aid		90,271
Aquatic invasive species aid		37,927
Enhanced 911		86,151
Market value credit		234,830
Riparian Protection Aid		40,000
Total appropriations and shared revenue	**$**	**5,277,157**
Reimbursement for Services		
State		
Department of Human Services	$	982,996
Local		
Ag Society		107,605
Townships		2,387
School districts		43,299
Total reimbursement for services	**$**	**1,136,287**
Payments		
Local		
Local contributions	$	55,766
Payments in lieu of taxes		86,575
Total payments	**$**	**142,341**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$	17,731
Transportation		898,057
Health		244,380
Natural Resources		79,119
Human Services		933,873
Water and Soil Resources		8,681
Veterans Affairs		10,000
Pollution Control Agency		80,259
Peace Officer Standards and Training Board		3,815
Total state	**$**	**2,275,915**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Grants (Continued)		
Federal		
Department of/Agency		
Agriculture	$	211,875
Justice		50,853
Transportation		151,523
Education		1,933
Health and Human Services		1,617,215
Total federal	**$**	**2,033,399**
Total state and federal grants	**$**	**4,309,314**
Total Intergovernmental Revenue	**$**	**10,865,099**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Morrison-Todd-Wadena Community Health Services Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	$ 93,076
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	123,570
Total U.S. Department of Agriculture			**$ 216,646**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	2017 CVS-LN2	$ 47,415
Crime Victim Assistance	16.575	2017 CVS-LN3	3,438
Total U.S. Department of Justice			**$ 50,853**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Formula Grants for Rural Areas	20.509	Agr#1026738	$ 214,355
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC17-2017-WADENASD-2262	1,721
State and Community Highway Safety	20.600	F-ENFRC17-2017-WADENASD-2511	2,248
State and Community Highway Safety (Total State and Community Highway Safety 20.600 $10,610)	20.600	F-ENFRC17-2017-WADENASD-2613	6,641
National Priority Safety Programs	20.616	F-ENFRC17-2017-WADENASD-2262	5,299
National Priority Safety Programs (Total National Priority Safety Programs 20.616 $11,491)	20.616	F-ENFRC17-2017-WADENASD-2511	6,192
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC17-2017-WADENASD-2262	7,684
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 $15,778)	20.608	F-ENFRC17-2017-WADENASD-2613	8,094
Total U.S. Department of Transportation			**$ 252,234**
U.S. Department of Education			
Passed Through Morrison-Todd-Wadena Community Health Services Board			
Special Education - Grants for Infants and Families	84.181	Not Provided	**$ 1,933**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Health and Human Services			
Direct			
Drug-Free Communities Support Program Grants	93.276		$ 130,117
Passed Through Central Minnesota Council on Aging			
Aging Cluster			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Not Provided	13,500
Passed Through Morrison-Todd-Wadena Community Health Services Board			
Public Health Emergency Preparedness	93.069	Not Provided	30,013
Immunization Cooperative Agreements	93.268	Not Provided	400
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Not Provided	36,960
TANF Cluster			
Temporary Assistance for Needy Families	93.558	Not Provided	46,466
(Total Temporary Assistance for Needy Families 93.558 $280,795)			
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Maternal, Infant and Early Childhood Home Visiting Program	93.870	Not Provided	48,955
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	22,111
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	26,478
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1601MNTANF	234,329
(Total Temporary Assistance for Needy Families 93.558 $280,795)			
Child Support Enforcement	93.563	1704MNCSES	239,007
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRCMA	314
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCCDF	3,768
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	4,140
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	7,840
Foster Care - Title IV-E	93.658	1701MNFOST	91,470
Social Services Block Grant	93.667	G-1701MNSOSR	118,632
Children's Health Insurance Program	93.767	05-1705MN0301	168
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5ADM	661,000
Medical Assistance Program	93.778	05-1705MN5MAP	11,429
(Total Medical Assistance Program 93.778 $672,429)			
Total U.S. Department of Health and Human Services			**$ 1,727,097**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2017-WADENACO-2555	**$ 16,445**
Total Federal Awards			**$ 2,265,208**

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
Totals by Cluster			
Total expenditures for SNAP Cluster			$ 123,570
Total expenditures for Highway Safety Cluster			22,101
Total expenditures for Aging Cluster			13,500
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			85,915
Total expenditures for TANF Cluster			280,795
Total expenditures for CCDF Cluster			3,768
Total expenditures for Medicaid Cluster			672,429

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

WADENA COUNTY
WADENA, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. 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.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	2,033,399
Grants received more than 60 days after year-end, unavailable in 2017		
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)		21,949
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)		24,940
Formula Grants for Rural Areas (CFDA No. 20.509)		100,711
Special Education - Grants for Infants and Families (CFDA No. 84.181)		483
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (CFDA No. 93.044)		6,000
Promoting Safe and Stable Families (CFDA No. 93.556)		1,528
Temporary Assistance for Needy Families (CFDA No. 93.558)		62,840
Child Support Enforcement (CFDA No. 93.563)		37,722
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		467
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		1,062
Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)		5,528
Emergency Management Performance Grants (CFDA No. 97.042)		16,445
Grants unavailable in 2016, recognized as revenue in 2017		
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)		(42,118)
Special Education - Grants for Infants and Families (CFDA No. 84.181)		(483)
Public Health Emergency Preparedness (CFDA No. 93.069)		(5,066)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA No. 93.505)		(25,016)
Promoting Safe and Stable Families (CFDA No. 93.556)		(490)
Temporary Assistance for Needy Families (CFDA No. 93.558)		(33,276)
Child Care and Development Block Grant (CFDA No. 93.575)		(216)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		(323)
Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)		(5,958)
Grants recorded in Agency Fund		
Foster Care - Title IV-E (CFDA No. 93.658)		17,110
Medical Assistance Program (CFDA No. 93.778)		47,970
Expenditures per Schedule of Expenditures of Federal Awards	$	2,265,208

Management and Compliance Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining information of Wadena County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 10, 2018. 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Wadena County administers no 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*, except as described in the Schedule of Findings and Questioned Costs as item 2017-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Wadena County's Response to Findings

Wadena County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

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

September 10, 2018

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Wadena County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. 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 Social Services Block Grant (CFDA No. 93.667)
As described in the accompanying Schedule of Findings and Questioned Costs, Wadena County did not comply with requirements regarding CFDA No. 93.667 Social Services Block Grant in finding number 2017-002 for Reporting. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Social Services Block Grant (CFDA No. 93.667)
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 Social Services Block Grant for the year ended December 31, 2017.

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, 2017.

Other Matters
The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003. Our opinion on each major federal program is not modified with respect to this matter.

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

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 certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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 2017-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003 to be a significant deficiency.

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

Purpose of This Report

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

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

September 10, 2018

WADENA COUNTY
WADENA, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified for all major programs, except for Social Services Block Grant, 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:

SNAP Cluster	CFDA No. 10.561
Child Support Enforcement	CFDA No. 93.563
Social Services Block Grant	CFDA No. 93.667

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

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

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding Number 2017-001

Jail Departmental Control Procedures

Criteria: Bank statements should be routinely reconciled with the cash balances recorded in the books of the account. County fees should be remitted timely to ensure they are deposited with the County Auditor/Treasurer and properly posted to the general ledger. Outstanding checks should be reviewed during the bank reconciliation process to determine if the check may still be cashed, if a duplicate check should be issued, or if the check should be written off and tracked for compliance with Minnesota statutes pertaining to unclaimed property.

Condition: Procedures performed for the Jail Department during the audit revealed the departmental checking account had an account balance of $51,347 as of September 2017. Collections for inmates are placed into the departmental checking account for booking fees, canteen purchases, over-the-counter medications, nursing visits, haircuts, and other miscellaneous items. Checks are written from the departmental checking account to reimburse inmates for their unused cash balances upon release and to remit fees collected by the department to the County Auditor/Treasurer. However, beginning in 2012, County profits from phone card and canteen purchases were not fully remitted to the County Auditor/Treasurer. In addition, there was no reconciliation performed of the account balance to the departments' subsidiary ledgers, so the exact balance due to the County Auditor/Treasurer was unknown at the time audit procedures were performed. In addition, 59 checks totaling $577 were more than three years outstanding, dating back to July 2012.

Context: The establishment and oversight of departmental control procedures is particularly important because generally, these smaller departments lack proper segregation of duties, which increases the risk of errors or fraud.

Effect: In July 2018, the departmental checking account remitted $52,899 to the County Auditor/Treasurer for phone card and canteen purchase fees collected in the Jail Department since 2012.

Cause: The County indicated there were no internal control procedures in place to ensure all fees collected in the Jail Department were remitted to the County Auditor/Treasurer, and the task of following up on outstanding checks was not assigned to anyone after employee turnover within the department.

Recommendation: A reconciliation and review of all departmental bank accounts should be completed monthly to ensure the bank balance agrees with the departments' subsidiary ledgers. The Jail Administrator should also review the fees posted to the County general ledger to ensure the fees collected with the department are receipted into the County general ledger timely and are posted to the correct revenue account. We recommend a policy be established and approved to specify a time frame and process for handling outstanding checks considered uncollectible in accordance with Minn. Stat. § 345.39.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2017-002

SEAGR Reporting

Program: U.S. Department of Health and Human Services' Social Services Block Grant (CFDA No. 93.667), Award No. G-1701MNSOSR, 2017

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

Criteria: The Social Services Expenditure and Grant Reconciliation (SEAGR) Report is an integrated quarterly fiscal report that provides detail to the long-standing quarterly Social Service Fund Report (DHS-2556). The SEAGR Report gives DHS timely data on all agency social services expenditures and revenues. In turn, DHS produces timely output reports for use by agencies, DHS, and the legislature, including quarterly statewide reports and yearly agency reports with comparisons to statewide data. Counties that use SSIS (Social Services Information System) to generate the SEAGR report must submit the completed SEAGR and applicable supporting schedules through SSIS by BRASS (Budgeting, Reporting, and Accounting for Social Services) code. This report, plus the Social Service Fund Report (DHS-2556), constitute the quarterly Social Service Fund agency fiscal reporting.

Condition: Testing of the SEAGR revealed that BRASS codes on the annual report did not tie back to the BRASS codes in the general ledger. Amounts for 17 of the 46 BRASS codes reported were incorrect.

Questioned Costs: None.

Context: The SEAGR Report (DHS-2557) collects financial data based upon BRASS codes. The report is computer-generated and is electronically transmitted from County human services agencies to the Minnesota Department of Human Services (DHS).

Effect: The incorrect financial data was reported to DHS. As a result, amounts on the SEAGR for all four quarters of 2017 were misstated. The period to resubmit the first quarter had expired at the time the issue was discovered, but the County submitted amended SEAGR reports for quarters two through four to DHS.

Cause: Throughout the year, some SSIS payments were coded improperly, and the incorrect chart of account codes was used when processing the payment in the general ledger. As a result, the BRASS codes in the general ledger and SSIS did not match up with the amounts reported on the SEAGR.

Recommendation: We recommend the County implement internal control procedures, such as comparing the SEAGR report to the general ledger, to determine the amounts reported by BRASS code are correct.

View of Responsible Official: Concur

Finding Number 2017-003

Procurement, Suspension, and Debarment

Program: U.S. Department of Agriculture's SNAP Cluster (CFDA No. 10.561); Award No. 172MN101S2514, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319; verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, 200.318(h); and procurement by micro-purchases as provided in Title 2 U.S. *Code of Federal Regulations* § 200.320(a).

Condition: Eight procurement transactions over the micro-purchasing threshold of $3,500 were tested for compliance with federal regulations. There were seven instances where the history of procurement, including selection of contract, was not documented. For the five items tested that were over the $25,000 threshold, there was no verification performed by the County to determine whether vendors were debarred, suspended, or otherwise excluded. Five micro-purchases were also tested. Three of these were not documented as being distributed equitably among qualified suppliers.

Questioned Costs: None

Context: Eight of 46 procurement transactions over $3,500 were tested for compliance with federal regulations, including 5 of the 19 purchases over $25,000. Five out of 30 micro-purchases were tested for compliance with federal regulations.

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

Effect: The County is not in compliance with federal regulations.

Cause: The County was unaware of these requirements.

Recommendation: We recommend the County document the history of procurement transactions, including contract selection, full and open competition, and that a cost or price analysis was performed in accordance with federal regulations. We also recommend that the County keep copies of all contract documents when they are using a construction manager so they are in compliance with their record retention policy. We also recommend the County verify vendors are not debarred or suspended or that other exclusions apply. We further recommend the County distribute its micro-purchases amongst qualified suppliers to the extent practicable.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

<u>MINNESOTA LEGAL COMPLIANCE</u>

<u>ITEM ARISING THIS YEAR</u>

Finding Number 2017-004

<u>Contract and Bidding Compliance</u>

Criteria: Minnesota statutes contain requirements for the contracting and bidding processes used by local governments.

Condition: The County was not in compliance with the following State of Minnesota contracting and bid laws:

- Specifications on contracts: Minn. Stat. § 471.345 requires that specifications are written so as not to exclude all but one type or kind of supplies or equipment, if sealed bids were solicited. The Human Services Department was not able to provide any specifications on their remodeling project.

- Publication of Solicitation for Bids: Minn. Stat. § 375.21 requires three weeks of publication notice advertising for bids or proposals in a qualified legal newspaper of the County for building construction contracts. The Human Services Department was not able to provide an affidavit of publication for the advertisement for bids on their remodeling project.

- Abstract of bidders: Minn. Stat. § 15.17 requires all public officers to "make and preserve all records necessary to a full and accurate knowledge of their official activities." The names of bidders and the amount of the bids should, therefore, be recorded and preserved. The Human Services Department was not able to provide an abstract of bids, showing all the bids on each of the bid packages for their remodeling project.

- Signed contract: Generally, construction contracts should be executed in writing. All contracts awarded on bid must be executed in writing per Minn. Stat. § 375.21, subd. 1. The Human Services Department was not able to provide a contract for six of the seven bid packages for their remodeling project.

- Contractor's Performance and Payment Bond: During 2017, Minn. Stat. § 574.26 required contractors doing public work to give both a performance bond and a payment bond in an amount not less than the contract price if the contract is more than $100,000. Two of the seven bid packages associated with the remodeling project for the Human Services Department exceeded $100,000, and one of these did not provide a payment or performance bond.

- Withholding Affidavit for Contractors (Form IC-134): Minn. Stat. § 270C.66 states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain a certificate from the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minn. Stat. § 290.92. The Human Services Department was not able to provide any IC-134's showing they were provided prior to the final payment being made to the contractors for their remodeling project. In addition, the County was not able to provide any IC-134's showing they were provided prior to the final payment being made to the contractors that worked on the new annex building.

- Acceptance of Low Bids Received: Minn. Stat. § 15.17, subd. 1, requires the County Board make and preserve all records necessary to a full and accurate knowledge of their official activities. The Human Services Department was not able to provide any documentation showing they went with the lowest bidder for their remodeling project.

- Contract Language: Minn. Stat. § 471.425, subd. 4a, requires that the contract between the government entity and a prime contractor contain language that requires the prime contractor to pay subcontractors within ten days of receipt of payment from the government entity or pay interest at the rate of 1.5 percent per month or any part of a month. The Human Services Department was not able to provide documentation that this wording was included in their contracts for their remodeling project. For the one contract that was provided, no language existed relating to this requirement. In addition, the County was not able to provide documentation that this wording was included in the contracts associated with the new annex building.

- Responsible bidder certification: Minn. Stat. § 16C.285 states that for each construction contract in excess of $50,000, awarded pursuant to a lowest responsible bidder or best value process, the successful contractor must submit verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subd. 3. The Human Services Department was not able to provide documentation this certification requirement was included in their contracts that exceeded $50,000. For the one contract that was provided, no certification existed. In addition, the County was not able to provide documentation that this certification requirement was included in their contracts that exceeded $50,000 for the new annex building.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and purchases. They were not aware of all the contract requirements that had to be followed.

Effect: Noncompliance with Minn. Stat. §§ 15.17; 16C.285; 270C.66; 375.21; 471.345; 471.425; and 574.26.

Cause: Staff from the Human Services Department were not aware of all of the contract requirements. For the items relating to the new annex building, they were not given proper consideration by the County. Both of these projects were being managed by the same construction manager. The lead person had left the employment of this firm, so they were not available to locate and provide any documents when requested.

Recommendation: We recommend the County follow its procurement policy adopted December 13, 2016, to ensure compliance with applicable statutes for all future contracts. Also, if a construction manager is being used, the County should be sure to get a copy of all their files and keep them in accordance with the County record retention policy.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2016-001 Eligibility (CFDA No. 93.778)

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REPRESENTATION OF WADENA COUNTY
WADENA, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2017-001
Finding Title: Jail Departmental Control Procedures

Name of Contact Person Responsible for Corrective Action:

Chief Deputy #4102 Joe Schoon
Joe.schoon@co.wadena.mn.us
218-631-7600

Corrective Action Planned:

In regards to the State Auditor's recommendations addressing "Jail Department Control Procedures".

"A reconciliation and review of all department bank accounts should be completed monthly to ensure the bank balance agrees with the department's subsidiary ledgers."

The procedures that are followed and have been are these; The Sheriff's Office Administrative Assistant, Missy Peterson, receives the monthly bank statement. The statement is cross checked with the Office's documentation/invoices and other financial statements from where the monies were coming from and were deposited into the bank account. The ending balance is then verified by the Administrative Assistant, Jail Administrator and/or the Chief Deputy.

"The Jail Administrator should also review the fees posted to the County general ledger to ensure the fees collected with the department are receipted into the County general ledger timely and are posted to the correct revenue account."

When deposits are made and the monies are brought to the Treasurer's Office, there is documentation that indicates the monies have been counted and verified by at least two individuals; the Sheriff's Office Administrative Assistant and someone from the Treasurer's Office. Once the deposit is made, additional documentation is returned to the Sheriff's Office and this is verified by either the Jail Administrator or their designee.

"We recommend a policy be established and approved to specify a time frame and process for handling outstanding checks considered uncollectible in accordance with Minn. Stat. 345.39."

In July of 2018, we turned over the outstanding checks for the years 2012 thru June 30, 2014 as unclaimed property to the State. At this time there are fewer checks written out to inmates then in years past. When an inmate is released they are given a debit card with their remaining cash balance, if there is any. An inmate is only written a check if they are being sent to another facility for housing, sent to another county facility on that county's charges or sent off to prison.

The Sheriff's Office has a policy in place regarding cash handling, security and management. With this, and after the State Auditor's recommendations, the Sheriff' s Office will update this policy to include the handling of checks, the designated administrative staff that will verify/reconcile documentation, and the assignment of staff personnel with the task of following up on outstanding checks with a time frame and process per Minn. Stat.

Anticipated Completion Date:

The Sheriffs Office anticipates having these changes made; some already are, just not written into policy, by or before January 1, 2019.

Finding Number: 2017-002
Finding Title: SEAGR Reporting
Program: Social Services Block Grant (CFDA No. 93.667)

Name of Contact Person Responsible for Corrective Action:

Human Services Administrative Supervisor Amie Gendron
Amie.gendron@co.wadena.mn.us
218-632-2535

Corrective Action Planned:

SEAGR Reporting
Wadena County Human Services has implemented a procedure to ensure the accuracy of the SEAGR Brass reporting codes are in alignment with the account codes in the Integrated Financial System. Prior to submission of the report to MN Department of Human Service and upon completion of the SEAGR report, an account activity report is run in IFS and compared to the SEAGR report to ensure the amounts are aligned for each BRASS code. If there is a discrepancy, the payments in question are reviewed, account adjustments made to correct the issue, and then the report is submitted. In addition, all SSIS service arrangements are reviewed and approved by someone other than the originator of the service arrangement. Their job is to check for the accuracy of the BRASS service code within the service arrangement and ensure it aligns with the service code block of the chart of account code.

Anticipated Completion Date:

This has already been completed-for 2018 reports. The 2nd quarter SEAGR report was submitted: 7/26/18.

Finding Number: 2017-003
Finding Title: Procurement, Suspension, and Debarment
Program: SNAP Cluster (CFDA No. 10.561)

Name of Contact Person Responsible for Corrective Action:

Human Services Administrative Supervisor Amie Gendron
Amie.gendron@co.wadena.mn.us
218-632-2535

Corrective Action Planned:

Suspension, Procurement, Debarment
Wadena County Human Services has implemented a purchasing price tracking system. The system includes identifying the product type, vendor prices obtained for cost analysis, locating possible vendors. A form will be developed, used, and maintained to identify sole source providers. The current process for verifying excluded/debarred vendors will continue to be used with the addition of the element of checking the federal SAM and MN Department of Human Services websites for excluded/debarred vendors. Vendors are checked and dates are recorded in a tracking spreadsheet maintained by the accounting staff processing payments.

Anticipated Completion Date:

Completed Date for price tracking system was 7/5/18. Completion Date for tracking excluded vendors is 10/31/18.

Finding Number: 2017-004
Finding Title: Contracting and Bidding Compliance

Name of Contact Person Responsible for Corrective Action:

Human Services Administrative Supervisor
Amie Gendron
Amie.gendron@co.wadena.mn.us
218-632-253

Corrective Action Planned:

Contract Bidding Compliance
Wadena County Human Services will engage in future projects requiring bidding and/or contracts. A point of contact will be established with contract managers to ensure open communication regarding the building project. A compliance meeting will be scheduled with contract manager (whether this is an employee of the county or outside vendor) to review the procurement policy, to ensure compliance of the policy, and to identify any missing components in the bidding process. Further, Human Services will maintain a construction file, maintain copies of bids, publications of solicitation for bids, contracts, certifications, and other documentation verification as outlined in the county's procurement policy, when federal funds are used to fund the project.

Anticipated Completion Date:

Human Services currently does not have any remodeling/building projects in which federal funds are claimed for reimbursement. Knowing the recommendation of the State Auditor regarding this finding, our obligation to follow the procurement policy, this plan will be used in the event this occurs again in the future.

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REPRESENTATION OF WADENA COUNTY
WADENA, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2016-001
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The state maintains the computer system, MAXIS, which is used by Wadena County to support the eligibility determination process. During review of the Medical Assistance Program, for the 40 cases tested, there were four instances where the current asset information was not entered into MAXIS, five instances where asset information was not verified with outside sources, and one casefile that did not contain the application/renewal form supporting eligibility.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___