

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WADENA COUNTY
WADENA, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

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 160 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 730 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, 2008



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

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**WADENA COUNTY
WADENA, MINNESOTA**

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WADENA, MINNESOTA**

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**WADENA COUNTY
WADENA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2008**

<u>Office</u>	<u>Name</u>	<u>District</u>	<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Lane Waldahl	District 1	January 2011
Chair	Orville Meyer	District 2	January 2009
Board Member	William Stearns	District 3	January 2011
Board Member	Mary Harrison	District 4	January 2009
Vice Chair	David Schermerhorn	District 5	January 2011
Attorney	Kyra Ladd		January 2011
Auditor/Treasurer	Charleen West		January 2011
County Recorder	Soledad Henriksen		January 2011
Registrar of Titles	Soledad Henriksen		January 2011
County Sheriff	Michael D. Carr		January 2011
Appointed			
Assessor	Lee Brekke		December 2008
County Engineer	Joel Ulring		May 2011
Coroner	Tim B. Schmitt, M.D.		Indefinite
Community Corrections Officer	Kathryn Langer		Indefinite
Social Services Director	Paul Sailer		Indefinite
Veterans Services Officer	David Anderson		April 2010

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wadena County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Wadena County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of and for the year ended December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4.C., Wadena County has implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2009, on our consideration of Wadena County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 10, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WADENA COUNTY
WADENA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(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, 2008. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Wadena County exceeded its liabilities by \$35,041,648 at the close of 2008. Of this amount, \$2,747,064 (unrestricted net assets) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- At the close of 2008, Wadena County's governmental funds reported combined ending fund balances of \$3,412,654, a decrease of \$711,655, in comparison with the prior year. Of the total fund balance, \$1,560,756 is available for spending at the County's discretion and is noted as unreserved fund balance.
- At the close of 2008, unreserved fund balance for the General Fund was \$157,084, or 2.8 percent, of total General Fund expenditures.
- Wadena County currently does not have any bonded indebtedness.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Level Financial Statements

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

Governmental Funds

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

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

Wadena County reports seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and Solid Waste 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 nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

Fiduciary Funds

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

Note to the Financial Statements

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

Other Information

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

Wadena County adopts an annual appropriated budget for its General Fund and major special revenue funds. To demonstrate compliance with these budgets, budgetary comparison statements have been provided as required supplemental information for the County's major funds. Wadena County also budgets for the Public Health Special Revenue Fund, which is a nonmajor fund, as supplemental information. The Tax Forfeited Land and Transit Special Revenue Funds are not budgeted for.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Wadena County's assets exceeded liabilities by \$35,041,648 at the close of 2008. The largest portion of Wadena County's net assets (87 percent) reflects its investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

Governmental Net Assets

	2008	2007 (Restated)
Current and other assets	\$ 6,895,094	\$ 7,110,929
Capital assets	30,370,968	28,537,278
Total Assets	\$ 37,266,062	\$ 35,648,207
Long-term liabilities outstanding	\$ 837,664	\$ 720,260
Other liabilities	1,386,750	1,098,923
Total Liabilities	\$ 2,224,414	\$ 1,819,183
Net Assets		
Invested in capital assets	\$ 30,370,968	\$ 28,537,278
Restricted	1,923,616	1,442,897
Unrestricted	2,747,064	3,848,849
Total Net Assets	\$ 35,041,648	\$ 33,829,024

The unrestricted net asset amount of \$2,747,064 as of December 31, 2008, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wadena County's activities increased net assets by \$1,212,624, or 3.6 percent, over the 2007 net assets. The key element of the increase in net assets was the increase in invested in capital assets by \$1,833,690 for general government, public safety, and highways and streets, with the majority of the increase due to road improvements.

Changes in Net Assets

	2008	2007 (Restated)
Revenues		
Program revenues		
Charges for services	\$ 2,224,080	\$ 2,792,456
Operating grants and contributions	7,257,608	6,783,050
Capital grants and contributions	944,280	1,203,488
General revenues		
Property taxes	6,355,732	5,642,918
Other taxes	38,432	38,209
Grants and contributions not restricted to specific programs	1,645,910	1,786,940
Other	230,513	314,610
Total Revenues	\$ 18,696,555	\$ 18,561,671

	2008	2007 (Restated)
Expenses		
General government	\$ 3,093,272	\$ 2,872,094
Public safety	2,122,020	2,041,312
Highways and streets	3,158,991	3,853,960
Sanitation	961,398	1,016,889
Human services	6,473,913	6,705,809
Health	1,167,682	1,020,488
Culture and recreation	222,190	153,069
Conservation of natural resources	213,780	185,432
Economic development	70,685	278,076
Total Expenses	\$ 17,483,931	\$ 18,127,129
Increase in Net Assets	\$ 1,212,624	\$ 434,542
Net Assets, January 1	33,829,024	33,394,482
Net Assets, December 31	\$ 35,041,648	\$ 33,829,024

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,412,654, a decrease of \$711,655 in comparison with the prior year. The unreserved fund balance in the amount of \$1,560,756 is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of Wadena County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$157,084, while total fund balance was \$1,411,032. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 2.8 percent of total General Fund expenditures. In 2008, fund balance in the General Fund decreased by \$125,509. This decrease was due to excess revenues over expenditures of \$2,068

offset by transfers out of \$127,577. The difference between 2007 revenues over expenditures compared to 2008 revenues over expenditures reflected an improvement of \$81,884, which is due to 2008 activity reflecting increased taxes of \$522,267; increased intergovernmental from state and federal grants of \$126,900 offset by decreased revenue of CFS, fines and fees, interest earnings, and miscellaneous of \$156,515; and increased expenses of \$410,939, mainly in general government, public safety, and culture and recreation.

The Road and Bridge Special Revenue Fund's fund balance increased \$41,484, due to excess revenues over expenditures of \$138,990 offset by a decrease in inventory of \$97,506. The difference between 2007 revenues over expenditures compared to 2008 revenues over expenditures reflected an improvement of \$329,599, which is due to an increase in taxes of \$75,209, an increase in intergovernmental revenue of \$315,403, a decrease in economic development expense of \$214,320 (Depot Project), a decrease in miscellaneous revenue of \$38,698, and an increase in highway and street expense of \$230,733.

The Social Services Special Revenue Fund's fund balance decreased \$585,552, due to excess expenditures over revenues, which compares with 2007 expenditures exceeding revenues of \$617,975. The difference between 2007 expenditures over revenues compared to 2008 expenditures over revenues reflected an improvement of \$32,423, which is due to a decrease in revenues of \$202,568 offset by a decrease in expenditures of \$234,991.

General Fund Budgetary Highlights

The County made no budget amendments to the 2008 General Fund budget. The revenue variance of \$48,860 between budget and actual was mainly due to more actual revenues of charges for services, fines and forfeits and miscellaneous offset by less actual investment earnings. The main expenditure variance of (\$174,369) between budget and actual was mainly due to fewer actual expenditures for General Government and Conservation of Natural Resources offset by more actual expenditures for Public Safety and Culture and Recreation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2008, was \$30,370,968 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets for the current fiscal year increased 6.4 percent. The net increase was attributed to the County's investment in its infrastructure.

Governmental Capital Assets

	2008	2007
Land	\$ 570,515	\$ 570,515
Infrastructure	27,006,717	25,266,044
Buildings	1,535,250	1,655,121
Furniture, equipment, and machinery	1,258,486	1,045,598
Total	<u>\$ 30,370,968</u>	<u>\$ 28,537,278</u>

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

Long-Term Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Wadena County's unemployment rate was 11.3 percent at the end of 2008. As of September 2009, Wadena County's unemployment rate improved to 8.8 percent, which was still above the statewide rate of 7.3 percent for the same time period.
- Wadena County is subject to 3.9 percent levy limits for 2009, 2010, and 2011.
- Wadena County's property tax delinquency was 4.21 percent at the end of 2008, which is up from the previous year's delinquent rate of 3.38 percent.
- Wadena County was subject to state unallotments of County Program Aid in December 2008 amounting to \$133,049 as well as in July and December 2009 amounting to an additional \$100,295; the state has authorized counties to use special levies to levy property taxes to replace the known 2008 and 2009 unallotments, which the Board of Commissioners approved to include in its preliminary 2010 tax levy. An additional unallotment is anticipated in December 2009, which the state has authorized to be special levied for in January 2010 to be included in the 2010 property tax levy. The Commissioners will not act on the 2010 property tax levy until December 2009 or possibly January 2010. The state has predicted Wadena County will receive an additional unallotment of \$203,000 in 2010.
- Wadena County is unaware, at this time, whether South Country Health Alliance will be in operation in 2010.

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 ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Assets

Cash and pooled investments	\$ 3,651,298
Petty cash and change funds	3,240
Taxes receivable	
Current	223,950
Prior	107,850
Special assessments receivable	
Current	26,536
Prior	13,184
Accounts receivable	147,568
Accrued interest receivable	5,797
Due from other governments	2,073,017
Advances receivable	128,750
Inventories	180,623
Investment in joint venture	333,281
Capital assets	
Non-depreciable	570,515
Depreciable - net of accumulated depreciation	<u>29,800,453</u>
Total Assets	<u>\$ 37,266,062</u>

Liabilities

Accounts payable	\$ 269,847
Salaries payable	293,178
Contracts payable	119,434
Due to other governments	615,592
Customer deposits	1,000
Unearned revenue	87,699
Long-term liabilities	
Due within one year	456,854
Due in more than one year	<u>380,810</u>
Total Liabilities	<u>\$ 2,224,414</u>

Net Assets

Invested in capital assets	\$ 30,370,968
Restricted for	
General government	610,504
Public safety	106,997
Highways and streets	1,125,688
Culture and recreation	19,696
Conservation of natural resources	60,731
Unrestricted	<u>2,747,064</u>
Total Net Assets	<u>\$ 35,041,648</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
<u>Functions/Programs</u>					
Primary government					
Governmental activities					
General government	\$ 3,093,272	\$ 337,156	\$ 54,951	\$ -	\$ (2,701,165)
Public safety	2,122,020	110,190	192,786	-	(1,819,044)
Highways and streets	3,158,991	57,691	2,367,974	838,725	105,399
Sanitation	961,398	558,779	390,503	-	(12,116)
Human services	6,473,913	862,938	3,330,760	-	(2,280,215)
Health	1,167,682	279,192	656,476	-	(232,014)
Culture and recreation	222,190	15,997	95,128	-	(111,065)
Conservation of natural resources	213,780	1,471	167,450	-	(44,859)
Economic development	70,685	666	1,580	105,555	37,116
Total Governmental Activities	\$ 17,483,931	\$ 2,224,080	\$ 7,257,608	\$ 944,280	\$ (7,057,963)
General Revenues					
Property taxes					\$ 6,355,732
Mineral taxes					101
Other taxes					87
Payments in lieu of tax					38,244
Grants and contributions not restricted to specific programs					1,645,910
Unrestricted investment earnings					98,239
Miscellaneous					132,274
Total general revenues					\$ 8,270,587
Change in Net Assets					\$ 1,212,624
Net Assets - Beginning, as restated in Note 1.E.					33,829,024
Net Assets - Ending					\$ 35,041,648

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, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and pooled investments	\$ 1,075,681	\$ 733,606	\$ 1,045,046	\$ 525,186	\$ 122,399	\$ 3,501,918
Petty cash and change funds	2,750	100	200	50	140	3,240
Undistributed cash in agency funds	81,912	24,679	28,979	13,810	-	149,380
Taxes receivable						
Current	123,998	46,501	53,451	-	-	223,950
Prior	58,164	22,358	27,328	-	-	107,850
Special assessments receivable						
Current	-	-	-	26,536	-	26,536
Prior	-	-	-	13,184	-	13,184
Accounts receivable	5,108	1,110	47,254	57,253	36,843	147,568
Accrued interest receivable	5,723	-	-	-	74	5,797
Due from other funds	12,053	583	17,403	-	12,314	42,353
Due from other governments	38,726	1,357,205	464,088	1,682	190,225	2,051,926
Inventories	-	180,623	-	-	-	180,623
Advances to other funds	441,000	13,750	40,000	228,802	7,500	731,052
Total Assets	\$ 1,845,115	\$ 2,380,515	\$ 1,723,749	\$ 866,503	\$ 369,495	\$ 7,185,377
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 82,870	\$ 32,819	\$ 121,262	\$ 23,862	\$ 9,034	\$ 269,847
Salaries payable	112,431	51,973	79,974	3,511	45,289	293,178
Compensated absences	-	-	25,118	-	-	25,118
Contracts payable	-	119,434	-	-	-	119,434
Due to other funds	12,056	2,675	33,907	1,771	3,263	53,672
Due to other governments	51,319	21,469	469,892	39,738	764	583,182
Advance from other funds	-	-	601,302	-	1,000	602,302
Customer deposits	-	1,000	-	-	-	1,000
Deferred revenue - unavailable	142,167	1,247,171	209,657	26,323	111,973	1,737,291
Deferred revenue - unearned	33,240	-	-	-	54,459	87,699
Total Liabilities	\$ 434,083	\$ 1,476,541	\$ 1,541,112	\$ 95,205	\$ 225,782	\$ 3,772,723

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

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**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities and Fund Balances</u> (Continued)						
Fund Balances						
Reserved for						
Advances to other funds	\$ 441,000	\$ 13,750	\$ 40,000	\$ 228,802	\$ 7,500	\$ 731,052
Inventories	-	180,623	-	-	-	180,623
Utility deposits	-	500	-	-	-	500
Emergency management	479	-	-	-	-	479
SCORE	-	-	-	57,324	-	57,324
State-aid highway projects	-	69,451	-	-	-	69,451
Missing heirs	15,020	-	-	-	-	15,020
Recorder's equipment	70,249	-	-	-	-	70,249
Sheriff's contingency	5,000	-	-	-	-	5,000
Enhanced 911	99,970	-	-	-	-	99,970
Compliance fund	86,149	-	-	-	-	86,149
Sheriff's forfeited property	1,548	-	-	-	-	1,548
Attorney's forfeited property	20,434	-	-	-	-	20,434
HAVA	64,756	-	-	-	-	64,756
ISTS	26,345	-	-	-	-	26,345
Parks	19,696	-	-	-	-	19,696
Shoreline grant	17,772	-	-	-	-	17,772
Timber development	16,614	-	-	-	-	16,614
Building fund	368,916	-	-	-	-	368,916
Unreserved						
Designated for future expenditures	131,484	-	-	-	-	131,484
Designated for cash flows	25,600	200,000	-	-	-	225,600
Designated for mental health initiative	-	-	136,775	-	-	136,775
Designated for peer center	-	-	5,862	-	-	5,862
Designated for building improvements	-	25,000	-	-	-	25,000
Undesignated	-	414,650	-	485,172	-	899,822
Unreserved, reported in nonmajor Special revenue funds	-	-	-	-	136,213	136,213
Total Fund Balances	\$ 1,411,032	\$ 903,974	\$ 182,637	\$ 771,298	\$ 143,713	\$ 3,412,654
Total Liabilities and Fund Balances	\$ 1,845,115	\$ 2,380,515	\$ 1,723,749	\$ 866,503	\$ 369,495	\$ 7,185,377

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Fund balances - total governmental funds (Exhibit 3)		\$ 3,412,654
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		30,370,968
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		333,281
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,737,291
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	\$ (742,494)	
Net OPEB liability	(70,052)	(812,546)
Net Assets of Governmental Activities (Exhibit 1)		<u><u>\$ 35,041,648</u></u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 3,501,815	\$ 1,292,645	\$ 1,487,164	\$ 12,426	\$ -	\$ 6,294,050
Special assessments	-	-	-	414,648	-	414,648
Licenses and permits	38,464	-	-	150	18,474	57,088
Intergovernmental	1,379,878	3,792,801	3,326,478	55,000	953,645	9,507,802
Charges for services	272,382	-	-	557,130	226,121	1,055,633
Fines and forfeits	40,377	-	-	-	-	40,377
Gifts and contributions	1,740	-	-	-	1,100	2,840
Investment earnings	97,667	-	-	-	1,001	98,668
Miscellaneous	249,762	45,876	818,006	1,572	90,759	1,205,975
Total Revenues	\$ 5,582,085	\$ 5,131,322	\$ 5,631,648	\$ 1,040,926	\$ 1,291,100	\$ 18,677,081
Expenditures						
Current						
General government	\$ 3,011,739	\$ -	\$ -	\$ -	\$ -	\$ 3,011,739
Public safety	2,122,429	-	-	-	-	2,122,429
Highways and streets	-	4,802,728	-	-	-	4,802,728
Sanitation	-	-	-	937,511	-	937,511
Human services	-	-	5,629,711	-	411,697	6,041,408
Health	-	-	-	-	1,152,263	1,152,263
Culture and recreation	222,190	-	-	-	-	222,190
Conservation of natural resources	214,184	-	-	-	210	214,394
Economic development	9,475	61,210	-	-	-	70,685
Intergovernmental	-	128,394	587,489	-	-	715,883
Total Expenditures	\$ 5,580,017	\$ 4,992,332	\$ 6,217,200	\$ 937,511	\$ 1,564,170	\$ 19,291,230
Excess of Revenues Over (Under) Expenditures	\$ 2,068	\$ 138,990	\$ (585,552)	\$ 103,415	\$ (273,070)	\$ (614,149)
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 127,577	\$ 127,577
Transfers out	(127,577)	-	-	-	-	(127,577)
Total Other Financing Sources (Uses)	\$ (127,577)	\$ -	\$ -	\$ -	\$ 127,577	\$ -
Net Change in Fund Balance	\$ (125,509)	\$ 138,990	\$ (585,552)	\$ 103,415	\$ (145,493)	\$ (614,149)
Fund Balance - January 1	1,536,541	862,490	768,189	667,883	289,206	4,124,309
Increase (decrease) in reserved for inventories	-	(97,506)	-	-	-	(97,506)
Fund Balance - December 31	\$ 1,411,032	\$ 903,974	\$ 182,637	\$ 771,298	\$ 143,713	\$ 3,412,654

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

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**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, 2008**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(614,149)
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Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for 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 revenue deferred as unavailable.

Deferred revenue - December 31	\$ 1,737,291	
Deferred revenue - January 1	<u>(1,729,994)</u>	7,297

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 assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 3,062,501	
Current year depreciation	<u>(1,228,811)</u>	1,833,690

In the statement of net assets, an asset is reported for the equity interest in joint ventures. The change in net assets differs from the change in fund balance by the increases and decreases in the investment in joint venture.	175,578
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (22,234)	
Change in inventories	(97,506)	
Net OPEB liability	<u>(70,052)</u>	<u>(189,792)</u>

Change in Net Assets of Governmental Activities (Exhibit 2)	\$	<u>1,212,624</u>
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FIDUCIARY FUNDS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash and pooled investments	\$ 134,400	\$ 229,015	\$ 130,647
Receivables			
Interest	148	-	-
Due from other funds	<u>15,744</u>	<u>16,666</u>	<u>-</u>
Total Assets	<u>\$ 150,292</u>	<u>\$ 245,681</u>	<u>\$ 130,647</u>
<u>Liabilities</u>			
Due to other funds	\$ 21,091	\$ -	\$ -
Due to other governments	1,813	-	130,647
Advances from governmental funds	<u>-</u>	<u>128,750</u>	<u>-</u>
Total Liabilities	<u>\$ 22,904</u>	<u>\$ 128,750</u>	<u>\$ 130,647</u>
<u>Net Assets</u>			
Net assets, held in trust for pool participants	\$ 127,388	\$ -	
Net assets, held in trust for employees	<u>-</u>	<u>116,931</u>	
Total Net Assets	<u>\$ 127,388</u>	<u>\$ 116,931</u>	

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust
	<hr/>	<hr/>
<u>Additions</u>		
Contributions from employers	\$ -	\$ 114,787
Contributions from participants	60,195	-
Investment earnings		
Interest	2,817	-
	<hr/>	<hr/>
Total Additions	\$ 63,012	\$ 114,787
	<hr/>	<hr/>
<u>Deductions</u>		
Benefit payments	\$ -	\$ 73,158
Pool participant withdrawals	64,214	-
	<hr/>	<hr/>
Total Deductions	\$ 64,214	\$ 73,158
	<hr/>	<hr/>
Change in Net Assets	\$ (1,202)	\$ 41,629
	<hr/>	<hr/>
Net Assets - Beginning of the Year	128,590	75,302
	<hr/>	<hr/>
Net Assets - End of the Year	\$ 127,388	\$ 116,931
	<hr/> <hr/>	<hr/> <hr/>

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Wadena County was established June 11, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures

The County participates in several joint ventures and a jointly-governed organization 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 assets and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

Additionally, the County reports the following fund types:

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

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

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Wadena County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2008 were \$101,485.

2. External Investment Pools

Included in total cash and pooled investments are the assets held for the Wadena County Family Service Collaborative in an external investment pool. For the purposes of financial reporting, the Family Service Collaborative's portion of the County's pool of cash and investments is reported as an investment trust fund. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight, and the fair value of the position in the

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. External Investment Pools (Continued)

pool is the same as the pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.

3. Receivables and Payables

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

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

No allowance has been made for uncollectible receivables.

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

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Restricted Assets

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

6. Capital Assets

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

<u>Assets</u>	<u>Capitalization Threshold</u>
Land	\$ 1
Land improvements	25,000
Buildings	25,000
Building improvements	25,000
Furniture, equipment, and vehicles	10,000
Infrastructure	50,000

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Building improvements	40
Public domain infrastructure	15 - 75
Landfill disposal systems	25
Furniture, equipment, and vehicles	3 - 10

7. Compensated Absences

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

8. Deferred Revenue

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

9. Fund Equity

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Use of Estimates

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

E. Prior Period Adjustment

Beginning net assets on the government-wide statement of activities were reduced by \$681,133 to correct the valuations and estimated useful lives of several infrastructure capital assets.

Net Assets, December 31, 2007, as previously reported	\$ 34,510,157
Prior period adjustment	<u>(681,133)</u>
Net Assets, January 1, 2008, as restated	<u>\$ 33,829,024</u>

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2008.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,580,017	\$ 5,405,648	\$ 174,369
Special Revenue Funds			
Road and Bridge	4,992,332	4,921,595	70,737
Social Services	6,217,200	5,556,989	660,211

B. Deficit Fund Equity

The Forfeited Tax Sale Special Revenue Fund had a deficit fund balance of \$201 at December 31, 2008. The deficit will be cleared with the future sale of properties.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments follow:

Governmental activities	
Cash and pooled investments	\$ 3,651,298
Petty cash and change funds	3,240
Fiduciary funds	
Cash and pooled investments	
Investment trust fund	134,400
Employee benefit trust fund	229,015
Agency funds	130,647
	<hr/>
Total Cash and Investments	\$ 4,148,600
	<hr/>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit 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 does not have a deposit policy for custodial credit risk. As of December 31, 2008, the County's deposits were not exposed to custodial credit risk.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

During the year ended December 31, 2008, the County had no investments.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 331,800	\$ -
Special assessments	39,720	-
Accounts	147,568	-
Interest	5,797	-
Due from other governments	2,073,017	-
Advances receivable	128,750	-
Total Governmental Activities	\$ 2,726,652	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 570,515	\$ -	\$ -	\$ 570,515
Capital assets depreciated				
Buildings	\$ 4,596,787	\$ -	\$ -	\$ 4,596,787
Machinery, furniture, and equipment	3,318,049	515,410	147,060	3,686,399
Infrastructure	37,765,591	2,547,091	-	40,312,682
Total capital assets depreciated	\$ 45,680,427	\$ 3,062,501	\$ 147,060	\$ 48,595,868
Less: accumulated depreciation for				
Buildings	\$ 2,941,666	\$ 119,871	\$ -	\$ 3,061,537
Machinery, furniture, and equipment	2,272,451	302,522	147,060	2,427,913
Infrastructure	12,499,547	806,418	-	13,305,965
Total accumulated depreciation	\$ 17,713,664	\$ 1,228,811	\$ 147,060	\$ 18,795,415
Total capital assets depreciated, net	\$ 27,966,763	\$ 1,833,690	\$ -	\$ 29,800,453
Governmental Activities Capital Assets, Net	\$ 28,537,278	\$ 1,833,690	\$ -	\$ 30,370,968

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 94,204
Public safety	62,679
Highways and streets, including depreciation of infrastructure assets	1,030,541
Sanitation	21,765
Human services	17,107
Health	2,515
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 1,228,811

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road and Bridge	\$ 128
	Social Services	9,569
	Other governmental funds	2,356
		<hr/>
Total due to General Fund		\$ 12,053
Road and Bridge	General	\$ 583
Social Services	General	\$ 4,251
	Other governmental funds	281
	Investment Trust	12,871
		<hr/>
Total due to Social Services Fund		\$ 17,403
Other governmental funds	General	\$ 2,692
	Social Services	1,402
	Investment Trust	8,220
		<hr/>
Total due to other governmental funds		\$ 12,314

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Investment Trust	Social Services	\$ 15,744
Employee Benefit Trust	General	\$ 4,530
	Road and Bridge	2,547
	Social Services	7,192
	Solid Waste	1,771
	Other governmental funds	626
		\$ 16,666
Total Due To/From Other Funds		\$ 74,763

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

2. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Social Services	\$ 375,000
	Forfeited Tax	1,000
	Employee Benefit Trust	65,000
Total advances to General Fund		\$ 441,000
Road and Bridge	Employee Benefit Trust	\$ 13,750
Social Services	Employee Benefit Trust	\$ 40,000
Solid Waste	Social Services	\$ 226,302
	Employee Benefit Trust	2,500
Total advances to Solid Waste Fund		\$ 228,802
Other governmental funds	Employee Benefit Trust	\$ 7,500
Total Advances To/From Other Funds		\$ 731,052

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

2. Advances To/From Other Funds (Continued)

Advances were made to the Health Reimbursement Employee Benefit Trust Fund to cover benefit payments until payroll deductions are built up to cover them. The advances will be repaid within the plan year, which ends December 31, 2009. Advances were also made to the Social Services Special Revenue Fund from the General Fund and Solid Waste Special Revenue Fund for partial payment of the County's membership fee to the South Country Health Alliance.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers to other governmental funds from General Fund	<u>\$ 127,577</u>	Provide funds for County levy
--	-------------------	----------------------------------

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 269,847
Salaries	293,178
Contracts payable	119,434
Due to other governments	<u>615,592</u>
Total Payables	<u>\$ 1,298,051</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenues

Deferred revenues as of December 31, 2008, for the County's governmental funds are as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental Funds		
Taxes	\$ 272,945	\$ -
Intergovernmental revenue	1,437,890	87,699
Charges for services	11,319	-
Other	<u>15,137</u>	<u>-</u>
Total Governmental Funds	<u>\$ 1,737,291</u>	<u>\$ 87,699</u>

3. Health Reimbursement Account

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

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

As of December 31, 2008, 48 employees had health reimbursement accounts. The County advanced \$128,750 to the Employee Benefit Trust Fund as of December 31, 2008.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net OPEB liability	\$ -	\$ 70,052	\$ -	\$ 70,052	\$ -
Compensated absences	720,260	522,902	475,550	767,612	456,854
Total Long-Term Liabilities	<u>\$ 720,260</u>	<u>\$ 592,954</u>	<u>\$ 475,550</u>	<u>\$ 837,664</u>	<u>\$ 456,854</u>

4. Employee Retirement Systems and Pension Plans

A. Defined Benefits Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefits Plans

Plan Description (Continued)

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefits Plans

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefits Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2008	\$ 344,231	\$ 51,789	\$ 37,048
2007	307,924	41,346	34,921
2006	261,091	40,719	35,127

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

B. Defined Contribution Plan

Two employees of Wadena County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. 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. Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. 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.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,699	\$ 1,699
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Beginning in 2008, Wadena County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

This statement required the County to calculate and record a net other postemployment benefit obligation (NOPEBO) at December 31, 2008. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2008.

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Wadena County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the healthcare plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2008, there were 146 participants in the plan, including 7 retirees.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial 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	\$ 103,659
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost (expense)	\$ 103,659
Contributions made	(33,607)
	<hr/>
Increase in net OPEB obligation	\$ 70,052
Net OPEB Obligation - Beginning of Year	-
	<hr/>
Net OPEB Obligation - End of Year	<hr/> \$ 70,052 <hr/>

The County's annual OPEB cost for December 31, 2008, was \$103,659. The percentage of annual OPEB cost contributed to the plan was 32.4 percent, and the net OPEB obligation for 2008 was \$70,052. Trend information for the previous two years is not available at this time based on the implementation date of December 31, 2008.

Fund Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial liability for benefits was \$744,542, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (UAAL) of \$744,542. The covered payroll (annual payroll of active employees covered by the plan) was \$5,568,072, and the ratio of the UAAL to the covered payroll was 13.4 percent.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Fund Status and Funding Progress (Continued)

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 healthcare 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, 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.

Actuarial Methods and Assumptions

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 that are 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, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Wadena County's implicit rate of return on the General Fund. The annual healthcare cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over eight years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2008, was 29 years.

**WADENA COUNTY
WADENA, MINNESOTA**

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County has entered into a joint powers agreement with other Minnesota municipalities to form the North Central Service Cooperative (NCSC) to establish, procure, and administer group employee benefits. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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 \$410,000 per claim in 2008 and \$430,000 per claim in 2009. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Todd-Wadena Community Corrections

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

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

Separate financial information can be obtained from:

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwestern Counties Data Processing Security Association

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

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

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

Separate financial information can be obtained from:

Clearwater County Auditor
213 North Main Avenue
Bagley, Minnesota 56621

West Central Minnesota Drug Task Force

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

The Task Force is reported as an agency fund in Douglas County's financial statements. Financing and equipment will be provided by the full-time and associate member agencies.

Wadena County Family Service Collaborative

The Wadena County Family Service Collaborative was established in 1998 under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Wadena County; Independent School District Nos. 818, 820, 821, 2155, and 2170; 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 2008, the County contributed \$1,000 to the Collaborative.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Morrison-Todd-Wadena Community Health Services Board

The County Boards of Cass, Morrison, Todd, and Wadena Counties formed a Board of Health in 1977 via a joint powers agreement for the purposes of maintaining an integrated system of community health services under Minn. Stat. ch. 145. On January 1, 2006, Cass County withdrew from the Health Services Board, and Morrison County became the new fiscal agent. The full Board of Health is composed of five County Commissioners in each of the three counties. The Board appoints an executive committee of two County Commissioners from each of the three counties. An advisory committee of three representatives from each of the single county advisory committees makes recommendations to the Board throughout the year. An administrative task force of the three public health directors meets on a monthly basis.

The three counties share responsibility to provide secretarial and financial services and to carry out the administrative requirements of the Board of Health. The three public health directors rotate the administrator position each year. During 2008, the County contributed \$1,650 to the Health Services Board. Separate financial information is not available.

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 became members. 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 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 member counties.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Country Health Alliance (Continued)

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2008, was \$333,281. Wadena County's share of the SCHA's net loss was \$411,910. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as Human Services.

Complete financial statements for the SCHA may be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

C. Jointly Governed Organization

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.

REQUIRED SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 4,043,480	\$ 4,043,480	\$ 3,501,815	\$ (541,665)
Licenses and permits	36,020	36,020	38,464	2,444
Intergovernmental	835,425	835,425	1,379,878	544,453
Charges for services	255,775	255,775	272,382	16,607
Fines and forfeits	20,500	20,500	40,377	19,877
Gifts and contributions	-	-	1,740	1,740
Investment earnings	150,000	150,000	97,667	(52,333)
Miscellaneous	192,025	192,025	249,762	57,737
Total Revenues	\$ 5,533,225	\$ 5,533,225	\$ 5,582,085	\$ 48,860
Expenditures				
Current				
General government				
Commissioners	\$ 137,020	\$ 137,020	\$ 131,084	\$ 5,936
Courts	9,300	9,300	4,465	4,835
Coordinator	90,000	90,000	57,403	32,597
County auditor/treasurer	532,275	532,275	554,864	(22,589)
County assessor	359,177	359,177	335,778	23,399
Elections	26,050	26,050	26,533	(483)
Voter registration	400	400	1,732	(1,332)
Data processing	354,143	354,143	378,351	(24,208)
Central services	89,200	89,200	77,224	11,976
Machine room	-	-	108	(108)
Attorney	275,726	275,726	265,923	9,803
Law library	27,500	27,500	31,181	(3,681)
Attorney for misdemeanants	27,500	27,500	52,490	(24,990)
Recorder	191,375	191,375	188,880	2,495
Planning and zoning	93,979	93,979	118,262	(24,283)
GIS and GPS	42,400	42,400	30,407	11,993
County buildings	157,500	157,500	53,995	103,505
Buildings and plant	429,738	429,738	393,208	36,530
Veterans service officer	44,390	44,390	48,121	(3,731)
Other general government	-	-	225	(225)
Unallocated	244,076	244,076	261,505	(17,429)
Total general government	\$ 3,131,749	\$ 3,131,749	\$ 3,011,739	\$ 120,010

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,342,368	\$ 1,342,368	\$ 1,433,673	\$ (91,305)
Boat and water safety	2,504	2,504	4,122	(1,618)
Sheriff's forfeiture	400	400	11,098	(10,698)
Coroner	27,180	27,180	14,944	12,236
ATV grant	3,083	3,083	8,259	(5,176)
E-911 system	23,079	23,079	79,476	(56,397)
Law enforcement center	273,160	273,160	346,480	(73,320)
Community corrections	135,579	135,579	135,579	-
Civil defense	67,664	67,664	81,195	(13,531)
Snowmobile safety enforcement	3,935	3,935	3,793	142
County safety program	4,644	4,644	3,810	834
Total public safety	\$ 1,883,596	\$ 1,883,596	\$ 2,122,429	\$ (238,833)
Health				
Ambulance	\$ 1,500	\$ 1,500	\$ -	\$ 1,500
Culture and recreation				
Historical society	\$ 5,000	\$ 5,000	\$ 5,924	\$ (924)
Parks	35,768	35,768	39,761	(3,993)
Humane society	750	750	-	750
Regional library	90,587	90,587	90,587	-
Celebrations	280	280	-	280
Snowmobile trails	38,000	38,000	85,918	(47,918)
Total culture and recreation	\$ 170,385	\$ 170,385	\$ 222,190	\$ (51,805)
Conservation of natural resources				
County extension	\$ 103,000	\$ 103,000	\$ 103,233	\$ (233)
Soil and water conservation	60,418	60,418	58,867	1,551
Agricultural inspection	15,000	15,000	15,075	(75)
Agricultural society/County fair	40,000	40,000	30,138	9,862
Tree planting	-	-	6,871	(6,871)
Total conservation of natural resources	\$ 218,418	\$ 218,418	\$ 214,184	\$ 4,234

**WADENA COUNTY
WADENA, MINNESOTA**

**Schedule 1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Community development	\$ -	\$ -	\$ 8,509	\$ (8,509)
Other	-	-	966	(966)
Total economic development	\$ -	\$ -	\$ 9,475	\$ (9,475)
Total Expenditures	\$ 5,405,648	\$ 5,405,648	\$ 5,580,017	\$ (174,369)
Excess of Revenues Over (Under)				
Expenditures	\$ 127,577	\$ 127,577	\$ 2,068	\$ (125,509)
Other Financing Sources (Uses)				
Transfers out	(127,577)	(127,577)	(127,577)	-
Change in Fund Balance	\$ -	\$ -	\$ (125,509)	\$ (125,509)
Fund Balance - January 1	1,536,541	1,536,541	1,536,541	-
Fund Balance - December 31	\$ 1,536,541	\$ 1,536,541	\$ 1,411,032	\$ (125,509)

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,459,300	\$ 1,459,300	\$ 1,292,645	\$ (166,655)
Intergovernmental	4,158,000	3,523,000	3,792,801	269,801
Miscellaneous	20,000	20,000	45,876	25,876
Total Revenues	\$ 5,637,300	\$ 5,002,300	\$ 5,131,322	\$ 129,022
Expenditures				
Current				
Highways and streets				
Administration	\$ 364,313	\$ 364,313	\$ 354,356	\$ 9,957
Maintenance	1,333,592	1,384,192	1,404,727	(20,535)
Construction	3,618,714	2,815,714	2,807,843	7,871
Equipment maintenance and shop	198,376	235,376	235,802	(426)
Total highways and streets	\$ 5,514,995	\$ 4,799,595	\$ 4,802,728	\$ (3,133)
Economic development				
Community development	-	-	61,210	(61,210)
Intergovernmental				
Highways and streets	122,000	122,000	128,394	(6,394)
Total Expenditures	\$ 5,636,995	\$ 4,921,595	\$ 4,992,332	\$ (70,737)
Excess of Revenues Over (Under)				
Expenditures	\$ 305	\$ 80,705	\$ 138,990	\$ 58,285
Fund Balance - January 1	862,490	862,490	862,490	-
Increase (decrease) in reserved for inventories	-	-	(97,506)	(97,506)
Fund Balance - December 31	\$ 862,795	\$ 943,195	\$ 903,974	\$ (39,221)

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,677,467	\$ 1,677,467	\$ 1,487,164	\$ (190,303)
Intergovernmental	3,233,893	3,233,893	3,326,478	92,585
Miscellaneous	645,629	645,629	818,006	172,377
Total Revenues	\$ 5,556,989	\$ 5,556,989	\$ 5,631,648	\$ 74,659
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,649,545	\$ 1,649,545	\$ 1,700,522	\$ (50,977)
Social services	3,907,444	3,907,444	3,929,189	(21,745)
Total human services	\$ 5,556,989	\$ 5,556,989	\$ 5,629,711	\$ (72,722)
Intergovernmental				
Human services	-	-	587,489	(587,489)
Total Expenditures	\$ 5,556,989	\$ 5,556,989	\$ 6,217,200	\$ (660,211)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (585,552)	\$ (585,552)
Fund Balance - January 1	768,189	768,189	768,189	-
Fund Balance - December 31	\$ 768,189	\$ 768,189	\$ 182,637	\$ (585,552)

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 9,000	\$ 9,000	\$ 12,426	\$ 3,426
Special assessments	412,176	412,176	414,648	2,472
Licenses and permits	125	125	150	25
Intergovernmental	49,079	49,079	55,000	5,921
Charges for services	501,971	501,971	557,130	55,159
Miscellaneous	12,270	12,270	1,572	(10,698)
Total Revenues	\$ 984,621	\$ 984,621	\$ 1,040,926	\$ 56,305
Expenditures				
Current				
Sanitation				
Solid waste	\$ 836,305	\$ 836,305	\$ 793,501	\$ 42,804
Other sanitation	140,061	140,061	144,010	(3,949)
Total Expenditures	\$ 976,366	\$ 976,366	\$ 937,511	\$ 38,855
Excess of Revenues Over (Under)				
Expenditures	\$ 8,255	\$ 8,255	\$ 103,415	\$ 95,160
Other Financing Sources (Uses)				
Transfers in	\$ 64,877	\$ 64,877	\$ -	\$ (64,877)
Transfers out	(64,877)	(64,877)	-	64,877
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	\$ 8,255	\$ 8,255	\$ 103,415	\$ 95,160
Fund Balance - January 1	667,883	667,883	667,883	-
Fund Balance - December 31	\$ 676,138	\$ 676,138	\$ 771,298	\$ 95,160

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

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 5

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$ 744,542	\$ 744,542	0.0%	\$ 5,568,072	13.4%

See Note 4.C. to the financial statements, "Other Postemployment Benefits," for more information.

Multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented in 2008.

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**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Forfeited Tax Sale and Transit Special Revenue 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 Road and Bridge Special Revenue Fund.

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

2. Excess of Expenditures Over Appropriations

The following is a summary of certain individual funds which had expenditures in excess of budgeted expenditures for the year ended December 31, 2008. These over-expenditures were funded by greater than anticipated revenues.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,580,017	\$ 5,405,648	\$ 174,369
Special Revenue Funds			
Road and Bridge	4,992,332	4,921,595	70,737
Social Services	6,217,200	5,556,989	660,211

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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.

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

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.

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**WADENA COUNTY
WADENA, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**

	Public Health Nurse	Forfeited Tax Sale	Transit	Total (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 59,430	\$ 790	\$ 62,179	\$ 122,399
Petty cash and change funds	40	-	100	140
Accounts receivable	34,944	-	1,899	36,843
Accrued interest receivable	-	-	74	74
Due from other funds	11,816	-	498	12,314
Due from other governments	135,294	-	54,931	190,225
Advance to other funds	7,500	-	-	7,500
Total Assets	<u>\$ 249,024</u>	<u>\$ 790</u>	<u>\$ 119,681</u>	<u>\$ 369,495</u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 4,879	\$ -	\$ 4,155	\$ 9,034
Salaries payable	38,442	-	6,847	45,289
Due to other funds	807	-	2,456	3,263
Due to other governments	764	-	-	764
Advances from governmental funds	-	1,000	-	1,000
Deferred revenue - unavailable	57,125	-	54,848	111,973
Deferred revenue - unearned	54,459	-	-	54,459
Total Liabilities	<u>\$ 156,476</u>	<u>\$ 1,000</u>	<u>\$ 68,306</u>	<u>\$ 225,782</u>
Fund Balances				
Reserved for advances to other funds	\$ 7,500	\$ -	\$ -	\$ 7,500
Unreserved				
Undesignated	85,048	(210)	51,375	136,213
Total Fund Balances	<u>\$ 92,548</u>	<u>\$ (210)</u>	<u>\$ 51,375</u>	<u>\$ 143,713</u>
Total Liabilities and Fund Balances	<u>\$ 249,024</u>	<u>\$ 790</u>	<u>\$ 119,681</u>	<u>\$ 369,495</u>

**WADENA COUNTY
WADENA, MINNESOTA**

Statement A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Public Health Nurse	Forfeited Tax Sale	Transit	Total (Exhibit 5)
Revenues				
Licenses and permits	\$ 18,474	\$ -	\$ -	\$ 18,474
Intergovernmental	617,831	-	335,814	953,645
Charges for services	181,145	-	44,976	226,121
Gifts and contributions	-	-	1,100	1,100
Investment earnings	-	-	1,001	1,001
Miscellaneous	83,759	-	7,000	90,759
Total Revenues	\$ 901,209	\$ -	\$ 389,891	\$ 1,291,100
Expenditures				
Current				
Human services	\$ -	\$ -	\$ 411,697	\$ 411,697
Health	1,152,263	-	-	1,152,263
Conservation of natural resources	-	210	-	210
Total Expenditures	\$ 1,152,263	\$ 210	\$ 411,697	\$ 1,564,170
Excess of Revenues Over (Under) Expenditures	\$ (251,054)	\$ (210)	\$ (21,806)	\$ (273,070)
Other Financing Sources (Uses)				
Transfers in	127,577	-	-	127,577
Net Change in Fund Balance	\$ (123,477)	\$ (210)	\$ (21,806)	\$ (145,493)
Fund Balance - January 1	216,025	-	73,181	289,206
Fund Balance - December 31	\$ 92,548	\$ (210)	\$ 51,375	\$ 143,713

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	\$ 22,455	\$ 22,455	\$ 18,474	\$ (3,981)
Intergovernmental	565,722	565,722	617,831	52,109
Charges for services	172,670	172,670	181,145	8,475
Miscellaneous	347,687	347,687	83,759	(263,928)
Total Revenues	\$ 1,108,534	\$ 1,108,534	\$ 901,209	\$ (207,325)
Expenditures				
Current				
Health				
Nursing service	1,236,111	1,236,111	1,152,263	83,848
Excess of Revenues Over (Under)				
Expenditures	\$ (127,577)	\$ (127,577)	\$ (251,054)	\$ (123,477)
Other Financing Sources (Uses)				
Transfers in	127,577	127,577	127,577	-
Net Change in Fund Balance	\$ -	\$ -	\$ (123,477)	\$ (123,477)
Fund Balance - January 1	216,025	216,025	216,025	-
Fund Balance - December 31	\$ 216,025	\$ 216,025	\$ 92,548	\$ (123,477)

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**WADENA COUNTY
WADENA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

Statement B-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>GOVERNMENTAL (80)</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>23,574</u>	\$ <u>67,457</u>	\$ <u>81,730</u>	\$ <u>9,301</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>23,574</u>	\$ <u>67,457</u>	\$ <u>81,730</u>	\$ <u>9,301</u>
 <u>TAXES AND PENALTIES (82)</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>128,090</u>	\$ <u>5,685,964</u>	\$ <u>5,692,708</u>	\$ <u>121,346</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>128,090</u>	\$ <u>5,685,964</u>	\$ <u>5,692,708</u>	\$ <u>121,346</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>151,664</u>	\$ <u>5,753,421</u>	\$ <u>5,774,438</u>	\$ <u>130,647</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>151,664</u>	\$ <u>5,753,421</u>	\$ <u>5,774,438</u>	\$ <u>130,647</u>

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OTHER SCHEDULES

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 7

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Cash on hand and departmental checking	N/A	N/A	Continuous	\$ 3,240
Checking accounts - interest-bearing	Two	0.45 to 0.50	Continuous	888,511
Money market savings	Six	0.70 to 2.00	Continuous	2,406,849
Certificates of deposit	Three	2.25 to 3.15	March 23, 2009 to November 17, 2009	<u>850,000</u>
Total Deposits and Investments				<u>\$ 4,148,600</u>

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 8

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Shared Revenue

State

Highway users tax	\$ 2,465,005
County program aid	757,771
PERA rate reimbursement	20,825
Disparity reduction aid	53,230
Police aid	41,346
Enhanced 911	86,581
Market value credit	810,714
Mobile home market value credit	2,270

Total Shared Revenue	<u>\$ 4,237,742</u>
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Reimbursement for Services

Minnesota Department of Human Services	<u>\$ 568,864</u>
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Payments

Local

Payments in lieu of taxes	<u>\$ 38,244</u>
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Grants

State

Minnesota Department/Board of	
Public Safety	\$ 287
Corrections	13,122
Transportation	159,093
Health	131,265
Natural Resources	101,499
Human Services	949,195
Water and Soil Resources	166,428
Veterans Affairs	7,235
Pollution Control Agency	55,000
Peace Officer Standards and Training Board	5,207

Total State	<u>\$ 1,588,331</u>
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Federal

Department/Agency	
Agriculture	\$ 195,613
Justice	2,713
Transportation	1,148,447
Environmental Protection	2,821
Health and Human Services	1,685,419
Homeland Security	39,608

Total Federal	<u>\$ 3,074,621</u>
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Total State and Federal Grants	<u>\$ 4,662,952</u>
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Total Intergovernmental Revenue	<u><u>\$ 9,507,802</u></u>
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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 8
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards (Schedule 10) due to timing differences in revenue recognition under the modified accrual basis of accounting. The individual grants affected are:

Total Federal Revenue per Schedule of Intergovernmental Revenue (Schedule 8)	\$ 3,074,621
WIC	(240)
Highway Planning and Construction	(21,021)
Public Transportation for Nonurbanized Areas	7,573
State Indoor Radon Grant	(996)
Title III-B Assessment/Screening	163
Temporary Assistance for Needy Families (TANF)	(5,649)
Foster Care Title IV-E	(106)
Child Support Enforcement	7,920
Medical Assistance	36,065
Prevention/Treatment of Substance Abuse	(2,494)
Homeland Security Grant Program	(2,449)
Bioterrorism Preparedness	(7,139)
	<hr/>
Total Federal Awards per Schedule of Expenditures of Federal Awards (Schedule 10)	<u><u>\$ 3,086,248</u></u>

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 9

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Wadena County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Wadena County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Wadena County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Wadena County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Highway Planning and Construction	CFDA #20.205
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wadena County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

98-1 Departmental Segregation of Duties

Due to the limited number of office personnel within several County offices, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Wadena County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting control point of view.

Without proper segregation of duties, errors or irregularities may not be detected timely.

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

Client's Response:

The Wadena County Board has been made aware of the lack of segregation of the accounting functions and, where possible, has developed and will continue to update oversight procedures to ensure adequate controls over cash, receivables, and other items.

06-1 Preparation of Financial Statements

Wadena County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Wadena County has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements. As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was initially caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the County lacks internal control over the preparation of financial statements in accordance with GAAP.

During recent years, individuals within the County Auditor/Treasurer's Office have been improving their understanding of reporting requirements by working with the Office of the State Auditor and by obtaining some additional outside training.

We recommend Wadena County continue its efforts in training individuals to obtain the expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

Client's Response:

Wadena County will continue its efforts in training its financial employees in order that they have the expertise to sufficiently review, understand, and internally prepare and approve its annual financial statements, including notes, in accordance with GAAP. The County has previously hired an outside consultant to provide training and assist in the preparation of the County's basic financial statements and will consider retaining that consultant in the future, if needed.

06-2 Audit Adjustments

A control deficiency 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 misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified several material adjustments.

- Reclassification adjustments amounting to \$229,052 were made in the General Fund to properly report fund balance reserves, designations, and undesignated amounts.
- An entry was made in the Road and Bridge Special Revenue Fund to reclassify State and Community Highway Safety, CFDA #20.600, revenues in the amount of \$55,474 improperly posted as Highway Planning and Construction, CFDA #20.205, money.
- A second reclassification entry was made in the Road and Bridge Special Revenue Fund in the amount of \$62,506 to properly reflect the fund balance reserve for State Aid Highway Projects.
- An entry was made to split off \$112,851 Highway Planning and Construction, CFDA #20.205, revenue from the highways and streets function to the economic development function to properly reflect the portion of revenue related to the Depot Project in the Statement of Activities.
- Adjustments were made in the Social Services Special Revenue Fund to record additional payables in the amount of \$293,745 due to South Country Health Alliance for Wadena County's share of costs and \$99,281 due to the State of Minnesota for a TCM contingency grant that was received in 2008 but will be paid back to the state.
- A reclassification was made to properly reflect a Federal Child Care Development Block Grant, CFDA #93.575, of \$74,384 posted to Federal Child Care Mandatory Matching Funds, CFDA #93.596.
- An entry was made to reduce fund balance designations in the amount of \$553,277 to zero out the negative undesignated fund balance originally reflected in the Social Services Special Revenue Fund.
- An adjustment was made in the Public Health Nurse Special Revenue Fund to reflect additional receivables, resulting in an increase in charges for services in the amount of \$24,358.
- An entry was also made in the Public Health Nurse Special Revenue Fund to defer revenue in the amount of \$54,459 for block grants for Prevention and Treatment of Substance Abuse, CFDA #93.959, received but not earned.

- A reclassification entry was made in the Solid Waste Special Revenue Fund to properly report special assessments of \$39,670 posted as taxes.
- Audit adjustments were also necessary to adjust modified accrual financial statements to the full accrual basis for the government-wide financial statements.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. However, the inability to detect a material misstatement in the financial statements increases the likelihood that the financial statements will not be fairly presented.

We recommend the County establish review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

Client's Response:

Wadena County will establish review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete and done in a timely manner. Additional training will be made available, if needed, to financial employees so that in their normal course of performing assigned functions, they can prevent or detect misstatements of the financial statements on a timely basis.

ITEMS ARISING THIS YEAR

08-1 Documenting and Monitoring Internal Controls

County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Although the County may informally assess risks and adjust internal control procedures to address those risks, there are no formal procedures or documentation of those procedures in place.

Wadena County has developed internal review procedures for its smaller fee offices that lack proper segregation of duties. Reviews have been completed on the Sheriff's Office, the Assessor's Office, the Recorder's Office, and Management Information Systems. The documentation of the procedures performed and results from those reviews are retained by the County. Although the review of the smaller fee offices is an important step in the right direction, documenting risk assessments, placing controls in place to reduce those risks, and monitoring internal controls is a much more inclusive process.

At a minimum, the following significant internal control areas should be documented:

- cash and investment activities;
- capital assets (capitalization process and related depreciation);
- major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items);
- expenditure/expense processing;
- payroll; and
- inventories.

We recommend that County management document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

Wadena County's management will document the significant internal controls in its accounting system including an assessment of risk and the processes used to minimize the risks. Management will continue its development of a formal plan for monitoring the internal control structure on a regular basis, no less than annually, of all County funds, which will document to show the results of the review, any changes required, and who performed the work.

08-2 Prior Period Adjustment

A control deficiency 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 misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is restatement of previously issued financial statements to reflect the correction of a material misstatement.

While preparing capital asset schedules for its 2008 financial statements, Wadena County employees did a detailed review of the asset records, making corrections to the valuation and estimated useful lives of several infrastructure capital assets, resulting in a restatement reducing the beginning net assets by \$681,133.

The adjustments were due to the determination that work done on certain road projects was not properly classified between new construction or improvements, resulting in an incorrect useful life, correcting the classification of right-of-way as temporary or permanent for certain projects, adding a project missed in previous years, and removing a bridge that was included in the cost of a road project and shown separately as a bridge project.

We recommend the County establish internal procedures for reviewing capital asset schedules to ensure amounts are correctly reported in accordance with GAAP in the County's annual financial statements.

Client's Response:

Wadena County will establish internal procedures for reviewing capital asset schedules to ensure amounts are correctly reported in accordance with GAAP in the County's annual financial statements. Additional training will be made available to financial employees, if needed, so that proper classification of capital assets can be made in a timely manner.

08-3 Road and Bridge Inventory

During our audit of the road and bridge inventory, we noted several errors in the Inventory of Supplies and Materials Report, resulting in an estimated overstatement of approximately \$25,000.

Errors in the Inventory of Supplies and Materials Report include overstating the unit cost or quantity of items. In some cases, the unit cost times the quantity did not agree with the value shown for the items on hand. Based on the sample tested, extrapolated to the total inventory, we estimate an overstatement of inventory of approximately \$25,000.

We recommend the County establish review procedures to ensure the inventory quantity reconciles to year-end counts, valuations properly reflect the County's policy which states the valuation is based on cost using the first in/first out method, and that the report properly calculates the valuation based on unit cost times the number of units.

Client's Response:

Wadena County will establish review procedures to ensure the inventory quantity reconciles to year-end counts, valuations properly reflect the County's policy which states the valuation is based on cost using the first in/first out method, and that the report properly calculates the valuation based on unit cost times the number of units. Additional training will be made available to financial employees, if needed, so that proper accounting of County inventory can be made in a timely manner.

08-4 Solid Waste Department Internal Controls

Wadena County provides for the disposal of recyclable materials, solid waste materials, and demolition materials through its Solid Waste Department. Recyclable materials can be dropped off at various locations throughout the County. Periodically, a Solid Waste employee transfers the recyclable materials to the site that includes the transfer station and demolition landfill. The County charges a fee for all materials brought into the site of the transfer station and landfill with the exception of the recyclable materials. Each customer is provided a ticket to document the fees for the materials disposed of. The ticket is marked to indicate if the customer paid or is charging for the service, and is considered the receipt for those that paid at the time of disposal.

While reviewing the Solid Waste Department for 2008, we noted the following concerns:

- Due to the limited staff at the County transfer station and demolition landfill, segregation of duties is not possible.
- The Solid Waste Department does not have formal policies and procedures to provide employees guidance. The lack of guidance led to problems with collecting fees prior to entering the transaction into the system, which provides the customer with a ticket, and the unauthorized sale of scrap metal.

- Tickets and collections are accumulated each month. At the end of the month, paid tickets are separated from the charged tickets. The paid tickets are reconciled to the collections which are deposited with the County Treasurer. The charged tickets are separated by customer and used to prepare the billings. By accumulating tickets for the entire month, deposits are not timely for the paid ticket amounts. With the separation of the tickets, the sequential order of the tickets is broken, making it much more difficult to ensure all services provided are collected or billed for.
- An accounts receivable ledger or aging report is not used. Accounts receivables are tracked by retaining a copy of the invoice in an unpaid file until payment is received. Through the use of an accounts receivable ledger or aging report, the County would know the amount of its receivable balance at any point in time, making it easier to monitor the receivables and provide an accurate receivable amount for financial statement purposes.

In 2009, Wadena County reviewed the procedures used at the site of the transfer station and demolition landfill, resulting in some changes.

We recommend that the County continue to assess the risks and controls in place at the site of the transfer station and demolition landfill to ensure that proper oversight is in place to reduce risks to an acceptable level as determined by management.

Client's Response:

Wadena County will continue to assess the risks and controls in place at the site of the transfer station and demolition landfill to ensure that proper oversight is in place to reduce risks to an acceptable level as determined by management.

PREVIOUSLY REPORTED ITEM RESOLVED

Health Reimbursement Employee Benefit Trust Fund (07-1)

The County spreadsheet detailing the employer contributions and expenditures for each participating employee and advances made by the County for the Health Reimbursement Employee Benefit Trust Fund could not be reconciled to the cash balance in the Fund at December 31, 2007. The spreadsheet balance of \$170,608 exceeded the cash balance of \$164,052 by \$6,556.

Resolution

As of December 31, 2008, the County has an accurate spreadsheet, which details the balances by individuals and agrees with the cash and receivables balance in the Health Reimbursement Employee Benefit Trust Fund.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

08-5 Transit Department Record Retention

While auditing the Transit Department, we requested copies of the source documents used to record collections during 2008. The Transit Coordinator stated that he did not keep that information because there is not enough space to store it.

Minn. Stat. § 15.17 requires all public officers to make and preserve all records necessary to a full understanding of their official activities. This includes records relating to the transaction of public business. Source documents used to record collections fall within the requirements of Minn. Stat. § 15.17.

Minn. Stat. § 138.17 discusses the requirement for local governments to manage their records and does not allow local governments to destroy records unless they do so pursuant to a record retention schedule adopted by the County Board and approved by the State Records Disposition Panel, or they do so by way of an approved disposition form submitted to the Records Disposition Panel.

We recommend the County establish procedures to ensure that all County records are retained for the period required by law.

Client's Response:

The Wadena County Board has adopted the Minnesota State Records Retention Schedule. Management will ensure that all staff has full understanding of the established procedures to ensure that all County records are retained for the period required by law.

08-6

Administrative Citation Procedures

The Wadena County Board approved the implementation of an Administrative Citation Policy on August 21, 2008. Pursuant to this policy, at the time of a violation, Sheriff's Department deputies may, at their discretion, provide a notice to the violator of the option of receiving an administrative ticket in lieu of the traditional state citation. Section 6 of the policy provides: "Offenses which may be charged as administrative offenses and the penalties for such offenses shall be established and regulated by the County Sheriff." Examples of offenses provided by the Sheriff to the County Board include: speeding, disorderly conduct, being a public nuisance, equipment violations, exhibition driving, failure to obey traffic signals, improper lane changing, littering, trespassing, and unlawful deposit of garbage.

Prior to the 2009 legislative session, Minn. Stat. § 169.022 clearly provided, and a Minnesota Attorney General's opinion concluded, that local public entities did not have authority to issue administrative tickets for state traffic offenses. When state law has already defined a traffic violation and penalty, the Sheriff's Department's only decision and authority was whether to issue a state ticket. There was no discretion allowed for the County to redefine the amount to be collected for such a penalty.

At Wadena County, however, deputies decided whether to give a warning, issue a state ticket, or issue a County administrative ticket for violations. When a County administrative ticket was issued, the amount to be paid did not include the surcharges for court costs that would have been included with a state ticket, and Wadena County kept all the revenue without forwarding any portion to the state. In addition, state traffic violations committed in Wadena County were kept off the state's driving records, leaving them unknown to insurance companies, law enforcement officers in other agencies, and the Minnesota Department of Public Safety.

In 2009, the Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. This new statute contains detailed requirements which local units of government will have to follow to implement an administrative citations program. With the issuance of the new law, Wadena County became aware that its Administrative Citation Policy violated Minn. Stat. ch. 169.022. So, on August 11, 2009, the Sheriff informed the Board that he was eliminating the Administrative Citation Program as of August 1, 2009.

We recommend the County notify and work with the Minnesota Department of Finance to determine if the County owes any amounts to the state for fines collected through the use of administrative tickets, in lieu of the traditional state citations, for the period of August 21, 2008, to August 1, 2009. We further recommend that if the County Board decides to pursue the use of administrative citations to increase County revenue, it should follow the prescribed criteria contained in Minn. Stat. § 169.999.

Client's Response:

Wadena County will notify and work with the Minnesota Department of Finance to determine if the County owes any amounts to the state for fines collected through the use of administrative tickets, in lieu of the traditional state citations for the period of August 21, 2008, to August 1, 2009. If the County Board should decide to pursue the use of administrative citations to increase County revenue, it will follow the prescribed criteria contained in Minn. Stat. § 169.999.

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

08-7 Policy on Refunding Collections Received in Error

During our audit, we noted the County had received a direct deposit in the amount of \$65,542 from the State of Minnesota for a Market Value Credit. The amount deposited was received in error, so the funds were not receipted into the County Integrated Financial System. Rather than receipting in the amount, a counter check was written to return the funds to the State of Minnesota.

The use of a counter check to return money incorrectly deposited to a County account does not provide a sufficient audit trail for management oversight. This type of collection should go through the normal receipting and disbursement process to ensure proper oversight. The use of counter checks outside the normal process increases the risk of other potential unauthorized transactions.

We recommend the County Board provide a specific policy detailing the procedures established for handling funds incorrectly received by the County.

Client's Response:

Wadena County management will develop a policy detailing the procedures established for handling funds incorrectly received by the County, which will be presented to the County Board for adoption.

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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*

Board of County Commissioners
Wadena County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wadena County's internal control over financial reporting as a basis for designing our auditing procedures 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 98-1, 06-1, 06-2, and 08-1 through 08-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Wadena County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-2 to be a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Wadena County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 08-5 and 08-6.

Also included in the Schedule of Findings and Questioned Costs is a management practice comment. We believe this recommendation to be of benefit to Wadena County, and it is reported for that purpose.

Wadena County's written responses to the significant deficiencies, material weakness, legal compliance findings, and the management practice comment identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 10, 2009

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

Board of County Commissioners
Wadena County

Compliance

We have audited the compliance of Wadena County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Wadena County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Wadena County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Wadena County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 10, 2009. Our audit was performed for the purpose of forming opinions on Wadena County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 10, 2009

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 10

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health and Morrison-Todd-Wadena Community Health Services Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 76,599
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	118,774
Total U.S. Department of Agriculture		\$ 195,373
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 2,713
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 895,231
Formula Grants for Other Than Urbanized Areas	20.509	184,294
State and Community Highway Safety	20.600	55,474
Total U.S. Department of Transportation		\$ 1,134,999
U.S. Environmental Protection Agency		
Passed Through Minnesota Department of Health and Morrison-Todd-Wadena Community Health Services Board State Indoor Radon Grants	66.032	\$ 1,825
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health and Morrison-Todd-Wadena Community Health Services Board Temporary Assistance for Needy Families (TANF) - Home Visiting	93.558	\$ 36,930
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	258,551
Total CFDA No. 93.558		\$ 295,481
Passed Through Community Health Information Collaborative of Duluth Immunization Grants	93.268	6,656

**WADENA COUNTY
WADENA, MINNESOTA**

**Schedule 10
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Child Support Enforcement	93.563	287,849
Refugee and Entrance Assistance Grant	93.566	306
Child Care Cluster		
Child Care Development Block Grant	93.575	74,384
Child Care Mandatory and Matching Funds	93.596	31,548
Child Welfare Services - State Grants	93.645	9,650
Foster Care Title IV-E	93.658	141,628
Social Services Block Grant Title XX	93.667	122,540
Chafee Foster Care Independent Living	93.674	2,793
State Children's Insurance Program	93.767	348
Medical Assistance Program	93.778	405,766
Community Mental Health Services Block Grant	93.958	3,868
Block Grants for Prevention and Treatment of Substance Abuse	93.959	259,416
Passed Through Minnesota Department of Health and Central Minnesota Council on Aging		
Title III-B Assessment/Screening	93.044	5,927
Passed Through Minnesota Department of Health and Morrison-Todd-Wadena Community Health Services Board		
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	29,290
Drug Free Communities Grant	93.276	14,385
Maternal and Child Health Services Block Grant	93.994	22,344
Total U.S. Department of Health and Human Services		\$ 1,714,179
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Homeland Security Grant Program	97.067	\$ 37,159
Total Federal Awards		\$ 3,086,248

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Wadena County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Due to revenue recognition principles of modified accrual, expenditures on this schedule do not equal federal revenues reported in the funds.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2008, the County did not pass any federal money to subrecipients.