

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WADENA COUNTY
WADENA, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

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, 2014



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

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**WADENA COUNTY
WADENA, MINNESOTA**

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**WADENA COUNTY
WADENA, MINNESOTA**

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**WADENA COUNTY
WADENA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2014**

<u>Office</u>	<u>Name</u>	<u>District</u>	<u>Term Expires</u>
Elected			
Commissioners			
Vice Chair	Ron Noon	District 1	January 2015
Board Member	Jim Hofer	District 2	January 2017
Chair	William Stearns	District 3	January 2015
Board Member	Rodney Bounds	District 4	January 2017
Board Member	David Hillukka	District 5	January 2015
Attorney	Kyra Ladd		January 2015
Auditor/Treasurer	Judy Taves		January 2015
County Recorder	Soledad Henriksen		January 2015
Registrar of Titles	Soledad Henriksen		January 2015
County Sheriff	Michael D. Carr		January 2015
Appointed			
Assessor	Lee Brekke		December 2016
County Engineer	Ryan Odden		May 2015
Coroner	Gregory Smith, M.D.		December 2017
Community Corrections Officer	Kathryn Langer		Indefinite
Social Services Director	Tanya Leskey		Indefinite
Veterans Services Officer	David Anderson		April 2014

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2014, in which Wadena County has an equity interest. The SCHA is a joint venture discussed in Note 6.B. to the financial statements. The County's investment in the SCHA, \$2,016,025, represents 3.0 percent and 3.1 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2015, on our consideration of Wadena County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wadena County's internal control over financial reporting and compliance. It does not include the South Country Health Alliance, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 16, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WADENA COUNTY
WADENA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Wadena County exceeded its liabilities and deferred inflows of resources by \$64,299,628 at the close of 2014. Of this amount, \$11,913,328 (unrestricted net position) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- At the close of 2014, Wadena County's governmental funds reported combined ending fund balances of \$18,371,127, an increase of \$8,535,307 in comparison with the prior year. Of the total fund balance, \$9,803,629 is available for spending at the County's discretion and is noted as committed, assigned, and unassigned fund balance.
- At the close of 2014, the committed, assigned, and unassigned fund balance for the General Fund was \$3,368,884, or 47.0 percent, of total General Fund expenditures.
- Wadena County is currently free of any bonded indebtedness.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Level Financial Statements

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

Governmental Funds

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

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

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

Fiduciary Funds

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

Note to the Financial Statements

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

Other Information

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

Wadena County adopts an annual appropriated budget for its General Fund and major special revenue funds. To demonstrate compliance with these budgets, budgetary comparison schedules have been provided as required supplemental information for the County's major funds. Wadena County also budgets for the Solid Waste Special Revenue Fund, Public Health Special Revenue Fund, and Transit Special Revenue Fund, which are nonmajor funds, as supplemental information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Wadena County's assets exceeded liabilities by \$64,299,628 at the close of 2014. The largest portion of Wadena County's net position (67.1 percent) reflects its net investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

Governmental Activities Governmental Net Position

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 24,550,699	\$ 15,354,539
Capital assets	<u>43,114,616</u>	<u>41,103,821</u>
Total Assets	\$ 67,665,315	\$ 56,458,360
Long-term liabilities outstanding	\$ 1,138,924	\$ 1,135,942
Other liabilities	<u>1,533,108</u>	<u>1,244,532</u>
Total Liabilities	\$ 2,672,032	\$ 2,380,474
Deferred inflows of resources		
Advance allotments	<u>\$ 693,655</u>	<u>\$ 786,464</u>
Net Position		
Investment in capital assets	\$ 43,114,616	\$ 41,103,821
Restricted	9,271,684	1,777,095
Unrestricted	<u>11,913,328</u>	<u>10,410,506</u>
Total Net Position	<u>\$ 64,299,628</u>	<u>\$ 53,291,422</u>

The unrestricted net position amount of \$11,913,328 as of December 31, 2014, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wadena County's activities increased net position by \$11,008,206, or 20.7 percent, over the 2013 net position. The key elements of the increase in net position were an increase in investment in capital assets of \$2,010,795, an increase in restricted net position of \$7,494,589, and an increase in unrestricted net position of \$1,502,822.

Governmental Activities Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 4,142,508	\$ 2,815,331
Operating grants and contributions	8,295,543	8,805,543
Capital grants and contributions	7,371,829	478,732
General revenues		
Property taxes	7,622,859	7,827,619
Transportation sales and use tax	391,807	-
Other taxes	7,488	7,027
Grants and contributions not restricted to specific programs	1,115,367	938,712
Other	<u>163,515</u>	<u>146,786</u>
Total Revenues	\$ 29,110,916	\$ 21,019,750

	<u>2014</u>	<u>2013</u>
Expenses		
General government	\$ 3,981,510	\$ 2,038,724
Public safety	2,296,516	1,893,754
Highways and streets	3,559,956	3,214,754
Sanitation	998,907	1,008,255
Human services	5,758,088	5,414,168
Health	1,031,867	1,041,092
Culture and recreation	250,575	1,585,535
Conservation of natural resources	225,291	194,367
	<hr/>	<hr/>
Total Expenses	\$ 18,102,710	\$ 16,390,649
	<hr/>	<hr/>
Increase in Net Position	\$ 11,008,206	\$ 4,629,101
	<hr/>	<hr/>
Net Position, January 1	53,291,422	48,662,321
	<hr/>	<hr/>
Net Position, December 31	\$ 64,299,628	\$ 53,291,422
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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$18,371,127, an increase of \$8,535,307 in comparison with the prior year. The committed, assigned, and unassigned fund balance in the amount of \$9,803,629 is available for spending at the County's discretion. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Wadena County. At the end of the current fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$3,368,884, while total fund balance was \$3,931,368. As a measure of the General Fund's liquidity, it may be useful to compare committed, assigned, and unassigned fund balance to total fund expenditures. Committed, assigned, and unassigned fund balance represents 47.0 percent of total General Fund expenditures. In 2014, fund balance in the General Fund increased by \$313,907 due to excess revenues over expenditures. In 2013, the General Fund had excess expenditures over revenues of \$611,809. The \$925,716 increase in excess revenues over expenditures is due to an increase in licenses and permits of \$5,644, an increase in charges for services of \$5,501, an

increase in fines and forfeits of \$3,283, an increase in gifts of \$875, an increase in investment earnings of \$18,182, an increase in miscellaneous revenue of \$888,413 (due to the tax-forfeited land sale), a decrease in culture and recreation of \$1,334,960, offset by a decrease in tax revenue of \$236,407, a decrease in intergovernmental revenue of \$112,068, an increase in general government expenditures of \$487,151, an increase in public safety expenditures of \$467,800, an increase in health expenditures of \$21, and an increase in conservation of natural resources expenditures of \$27,695.

Fund balance in the Road and Bridge Special Revenue Fund increased \$7,040,293 due to excess revenues over expenditures of \$6,948,369 and an increase in inventory of \$91,924. In 2013, the Road and Bridge Special Revenue Fund had excess revenue over expenditures of \$354,520. The \$6,593,849 increase in excess revenues over expenditures is due to an increase in tax revenue of \$232,020, an increase in intergovernmental revenue of \$5,997,168, an increase in miscellaneous revenue of \$43,874, and a decrease in highways and streets expenditures of \$320,787.

Fund balance in the Social Services Special Revenue Fund increased \$815,238 due to excess revenues over expenditures. In 2013, the Social Services Special Revenue Fund had excess revenues over expenditures of \$479,012. The \$336,226 improvement in excess revenues over expenditures is due to an increase in intergovernmental revenues of \$436,031, an increase in charges for services of \$175, an increase in miscellaneous revenue of \$232,154, offset by an increase in social services expenditures of \$317,887 and a decrease in tax revenues of \$14,247.

General Fund Budgetary Highlights

The difference between the General Fund original budget and the final amended budget was a net change of (\$273,160). The difference between the final amended budget and the actual net change in fund balance was \$597,258. The main budget to actual revenue variance was due to a decrease in property taxes, an increase in intergovernmental revenues (due to the unknown value of market value credits at the time of budgeting), and an increase in miscellaneous revenues (due to the tax-forfeited land sale). The main budget to actual expenditure variances were an increase in other general government (due to the Transit Building purchase and remodeling) and public safety expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2014, was \$43,114,616 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net investment in capital assets for the current fiscal year increased 4.9 percent. The net increase was attributed to the County's investment in its infrastructure.

**Governmental Activities
Governmental Capital Assets**

	2014	2013
Land	\$ 605,599	\$ 604,959
Construction in progress	1,119,053	1,340,688
Infrastructure	36,806,141	35,485,883
Buildings and building improvements	2,902,516	2,224,240
Furniture, equipment, and machinery	1,681,307	1,448,051
Total	\$ 43,114,616	\$ 41,103,821

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

Long-Term Debt

At the close of 2014, Wadena County had no bonded indebtedness.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

- Wadena County’s unemployment rate was 6.3 percent at the end of 2014, compared to the statewide rate of 3.7 percent for the same time period.
- Wadena County is not subject to levy limits for 2016.
- Wadena County’s property tax delinquency was 3.04 percent at the end of 2014, which is down from the previous year’s delinquent rate of 3.38 percent.
- The most current information available indicated that in 2016, Wadena County will again be subject to the Homestead Market Value Exclusion initiated by the legislature in 2012 to replace the Homestead Market Value Credit, which has shifted the County-received state revenue to the property taxpayer. Wadena County’s net tax capacity rate is 89.668 percent in payable 2015. The Wadena County Commissioners approved a Preliminary Payable 2015 Tax Levy of \$8,017,992 and a Final Payable 2015 Tax Levy of \$8,017,992, which represents a 3.49 percent increase over the Final Payable 2014 Tax Levy of \$7,747,775.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Assets

Cash and pooled investments	\$ 19,289,490
Petty cash and change funds	2,590
Taxes receivable	374,874
Special assessments receivable	33,623
Accounts receivable	114,260
Accrued interest receivable	12,286
Due from other governments	2,334,905
Advances receivable	103,750
Inventories	268,896
Investment in joint venture	2,016,025
Capital assets	
Non-depreciable	1,724,652
Depreciable - net of accumulated depreciation	41,389,964
	\$ 67,665,315

Liabilities

Accounts payable	\$ 405,894
Salaries payable	441,148
Contracts payable	171,563
Due to other governments	514,003
Customer deposits	500
Long-term liabilities	
Due within one year	503,074
Due in more than one year	277,116
Other postemployment benefits	358,734
	\$ 2,672,032

Deferred Inflows of Resources

Advance allotment	\$ 693,655
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Net Position

Investment in capital assets	\$ 43,114,616
Restricted for	
General government	344,118
Public safety	60,172
Highways and streets	8,612,104
Sanitation	57,324
Human services	86,022
Health	3,466
Conservation of natural resources	100,621
Held in trust for other purposes	7,857
Unrestricted	11,913,328
	\$ 64,299,628

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 3,981,510	\$ 1,425,248	\$ 189,816	\$ -
Public safety	2,296,516	58,348	205,875	-
Highways and streets	3,559,956	165,250	3,031,159	7,371,829
Sanitation	998,907	1,031,186	63,807	-
Human services	5,758,088	1,207,045	3,849,961	-
Health	1,031,867	237,867	739,018	-
Culture and recreation	250,575	17,472	77,685	-
Conservation of natural resources	225,291	92	138,222	-
	\$ 18,102,710	\$ 4,142,508	\$ 8,295,543	\$ 7,371,829
Total Governmental Activities	\$ 18,102,710	\$ 4,142,508	\$ 8,295,543	\$ 7,371,829
 General Revenues				
Property taxes				\$ 7,622,859
Transportation sales and use tax				391,807
Other taxes				7,488
Payments in lieu of tax				77,227
Grants and contributions not restricted to specific programs				1,115,367
Unrestricted investment earnings				86,288
				\$ 9,301,036
Total general revenues				\$ 9,301,036
Change in Net Position				\$ 11,008,206
Net Position - Beginning				53,291,422
Net Position - Ending				\$ 64,299,628

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, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 4,475,467	\$ 9,176,221	\$ 3,762,698	\$ 1,689,384	\$ 19,103,770
Petty cash and change funds	1,900	100	200	390	2,590
Undistributed cash in agency funds	114,963	23,449	31,289	16,019	185,720
Taxes receivable - delinquent	225,057	61,649	83,157	5,011	374,874
Special assessments receivable	-	-	-	33,623	33,623
Accounts receivable	6,597	1,930	1,957	103,776	114,260
Accrued interest receivable	12,233	-	-	53	12,286
Due from other funds	4,887	3,838	925	5,357	15,007
Due from other governments	165,660	1,454,916	344,024	378,207	2,342,807
Inventories	-	268,896	-	-	268,896
Advances to other funds	46,250	13,750	31,250	12,500	103,750
Total Assets	<u>\$ 5,053,014</u>	<u>\$ 11,004,749</u>	<u>\$ 4,255,500</u>	<u>\$ 2,244,320</u>	<u>\$ 22,557,583</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 73,025	\$ 115,053	\$ 169,088	\$ 48,728	\$ 405,894
Salaries payable	167,729	74,446	125,729	73,244	441,148
Compensated absences	-	-	25,138	-	25,138
Contracts payable	163,212	8,351	-	-	171,563
Due to other funds	2,888	-	16,543	3,478	22,909
Due to other governments	431,631	9,081	28,234	45,057	514,003
Customer deposits	-	500	-	-	500
Total Liabilities	<u>\$ 838,485</u>	<u>\$ 207,431</u>	<u>\$ 364,732</u>	<u>\$ 170,507</u>	<u>\$ 1,581,155</u>
Deferred Inflows of Resources					
Unavailable revenue	\$ 283,161	\$ 1,363,184	\$ 71,004	\$ 194,297	\$ 1,911,646
Advance allotment	-	693,655	-	-	693,655
Total Deferred Inflows of Resources	<u>\$ 283,161</u>	<u>\$ 2,056,839</u>	<u>\$ 71,004</u>	<u>\$ 194,297</u>	<u>\$ 2,605,301</u>
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 268,896	\$ -	\$ -	\$ 268,896
Advances to other funds	46,250	13,750	31,250	12,500	103,750

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Fund Balances (Continued)					
Restricted					
County building	40,724	-	-	-	40,724
State-aid highway projects	-	182,944	-	-	182,944
Wellness	3,466	-	-	-	3,466
Sheriff donations	1,000	-	-	-	1,000
Mental health initiative	-	-	84,891	-	84,891
Capital project plan	-	227,328	-	-	227,328
Peer center	-	-	1,131	-	1,131
HAVA	40,884	-	-	-	40,884
Missing heirs	7,857	-	-	-	7,857
SSTS refunds	4,116	-	-	-	4,116
Turnback fund	-	7,125,000	-	-	7,125,000
Low income septic	13,354	-	-	-	13,354
Shoreline grant	12,004	-	-	-	12,004
Compliance fund	158,693	-	-	-	158,693
Sheriff's forfeited property	9,431	-	-	-	9,431
Attorney's forfeited property	19,158	-	-	-	19,158
ISTS	75,263	-	-	-	75,263
Emergency management	479	-	-	-	479
Gun permits	49,262	-	-	-	49,262
Recorder's equipment	80,543	-	-	-	80,543
SCORE	-	-	-	57,324	57,324
Committed					
Parks	200,878	-	-	-	200,878
Timber development	95,806	-	-	-	95,806
AS400	21,817	-	-	-	21,817
Assigned					
Human services	-	-	3,702,492	-	3,702,492
Road and bridge	-	922,561	-	-	922,561
MCIT	221,124	-	-	-	221,124
Plat books	11,145	-	-	-	11,145
GIS	40,539	-	-	-	40,539
Solid waste	-	-	-	1,057,767	1,057,767
Transit	-	-	-	105,075	105,075
Public health	-	-	-	646,850	646,850
Assessor	4,769	-	-	-	4,769
Canteen	9,825	-	-	-	9,825
County agent brochures	3,753	-	-	-	3,753
County agent	4,393	-	-	-	4,393
Unassigned	2,754,835	-	-	-	2,754,835
Total Fund Balances	\$ 3,931,368	\$ 8,740,479	\$ 3,819,764	\$ 1,879,516	\$ 18,371,127
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,053,014	\$ 11,004,749	\$ 4,255,500	\$ 2,244,320	\$ 22,557,583

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balances - total governmental funds (Exhibit 3)		\$ 18,371,127
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		43,114,616
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		2,016,025
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,911,646
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	\$ (755,052)	
Net OPEB liability	<u>(358,734)</u>	<u>(1,113,786)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 64,299,628</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, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 4,603,701	\$ 1,567,461	\$ 1,690,066	\$ 198,083	\$ 8,059,311
Special assessments	-	-	-	417,040	417,040
Licenses and permits	61,049	-	-	27,701	88,750
Intergovernmental	1,302,643	10,370,566	2,971,269	1,332,412	15,976,890
Charges for services	246,636	-	175	823,213	1,070,024
Fines and forfeits	22,929	-	-	-	22,929
Gifts and contributions	1,000	-	-	-	1,000
Investment earnings	85,868	-	-	655	86,523
Miscellaneous	1,164,055	120,717	1,582,856	79,109	2,946,737
Total Revenues	\$ 7,487,881	\$ 12,058,744	\$ 6,244,366	\$ 2,878,213	\$ 28,669,204
Expenditures					
Current					
General government	\$ 4,130,989	\$ -	\$ -	\$ -	\$ 4,130,989
Public safety	2,568,715	-	-	-	2,568,715
Highways and streets	-	4,922,165	-	-	4,922,165
Sanitation	-	-	-	979,263	979,263
Human services	-	-	5,429,128	519,972	5,949,100
Health	1,583	-	-	1,013,109	1,014,692
Culture and recreation	250,575	-	-	-	250,575
Conservation of natural resources	222,112	-	-	-	222,112
Intergovernmental					
Highways and streets	-	188,210	-	-	188,210
Total Expenditures	\$ 7,173,974	\$ 5,110,375	\$ 5,429,128	\$ 2,512,344	\$ 20,225,821
Net Change in Fund Balance	\$ 313,907	\$ 6,948,369	\$ 815,238	\$ 365,869	\$ 8,443,383
Fund Balance - January 1	3,617,461	1,700,186	3,004,526	1,513,647	9,835,820
Increase (decrease) in inventories	-	91,924	-	-	91,924
Fund Balance - December 31	\$ 3,931,368	\$ 8,740,479	\$ 3,819,764	\$ 1,879,516	\$ 18,371,127

**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, 2014**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 8,443,383

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

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

Unavailable revenue - December 31	\$ 1,911,646	
Unavailable revenue - January 1	<u>(1,945,090)</u>	(33,444)

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

Expenditures for general capital assets and infrastructure	\$ 3,769,882	
Current year depreciation	<u>(1,759,087)</u>	2,010,795

In the statement of net position, an asset is reported for the equity interest in joint ventures. The change in net position differs from the change in fund balance by the increases and decreases in the investment in joint venture. 473,392

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	\$ 79,030	
Change in inventories	91,924	
Change in net OPEB liability	<u>(56,874)</u>	<u>114,080</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 11,008,206

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FIDUCIARY FUNDS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	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	\$ 124,381	\$ 307,370	\$ 194,916
Receivables			
Accounts	6,651	-	-
Interest	43	-	-
Due from other funds	11,467	-	-
Due from other governments	7,810	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 150,352	\$ 307,370	\$ 194,916
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>			
Liabilities			
Accounts payable	\$ -	\$ 2,564	\$ -
Due to other funds	3,565	-	-
Due to other governments	-	-	194,916
Advances from governmental funds	-	103,750	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ 3,565	\$ 106,314	\$ 194,916
Deferred Inflows of Resources			
Unavailable revenue	<u>\$ 11,652</u>	<u>\$ -</u>	
Net Position			
Net position, held in trust for pool participants	\$ 135,135	\$ -	
Net position, held in trust for employees	<u>-</u>	<u>201,056</u>	
	<u> </u>	<u> </u>	
Total Net Position	\$ 135,135	\$ 201,056	

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust
	<hr/>	<hr/>
<u>Additions</u>		
Contributions from employers	\$ -	\$ 103,154
Contributions from participants	38,421	-
Investment earnings		
Interest	478	-
	<hr/>	<hr/>
Total Additions	\$ 38,899	\$ 103,154
<u>Deductions</u>		
Benefit payments	\$ -	\$ 100,918
Pool participant withdrawals	35,056	-
	<hr/>	<hr/>
Total Deductions	\$ 35,056	\$ 100,918
Change in Net Position	\$ 3,843	\$ 2,236
Net Position - Beginning of the Year	131,292	198,820
	<hr/>	<hr/>
Net Position - End of the Year	\$ 135,135	\$ 201,056
	<hr/> <hr/>	<hr/> <hr/>

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fiduciary fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Wadena County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2014 were \$86,523.

Wadena County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at amortized cost value per share provided by the pool, which would closely approximate fair value.

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. External Investment Pools (Continued)

is not subject to regulatory oversight, and the fair value of the position in the pool is the same as the pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.

3. Receivables and Payables

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

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

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

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

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2009 through 2014. No allowances for special assessments are shown because such amounts are not expected to be material.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Inventories

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

6. Capital Assets

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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

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

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

7. Compensated Absences

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has no items that qualify for reporting in this category.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items, which arise under the modified accrual basis of accounting that qualify for reporting in this category. The items--unavailable revenue and advance allotment--are reported in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The advance allotment is also reported as an inflow of resources under the full accrual basis in the statement of net position.

9. Classification of Net Position

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

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances

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

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

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

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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

11. Minimum Fund Balance

Wadena County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than three months of operating expenditures. At December 31, 2014, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

12. Use of Estimates

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Future Change in Accounting Standards (Continued)

administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual cost of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following individual nonmajor funds had expenditures in excess of budget for the year ended December 31, 2014.

	Expenditures	Final Budget	Excess
Special Revenue Funds			
Public Health Nurse	\$ 1,013,109	\$ 981,875	\$ 31,234
Transit	519,972	392,970	127,002
Solid Waste	979,263	906,447	72,816

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 19,289,490
Petty cash and change funds	2,590
Statement of fiduciary net position	
Cash and pooled investments	
Family Service Collaborative Investment Trust Fund	124,381
Health Reimbursement Employee Benefit Trust Fund	307,370
Agency funds	194,916
Total Cash and Investments	\$ 19,918,747

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	
Checking	\$ 1,700,378
Money market savings	6,789,407
Certificates of deposit	4,725,000
MAGIC Fund	6,701,372
Petty cash	2,590
	<hr/>
Total Deposits, Cash on Hand, and Investments	<u>\$ 19,918,747</u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at 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, 2014, \$412,363 of the County's deposits were exposed to custodial credit risk.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (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, 2014, 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, 2014, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 374,874	\$ -
Special assessments	33,623	-
Accounts	114,260	-
Interest	12,286	-
Due from other governments	2,334,905	-
Advances receivable	103,750	-
Total Governmental Activities	\$ 2,973,698	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 604,959	\$ 640	\$ -	\$ 605,599
Construction in progress	1,340,688	200,464	422,099	1,119,053
Total capital assets not depreciated	\$ 1,945,647	\$ 201,104	\$ 422,099	\$ 1,724,652
Capital assets depreciated				
Buildings	\$ 5,564,688	\$ -	\$ -	\$ 5,564,688
Building improvements	241,449	788,806	-	1,030,255
Machinery, furniture, and equipment	4,734,125	663,275	301,007	5,096,393
Infrastructure	53,627,139	2,538,796	-	56,165,935
Total capital assets depreciated	\$ 64,167,401	\$ 3,990,877	\$ 301,007	\$ 67,857,271

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 3,534,398	\$ 90,939	\$ -	\$ 3,625,337
Building improvements	47,499	19,591	-	67,090
Machinery, furniture, and equipment	3,286,074	430,019	301,007	3,415,086
Infrastructure	18,141,256	1,218,538	-	19,359,794
	<u>\$ 25,009,227</u>	<u>\$ 1,759,087</u>	<u>\$ 301,007</u>	<u>\$ 26,467,307</u>
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 39,158,174	\$ 2,231,790	\$ -	\$ 41,389,964
Governmental Activities				
Capital Assets, Net	<u>\$ 41,103,821</u>	<u>\$ 2,432,894</u>	<u>\$ 422,099</u>	<u>\$ 43,114,616</u>

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

Governmental Activities	
General government	\$ 91,492
Public safety	102,098
Highways and streets, including depreciation of infrastructure assets	1,465,637
Sanitation	46,642
Human services	46,583
Health	<u>6,635</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,759,087</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Social Services	\$ 4,860
	Other governmental funds	17
	Family Service Collaborative Investment Trust	10
Total due to General Fund		\$ 4,887
Road and Bridge	General	\$ 377
	Other governmental funds	3,461
Total due to Road and Bridge Fund		\$ 3,838
Social Services	Family Service Collaborative Investment Trust	\$ 925
Other governmental funds	General	\$ 2,511
	Social Services	216
	Family Service Collaborative Investment Trust	2,630
Total due to other governmental funds		\$ 5,357
Family Service Collaborative Investment Trust	Social Services	\$ 11,467
Total Due To/From Other Funds		\$ 26,474

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

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Health Reimbursement Employee Benefit Trust	\$ 46,250
Road and Bridge	Health Reimbursement Employee Benefit Trust	13,750
Social Services	Health Reimbursement Employee Benefit Trust	31,250
Other governmental funds	Health Reimbursement Employee Benefit Trust	12,500
Total Advances To/From Other Funds		<u>\$ 103,750</u>

Advances were made to the Health Reimbursement Employee Benefit Trust Fund to cover benefit payments until payroll deductions are built up to cover them. The advance will be repaid over time as funds become available for repayment.

C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 405,894
Salaries	441,148
Contracts payable	171,563
Due to other governments	514,003
Total Payables	<u>\$ 1,532,608</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Health Reimbursement Account

The County is authorized by Minn. Stat. § 471.61 to provide group health insurance to its employees. In October 2004, the County began providing health reimbursement accounts administered by Blue Cross/Blue Shield. For purposes of financial reporting, these health reimbursement accounts are reported in the Health Reimbursement Employee Benefit Trust Fund.

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

As of December 31, 2014, 34 employees had health reimbursement accounts. The County advanced \$103,750 to the Health Reimbursement Employee Benefit Trust Fund as of December 31, 2014.

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Net OPEB liability	\$ 301,860	\$ 125,793	\$ 68,919	\$ 358,734	\$ -
Compensated absences	834,082	386,534	440,426	780,190	503,074
Total Long-Term Liabilities	<u>\$ 1,135,942</u>	<u>\$ 512,327</u>	<u>\$ 509,345</u>	<u>\$ 1,138,924</u>	<u>\$ 503,074</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Deferred Inflows of Resources

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

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 185,885	\$ -	\$ 96,617	\$ 659	\$ 283,161
Road and Bridge	51,402	-	1,957,687	47,750	2,056,839
Social Services	68,548	-	1,531	925	71,004
Nonmajor governmental funds					
Public Health Nurse	3,421	-	81,707	-	85,128
Transit	-	-	-	2,484	2,484
Solid Waste	-	29,448	48,557	28,680	106,685
	<u>\$ 309,256</u>	<u>\$ 29,448</u>	<u>\$ 2,186,099</u>	<u>\$ 80,498</u>	<u>\$ 2,605,301</u>
Deferred inflows of resources					
Unavailable revenue	\$ 309,256	\$ 29,448	\$ 1,492,444	\$ 80,498	\$ 1,911,646
Advance allotment	-	-	693,655	-	693,655
	<u>\$ 309,256</u>	<u>\$ 29,448</u>	<u>\$ 2,186,099</u>	<u>\$ 80,498</u>	<u>\$ 2,605,301</u>

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. 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. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

For General 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 General 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General 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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Funding Policy (Continued)

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 405,381	\$ 400,005	\$ 388,702
Public Employees Police and Fire Fund	89,776	75,880	67,342
Public Employees Correctional Fund	44,165	39,893	38,691

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

B. Defined Contribution Plan

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,872	\$ 3,872
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	131,273
Interest on net OPEB obligation		13,584
Adjustment to ARC		(19,064)
		(19,064)
Annual OPEB cost (expense)	\$	125,793
Contributions made		(68,919)
		(68,919)
Increase in net OPEB obligation	\$	56,874
Net OPEB Obligation - Beginning of Year		301,860
		301,860
Net OPEB Obligation - End of Year	\$	358,734
		358,734

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2012, 2013, and 2014, were as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	\$ 119,061	\$ 78,698	66.1%	\$ 274,589
December 31, 2013	118,199	90,928	76.9	301,860
December 31, 2014	125,793	68,919	54.8	358,734

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Wadena County's implicit rate of return on the General Fund. The annual health care cost trend is 7.50 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 23 years.

**WADENA COUNTY
WADENA, MINNESOTA**

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Todd-Wadena Community Corrections

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

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

Separate financial information can be obtained from:

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwestern Counties Data Processing Security Association

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

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

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

Separate financial information can be obtained from:

Clearwater County Auditor
213 North Main Avenue
Bagley, Minnesota 56621

West Central Minnesota Drug Task Force

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Wadena County did not contribute to this organization in 2014.

Separate financial information can be obtained from:

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

Wadena County Family Service Collaborative

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Wadena County Family Service Collaborative (Continued)

Financing is provided by state grants and appropriations from its members. Wadena County, in an agent capacity, reports the cash transactions of the Wadena County Family Service Collaborative as an investment trust fund on the County's financial statements. During 2014, the County contributed \$500 to the Collaborative.

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 purposes of maintaining an integrated system of community health services under Minn. Stat. ch. 145. On January 1, 2006, Cass County withdrew from the Board of Health, 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 of Health 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. 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 joined in the joint venture. As of December 31, 2010, Cass, Crow Wing, and Freeborn Counties elected to opt out of the SCHA, consistent with the terms of the Joint Powers Agreement. The Agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Country Health Alliance (Continued)

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

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

The County's equity interest in the SCHA at December 31, 2014, was \$2,016,025. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from:

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

Central Minnesota Emergency Medical Services Region

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Medical Services Region (Continued)

Complete financial information can be obtained from:

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

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

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

Central Minnesota Emergency Services Board

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

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

Complete financial information can be obtained from:

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

Prairie Lakes Municipal Solid Waste Authority

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

The purpose of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is to jointly exercise powers common to each participating party dealing with the ownership and operation of the Perham Resource Recovery Facility, as well as cooperation with efforts in other solid waste management activities that affect the operations of the Perham Resource Recovery Facility. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is composed of one Commissioner each from

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority (Continued)

Becker, Clay, Todd, and Wadena Counties, and two members from Otter Tail County. Each party may appoint alternate Board members and shall represent one vote on the Board.

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

Financial information can be obtained from:

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

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed on January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board consisting of one County Commissioner and one lay person. Wadena County appropriated \$82,494 to the Library for the year ended December 31, 2014.

Separate financial information can be obtained from:

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

**WADENA COUNTY
WADENA, MINNESOTA**

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

C. Jointly-Governed Organizations

Minnesota Counties Computer Cooperative

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

Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the CHIC during 2014.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

Minnesota Criminal Justice Data Communications Network

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

**WADENA COUNTY
WADENA, MINNESOTA**

7. Subsequent Events

General Obligation Solid Waste Bonds Issued

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

South Country Health Alliance Investment in Joint Venture

In July 2015, the South Country Health Alliance lost its bid to continue providing comprehensive health maintenance services to 11 of its 12 participating counties, including Wadena County. The decision by the Minnesota Department of Human Services is being appealed by the 11 counties. The ultimate impact on the South Country Health Alliance and, therefore, Wadena County's investment in the joint venture is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,822,335	\$ 4,822,335	\$ 4,603,701	\$ (218,634)
Licenses and permits	46,410	46,410	61,049	14,639
Intergovernmental	926,607	927,666	1,302,643	374,977
Charges for services	235,386	235,386	246,636	11,250
Fines and forfeits	15,000	15,000	22,929	7,929
Gifts and contributions	-	-	1,000	1,000
Investment earnings	40,250	40,250	85,868	45,618
Miscellaneous	163,473	163,473	1,164,055	1,000,582
Total Revenues	\$ 6,249,461	\$ 6,250,520	\$ 7,487,881	\$ 1,237,361
Expenditures				
Current				
General government				
Commissioners	\$ 160,000	\$ 160,000	\$ 198,677	\$ (38,677)
MCIT dividends	-	-	309,133	(309,133)
Court administrator	5,000	5,000	-	5,000
Law library	25,000	25,000	22,898	2,102
County coordinator	95,000	95,000	76,919	18,081
County auditor/treasurer	605,241	605,241	583,947	21,294
Data processing	433,985	433,985	362,291	71,694
Central services	114,800	116,800	88,840	27,960
Elections	41,460	41,460	34,383	7,077
Voter registration	1,000	1,000	130	870
HAVA grant - elections	5,342	5,342	5,838	(496)
County attorney	303,993	303,993	273,460	30,533
Court-appointed attorney	51,600	51,600	47,143	4,457
County recorder	245,150	245,150	220,950	24,200
County assessor	384,850	384,850	373,729	11,121
Planning and zoning	149,110	146,552	185,824	(39,272)
GIS and GPS	82,781	82,781	77,500	5,281
Building and plant	570,595	570,595	602,182	(31,587)
Veteran services	66,436	66,436	68,980	(2,544)
Other general government	290,049	290,049	598,165	(308,116)
Total general government	\$ 3,631,392	\$ 3,630,834	\$ 4,130,989	\$ (500,155)

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
911 enhancement	\$ 37,978	\$ 308,887	\$ 370,909	\$ (62,022)
County sheriff	1,640,160	1,644,028	1,639,414	4,614
Boat and water safety enforcement	4,930	4,930	4,231	699
Coroner	32,750	32,750	33,308	(558)
Snowmobile safety/safety officer	8,482	8,482	4,447	4,035
Forfeiture funds - sheriff	-	-	3,477	(3,477)
ATV grant	5,496	5,496	4,464	1,032
Safe and sober	-	-	28,714	(28,714)
Jail/800 MHz radio	218,433	218,433	227,577	(9,144)
Corrections	155,766	155,766	155,766	-
Civil defense/emergency services	78,939	78,939	96,408	(17,469)
Total public safety	\$ 2,182,934	\$ 2,457,711	\$ 2,568,715	\$ (111,004)
Health				
Wellness program	\$ -	\$ -	\$ 1,583	\$ (1,583)
Culture and recreation				
County parks	\$ 36,894	\$ 36,894	\$ 52,141	\$ (15,247)
Ag society	28,000	28,000	27,755	245
Snowmobile grants	69,000	69,000	77,685	(8,685)
Humane society	4,500	4,500	4,500	-
Kitchigami library	82,494	82,494	82,494	-
Historical society	6,000	6,000	6,000	-
Total culture and recreation	\$ 226,888	\$ 226,888	\$ 250,575	\$ (23,687)
Conservation of natural resources				
Soil and water conservation	\$ 52,011	\$ 52,011	\$ 71,956	\$ (19,945)
County extension	149,427	149,427	147,519	1,908
Tree planting	7,000	7,000	2,637	4,363
Total conservation of natural resources	\$ 208,438	\$ 208,438	\$ 222,112	\$ (13,674)
Total Expenditures	\$ 6,249,652	\$ 6,523,871	\$ 7,173,974	\$ (650,103)

**WADENA COUNTY
WADENA, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under)				
Expenditures	\$ (191)	\$ (273,351)	\$ 313,907	\$ 587,258
Other Financing Sources (Uses)				
Transfers out	(10,000)	(10,000)	-	10,000
Net Change in Fund Balance	\$ (10,191)	\$ (283,351)	\$ 313,907	\$ 597,258
Fund Balance - January 1	<u>3,617,461</u>	<u>3,617,461</u>	<u>3,617,461</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 3,607,270</u>	<u>\$ 3,334,110</u>	<u>\$ 3,931,368</u>	<u>\$ 597,258</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,242,092	\$ 1,242,092	\$ 1,567,461	\$ 325,369
Intergovernmental	4,868,130	4,868,130	10,370,566	5,502,436
Miscellaneous	35,000	35,000	120,717	85,717
Total Revenues	\$ 6,145,222	\$ 6,145,222	\$ 12,058,744	\$ 5,913,522
Expenditures				
Current				
Highways and streets				
Administration	\$ 348,344	\$ 348,344	\$ 378,502	\$ (30,158)
Maintenance	1,327,830	1,327,830	1,186,584	141,246
Construction	4,027,121	4,027,121	3,042,200	984,921
Equipment maintenance and shop	263,927	263,927	314,879	(50,952)
Total highways and streets	\$ 5,967,222	\$ 5,967,222	\$ 4,922,165	\$ 1,045,057
Intergovernmental				
Highways and streets	178,000	178,000	188,210	(10,210)
Total Expenditures	\$ 6,145,222	\$ 6,145,222	\$ 5,110,375	\$ 1,034,847
Net Change in Fund Balance	\$ -	\$ -	\$ 6,948,369	\$ 6,948,369
Fund Balance - January 1	1,700,186	1,700,186	1,700,186	-
Increase (decrease) in inventories	-	-	91,924	91,924
Fund Balance - December 31	\$ 1,700,186	\$ 1,700,186	\$ 8,740,479	\$ 7,040,293

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,726,038	\$ 1,726,038	\$ 1,690,066	\$ (35,972)
Intergovernmental	2,840,505	2,840,505	2,971,269	130,764
Charges for services	-	-	175	175
Miscellaneous	1,104,213	1,104,213	1,582,856	478,643
Total Revenues	<u>\$ 5,670,756</u>	<u>\$ 5,670,756</u>	<u>\$ 6,244,366</u>	<u>\$ 573,610</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,533,885	\$ 1,533,885	\$ 1,909,887	\$ (376,002)
Social services	4,136,871	4,136,871	3,519,241	617,630
Total Expenditures	<u>\$ 5,670,756</u>	<u>\$ 5,670,756</u>	<u>\$ 5,429,128</u>	<u>\$ 241,628</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 815,238	\$ 815,238
Fund Balance - January 1	<u>3,004,526</u>	<u>3,004,526</u>	<u>3,004,526</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 3,004,526</u></u>	<u><u>\$ 3,004,526</u></u>	<u><u>\$ 3,819,764</u></u>	<u><u>\$ 815,238</u></u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014

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

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. Wadena County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made budgetary amendments in the General Fund.

2. Excess of Expenditures Over Budget

For the year ended December 31, 2014, the General Fund had expenditures in excess of budget of \$650,103.

3. Other Postemployment Benefits Funded Status

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

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

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SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

	<u>Public Health Nurse</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>				
Cash and pooled investments	\$ 599,011	\$ 125,705	\$ 964,668	\$ 1,689,384
Petty cash and change funds	40	100	250	390
Undistributed cash in agency funds	1,600	-	14,419	16,019
Taxes receivable - delinquent	5,011	-	-	5,011
Special assessments receivable	-	-	33,623	33,623
Accounts receivable	2,161	1,906	99,709	103,776
Accrued interest receivable	-	53	-	53
Due from other funds	4,864	216	277	5,357
Due from other governments	178,502	2,484	197,221	378,207
Advance to other funds	6,250	3,750	2,500	12,500
Total Assets	\$ 797,439	\$ 134,214	\$ 1,312,667	\$ 2,244,320
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 6,938	\$ 4,927	\$ 36,863	\$ 48,728
Salaries payable	51,276	14,679	7,289	73,244
Due to other funds	-	3,134	344	3,478
Due to other governments	997	165	43,895	45,057
Total Liabilities	\$ 59,211	\$ 22,905	\$ 88,391	\$ 170,507
Deferred Inflows of Resources				
Unavailable revenue	\$ 85,128	\$ 2,484	\$ 106,685	\$ 194,297
Fund Balances				
Nonspendable				
Advances to other funds	\$ 6,250	\$ 3,750	\$ 2,500	\$ 12,500
Restricted				
SCORE	-	-	57,324	57,324
Assigned				
Solid waste	-	-	1,057,767	1,057,767
Transit	-	105,075	-	105,075
Public health	646,850	-	-	646,850
Total Fund Balances	\$ 653,100	\$ 108,825	\$ 1,117,591	\$ 1,879,516
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 797,439	\$ 134,214	\$ 1,312,667	\$ 2,244,320

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Public Health Nurse</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total (Exhibit 5)</u>
Revenues				
Taxes	\$ 198,083	\$ -	\$ -	\$ 198,083
Special assessments	-	-	417,040	417,040
Licenses and permits	27,701	-	-	27,701
Intergovernmental	765,516	357,423	209,473	1,332,412
Charges for services	179,744	62,694	580,775	823,213
Investment earnings	-	655	-	655
Miscellaneous	49,188	21,025	8,896	79,109
Total Revenues	\$ 1,220,232	\$ 441,797	\$ 1,216,184	\$ 2,878,213
Expenditures				
Current				
Sanitation	\$ -	\$ -	\$ 979,263	\$ 979,263
Human services	-	519,972	-	519,972
Health	1,013,109	-	-	1,013,109
Total Expenditures	\$ 1,013,109	\$ 519,972	\$ 979,263	\$ 2,512,344
Net Change in Fund Balance	\$ 207,123	\$ (78,175)	\$ 236,921	\$ 365,869
Fund Balance - January 1	445,977	187,000	880,670	1,513,647
Fund Balance - December 31	\$ 653,100	\$ 108,825	\$ 1,117,591	\$ 1,879,516

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 207,110	\$ 207,110	\$ 198,083	\$ (9,027)
Licenses and permits	23,500	23,500	27,701	4,201
Intergovernmental	532,983	532,983	765,516	232,533
Charges for services	194,426	194,426	179,744	(14,682)
Miscellaneous	36,987	36,987	49,188	12,201
Total Revenues	\$ 995,006	\$ 995,006	\$ 1,220,232	\$ 225,226
Expenditures				
Current				
Health				
Nursing service	981,875	981,875	1,013,109	(31,234)
Net Change in Fund Balance	\$ 13,131	\$ 13,131	\$ 207,123	\$ 193,992
Fund Balance - January 1	445,977	445,977	445,977	-
Fund Balance - December 31	\$ 459,108	\$ 459,108	\$ 653,100	\$ 193,992

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
TRANSIT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 334,115	\$ 334,115	\$ 357,423	\$ 23,308
Charges for services	64,000	64,000	62,694	(1,306)
Investment earnings	-	-	655	655
Miscellaneous	17,763	17,763	21,025	3,262
Total Revenues	\$ 415,878	\$ 415,878	\$ 441,797	\$ 25,919
Expenditures				
Current				
Human services				
Transportation	392,970	392,970	519,972	(127,002)
Net Change in Fund Balance	\$ 22,908	\$ 22,908	\$ (78,175)	\$ (101,083)
Fund Balance - January 1	187,000	187,000	187,000	-
Fund Balance - December 31	\$ 209,908	\$ 209,908	\$ 108,825	\$ (101,083)

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Special assessments	410,000	410,000	417,040	7,040
Licenses and permits	350	350	-	(350)
Intergovernmental	-	-	209,473	209,473
Charges for services	693,820	693,820	580,775	(113,045)
Miscellaneous	-	-	8,896	8,896
Total Revenues	\$ 1,119,170	\$ 1,119,170	\$ 1,216,184	\$ 97,014
Expenditures				
Current				
Sanitation				
Solid waste	\$ 802,722	\$ 802,722	\$ 855,575	\$ (52,853)
Recycling	103,725	103,725	123,688	(19,963)
Total Expenditures	\$ 906,447	\$ 906,447	\$ 979,263	\$ (72,816)
Net Change in Fund Balance	\$ 212,723	\$ 212,723	\$ 236,921	\$ 24,198
Fund Balance - January 1	880,670	880,670	880,670	-
Fund Balance - December 31	\$ 1,093,393	\$ 1,093,393	\$ 1,117,591	\$ 24,198

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**WADENA COUNTY
WADENA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GOVERNMENTAL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 18,462	\$ 98,504	\$ 102,103	\$ 14,863
<u>Liabilities</u>				
Due to other governments	\$ 18,462	\$ 98,504	\$ 102,103	\$ 14,863
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 197,700	\$ 19,761,934	\$ 19,779,581	\$ 180,053
<u>Liabilities</u>				
Due to other governments	\$ 197,700	\$ 19,761,934	\$ 19,779,581	\$ 180,053
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 216,162	\$ 19,860,438	\$ 19,881,684	\$ 194,916
<u>Liabilities</u>				
Due to other governments	\$ 216,162	\$ 19,860,438	\$ 19,881,684	\$ 194,916

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OTHER SCHEDULES

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Cash on hand and departmental checking	N/A	N/A	Continuous	\$ 2,590
Checking accounts	Three	0.10 to 0.15	Continuous	1,700,378
Money market savings	Nine	0.10 to 0.40	Continuous	6,789,407
MAGIC Fund	One	0.04	Continuous	6,701,372
Certificates of deposit	Seventeen	0.70 to 1.65	January 11, 2015 to April 17, 2019	<u>4,725,000</u>
Total Deposits and Investments				<u>\$ 19,918,747</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Shared Revenue

State

Highway users tax	\$ 2,677,489
County program aid	858,345
PERA rate reimbursement	20,825
Disparity reduction aid	53,186
Police aid	74,256
Enhanced 911	86,151
Market value credit	172,730
Aquatic invasive species aid	17,912
	17,912

Total shared revenue **\$ 3,960,894**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 536,961
--	------------

Payments

Local

Local contributions	\$ 54,155
Payments in lieu of taxes	77,227
	77,227

Total payments **\$ 131,382**

Grants

State

Minnesota Department/Board of	
Public Safety	\$ 8,922
Transportation	7,379,707
Health	164,723
Revenue	3,529
Natural Resources	82,615
Human Services	944,677
Water and Soil Resources	176,122
Veterans Affairs	10,000
Pollution Control Agency	63,803
Peace Officer Standards and Training Board	3,218
	3,218

Total state **\$ 8,837,316**

Federal

Department of/Agency	
Agriculture	\$ 272,944
Transportation	419,096
Education	1,526
Health and Human Services	1,593,738
Homeland Security	223,033
	223,033

Total federal **\$ 2,510,337**

Total state and federal grants **\$ 11,347,653**

Total Intergovernmental Revenue **\$ 15,976,890**

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Morrison-Todd-Wadena Community Health Services Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 84,929
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>148,696</u>
Total U.S. Department of Agriculture		<u>\$ 233,625</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	\$ 10,835
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	7,277
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	72,339
Formula Grants for Rural Areas	20.509	<u>173,347</u>
Total U.S. Department of Transportation		<u>\$ 263,798</u>
U.S. Department of Education		
Passed Through Morrison-Todd-Wadena Community Health Services Board Special Education - Grants for Infants and Families	84.181	<u>\$ 2,289</u>
U.S. Department of Health and Human Services		
Passed Through Central Minnesota Council on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 6,414
Passed Through Community Health Information Collaborative of Duluth Immunization Cooperative Agreements	93.268	3,957
Direct Drug-Free Communities Support Program Grants	93.276	39,093
Passed Through Isanti County Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	984

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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		
Promoting Safe and Stable Families	93.556	9,457
Temporary Assistance for Needy Families	93.558	216,755
(Total Temporary Assistance for Needy Families 93.558 \$253,685)		
Child Support Enforcement	93.563	256,686
Refugee and Entrant Assistance - State-Administered Programs	93.566	788
Child Care and Development Block Grant	93.575	5,477
Stephanie Tubbs Jones Child Welfare Services Program	93.645	6,233
Foster Care - Title IV-E	93.658	32,459
Social Services Block Grant	93.667	122,241
Chafee Foster Care Independence Program	93.674	813
Children's Health Insurance Program	93.767	74
Medical Assistance Program	93.778	524,379
(Total Medical Assistance Program 93.778 \$545,935)		
Passed Through Morrison-Todd-Wadena Community Health Services Board		
Public Health Emergency Preparedness	93.069	44,187
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	84,057
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	45,535
Temporary Assistance for Needy Families	93.558	36,930
(Total Temporary Assistance for Needy Families 93.558 \$253,685)		
Maternal and Child Health Services Block Grant to the States	93.994	18,894
Medical Assistance Program	93.778	21,556
(Total Medical Assistance Program 93.778 \$545,935)		
Total U.S. Department of Health and Human Services		\$ 1,476,969
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 32,744
Hazard Mitigation Grant	97.039	13,397
Emergency Management Performance Grants	97.042	33,489
Total U.S. Department of Homeland Security		\$ 79,630
Total Federal Awards		\$ 2,056,311

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wadena County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wadena County, it is not intended to and does not present the financial position or changes in net position of Wadena County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	2,510,337
Grants received more than 60 days after year-end, unavailable in 2014		
Highway Planning and Construction (CFDA #20.205)		45,597
Special Education - Grants for Infants and Families (CFDA #84.181)		763
Immunization Cooperative Agreements (CFDA #93.268)		2,438
Centers for Disease Control and Prevention - Investigations and Technical Assistance (CFDA #93.283)		182
Temporary Assistance for Needy Families (CFDA #93.558)		7,983
Public Health Emergency Preparedness (CFDA #93.069)		4,364
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA #93.505)		13,483
Child Care and Development Block Grant (CFDA #93.575)		462
Maternal and Child Health Services Block Grant to the States (CFDA #93.994)		4,724
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		59,448
Emergency Management Performance Grants (CFDA #97.042)		16,691
Grants unavailable in 2013, recognized as revenue in 2014		
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)		(39,319)
Highway Planning and Construction (CFDA #20.205)		(165,499)
Formula Grants for Rural Areas (CFDA #20.509)		(28,064)
State and Community Highway Safety (CFDA #20.600)		(7,332)
Immunization Cooperative Agreements (CFDA #93.268)		(1,126)
Centers for Disease Control and Prevention - Investigations and Technical Assistance (CFDA #93.283)		(311)
Temporary Assistance for Needy Families (CFDA #93.558)		(25,753)
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (CFDA #93.044)		(3,360)
Public Health Emergency Preparedness (CFDA #93.069)		(2,760)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA #93.505)		(11,082)
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds (CFDA #93.531)		(5,009)
Child Care and Development Block Grant (CFDA #93.575)		(490)
Foster Care - Title IV-E (CFDA #93.658)		(5,389)
Medical Assistance Program (CFDA #93.778)		(89,678)
Maternal and Child Health Service Block Grant to the States (CFDA #93.994)		(5,447)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		(219,542)
		(219,542)
Expenditures per Schedule of Expenditures of Federal Awards	\$	2,056,311

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2014.

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**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Child Support Enforcement	CFDA #93.563
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$300,000.

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1998-001

Departmental Segregation of Duties

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

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

Context: This is not unusual in operations the size of Wadena County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

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

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

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

Client's Response:

Wadena County will continue to review internal control procedures including segregation of duties in all departments of the County and will modify procedures when needed, due to limited staff. Further, the County will continue to review and apply oversight procedures to ensure that these policies and procedures are being followed by staff. Additional internal cash audits for small fee departments were implemented in 2014; these audits will continue.

Finding 2013-001

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements. The County provides a general ledger and supporting schedules necessary to present fund level financial statements on a modified accrual basis and government-wide financial statements on a full accrual basis.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustments needed to be recorded for December 31, 2014:

- Audit adjustments were necessary in the Road and Bridge Special Revenue Fund to increase due from other governments by \$693,655 and increase deferred inflows of resources - unavailable revenue by \$693,655 to reverse an entry made in error, and to reduce intergovernmental revenue - state-aid regular construction by \$693,655 and increase deferred inflows of resources - advance allotment by \$693,655 to properly report an advance on the state-aid regular construction allotment. An additional adjustment was necessary to correctly classify the amount of fund balance restricted for state-aid highway projects. Fund balance assigned for road and bridge was reduced by \$259,344 and fund balance restricted for state-aid highway projects was increased by \$259,344.
- An audit adjustment was necessary in the Solid Waste Special Revenue Fund to reclassify federal disaster grants - public assistance (presidentially declared disasters) revenue in the amount of \$145,670, posted to the general ledger as state revenue.

The audit adjustments were reviewed and approved by the appropriate County staff and are reflected in the financial statements.

Cause: For the adjustments to correctly report the advance on the state-aid regular construction allotment, the worksheet used by the highway accountant to calculate the amounts of the fund balance reserve and the restricted net position for state-aid highway projects contained errors in the calculations. For the adjustment to reclassify fund balance to the correct restricted amount, the County made a reclassification adjustment in the amount of \$129,672 in reverse of what it should have been. The reclassification of federal funds was due to miscommunication. The staff posting the state and federal receipts were not informed of the type of revenue received.

Recommendation: We recommend the County establish internal controls necessary to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

Client's Response:

Wadena County staff has corrected the audit adjustment issues as detailed in Finding 2013-001 in 2015.

With regard to the proper reporting of an advance on state-aid regular construction allotment in the Road and Bridge Special Revenue Fund and Highway accountant calculation errors resulting in needed adjustments in fund balance reserves and restricted net position for state-aid highway projects, Wadena County has a heightened awareness of this issue and has implemented increased staff communication concerning advance payments together with education measures, including periodic data review meetings which will include the Highway Engineer.

With regard to the inadvertent coding error and resulting misclassification of federal disaster grant revenue in the Solid Waste Special Revenue Fund, heightened awareness of and additional staff review of federal disaster grant revenue postings have been implemented.

In 2015, Wadena County staff has corrected, overall, the above mentioned issues. Awareness and increased communication together with scheduled periodic reviews will be priorities.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding 2014-001

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility or, in other circumstances, the documentation maintained in the files did not match the information within the MAXIS system. The following instances were noted in our sample of 40 cases tested:

- Eight cases had conflicting information between data entered in MAXIS and the documentation in the case file relating to bank account balances.
- One case had conflicting information between data entered in MAXIS and the documentation in the case file relating to a bank account balance, and the case file contained documentation of a vehicle that was not entered in MAXIS.
- One case had conflicting information between data entered in MAXIS and the documentation in the case file relating to a vehicle. The data entered into MAXIS indicated the client had a vehicle; however, the case file did not contain documentation such as a copy of the title to document the client's ownership of the vehicle.

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

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

Effect: The improper input of information into MAXIS and lack of follow-up of issues increases the risk that clients will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly or that all required information was obtained and/or retained.

Recommendation: We recommend the County continue conducting review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and properly input into MAXIS and issues are followed up on in a timely manner. In addition, consideration should be given to providing additional training to program personnel.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Pam Jenson

Corrective Action Planned:

- *Wadena County Human Services will continue conducting monthly case reviews as well as performing case reviews at the time of each annual evaluation for Eligibility Workers.*
- *Wadena County Human Services will regularly review procedures at staff meetings.*
- *Wadena County Human Services will provide updated training for Eligibility Workers as the Department of Human Services makes it available.*

Anticipated Completion Date:

Ongoing.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding 2014-002

Collateral to Secure Deposits

Criteria: Government entities are required by Minn. Stat. § 118A.03 to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: The County had deposits at Wadena State Bank that were not adequately covered by FDIC coverage combined with an irrevocable letter of credit on both dates we selected for testing, May 30, 2014, and December 31, 2014.

Context: Deposits in excess of the FDIC coverage combined with the irrevocable letter of credit were \$1,632,321 on May 30, 2014, and \$412,363 on December 31, 2014.

Effect: The County is not in compliance with Minn. Stat. § 118A.03.

Cause: A Senior Accountant stated that they thought amounts in noninterest-bearing demand deposit accounts did not need collateral coverage.

Recommendation: We recommend the County establish procedures to monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

Wadena County reviewed the Office of the Minnesota State Auditor Statements of Position on (1) Deposits of Public Funds - Depositories and Collateral; and (2) FDIC Rules for Government Deposits as well as the Legal Compliance Manual: Depositories of Public Funds and Public Investments including use of the recommended Sufficient Collateral Coverage spreadsheet. Collateral Coverage spreadsheets are updated daily during periods of tax collection and monthly during non-collection periods. Further, an annual review schedule of the above Statements of Position and Legal Compliance Manual has been implemented.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Wadena County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 16, 2015. Our report includes a reference to other auditors who audited the financial statements of the South Country Health Alliance joint venture as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and an item that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 1998-001 to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Wadena County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2014-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and we are reporting it for that purpose.

Wadena County's Response to Findings

Wadena County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 16, 2015

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Wadena County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Wadena County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wadena County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Wadena County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Wadena County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider to be a significant deficiency.

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 16, 2015