

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**NORMAN COUNTY**  
**ADA, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2015**

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

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

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

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**NORMAN COUNTY  
ADA, MINNESOTA**

**Year Ended December 31, 2015**



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

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**NORMAN COUNTY  
ADA, MINNESOTA**

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ADA, MINNESOTA**

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**NORMAN COUNTY  
ADA, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2015**

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Board Member	Marvin Gunderson	District 1	January 2017
Board Member	Nathan Redland	District 2	January 2019
Vice Chair	Steve Jacobson	District 3	January 2017
Chair	Lee Ann Hall	District 4	January 2019
Board Member	Steven Bommersbach	District 5	January 2017
Attorney	James Brue		January 2019
Auditor-Treasurer	Richard D. Munter		January 2019
County Recorder	Kari Aanenson		January 2019
Registrar of Deeds	Kari Aanenson		January 2019
County Sheriff	Jeremy Thornton		January 2019
<b>Appointed</b>			
Assessor	Jill Murray		December 2016
County Engineer	Jerilyn Swenson*		May 2016
Coroner	Dr. Mary Ann Sens		Indefinite
Court Administrator	Camille Bessler		Indefinite
Emergency Services	Garry Johanson		May 2016
Veterans Service Officer	John Rosenberger		December 2016
<b>Social Services Board</b>			
Chair	Lee Ann Hall		January 2019
Vice Chair	Steve Jacobson		January 2017
Secretary	Carol Sorenson		May 2017
Member	Marvin Gunderson		January 2017
Member	Nathan Redland		January 2019
Member	Steven Bommersbach		January 2017
Member	Marian Cerkowniak		May 2016
Director	Kristi Nelson		Indefinite

\*Jerilynn Swenson was appointed to fill out the previous Engineer's term when he resigned.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Norman County  
Ada, 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 Norman County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 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 Norman County as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Norman 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 April 27, 2016, on our consideration of Norman 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 Norman County's internal control over financial reporting and compliance.

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

April 27, 2016

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

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**NORMAN COUNTY  
ADA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015  
(Unaudited)**

Norman County's Management's Discussion and Analysis (MD&A) provides an overview of County financial activities for the fiscal year ended December 31, 2015. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Norman County's financial statements and the notes to the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

The assets of Norman County exceeded its liabilities by \$63,257,065 at the close of 2015. Of this amount, \$2,575,495 (unrestricted net position) may be used to meet Norman County's ongoing obligations to citizens and creditors.

The County's net position increased by \$3,565,889 for the year ended December 31, 2015, after restatement for Governmental Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the restatement can be found in Note 1.E. to the financial statements.

At the close of 2015, Norman County's governmental funds reported combined ending fund balances of \$6,427,218, an increase of \$806,256 in comparison with the prior year.

At the close of 2015, unrestricted fund balance for the General Fund was \$3,700,517, or 97.9 percent of total General Fund expenditures.

Norman County currently has \$208,300 of bonded indebtedness. The money was used for the Perley and Hendrum dike projects completed summer 2011.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to Norman County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. The MD&A (this section) 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 Norman County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of Norman 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 a useful indicator of whether the financial position of Norman County is improving or deteriorating.

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

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

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

## **Fund Level Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Norman 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 Norman 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 financial 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.

Norman County reports eight 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, which are considered to be major funds. Data from the other five 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.** Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. 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 not reflected in the government-wide financial statements because those resources are not available to support the County's programs.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information 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 Norman County's budgeted funds, deposits and investments, ditch balances, intergovernmental revenues, and expenditures of federal awards.

Norman County adopts an annual appropriated budget for its General Fund and all special revenue funds, except for the Ditch Special Revenue Fund and Gravel Tax Special Revenue Fund. Budgetary comparison schedules have been provided for the County's major funds to demonstrate compliance with these budgets.

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

Over time, net position serves as a useful indicator of the County's financial position. Norman County's assets exceeded liabilities by \$63,257,065 at the close of 2015. The largest portion of Norman County's net position (90 percent) reflects its net investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

**Governmental Net Position**

	2015	2014
Assets		
Current and other assets	\$ 10,363,258	\$ 8,787,591
Capital assets	56,886,088	54,820,901
Total Assets	\$ 67,249,346	\$ 63,608,490
Deferred Outflows of Resources		
Deferred pension outflows	\$ 438,497	\$ -
Liabilities		
Long-term liabilities outstanding	\$ 3,599,651	\$ 798,650
Other liabilities	497,316	539,860
Total Liabilities	\$ 4,096,967	\$ 1,338,510
Deferred Inflows of Resources		
Deferred pension inflows	\$ 333,811	\$ -
Net Position		
Investment in capital assets	\$ 56,886,088	\$ 54,820,901
Restricted	3,795,482	2,854,545
Unrestricted	2,575,495	4,594,536
Total Net Position, as reported	\$ 63,257,065	\$ 62,269,982
Change in accounting principle*		(2,578,806)
Total Net Position, as restated		\$ 59,691,176

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

The unrestricted net position amount of \$2,575,495 as of December 31, 2015, may be used to meet the County's ongoing obligations to citizens and creditors.

## Governmental Activities

Norman County's activities increased net position by \$3,565,889, or 5.97 percent, over the 2014 net position, after the restatement for GASB Statements 68 and 71. The key element of the increase was an increase in capital assets.

### Changes in Net Position

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Charges for services	\$ 1,234,328	\$ 1,230,810
Operating grants and contributions	5,929,667	5,592,132
Capital grants and contributions	1,549,529	374,631
General revenues		
Property taxes	5,139,111	4,635,532
Gravel taxes	62,565	97,109
Wheelage tax	84,952	78,569
Grants and contributions not restricted to specific programs	341,974	267,617
Other	265,350	198,040
Total Revenues	<u>\$ 14,607,476</u>	<u>\$ 12,474,440</u>
Expenses		
General government	\$ 1,738,411	\$ 1,779,083
Public safety	1,523,740	1,416,834
Highways and streets	4,330,717	4,117,156
Sanitation	398,696	424,620
Human services	2,298,381	2,276,425
Health	317,518	316,138
Culture and recreation	110,279	127,342
Conservation of natural resources	304,558	427,613
Economic development	10,507	26,989
Interest	8,780	9,273
Total Expenses	<u>\$ 11,041,587</u>	<u>\$ 10,921,473</u>
Increase (Decrease) in Net Position	\$ 3,565,889	\$ 1,552,967
Net Position, January 1, as restated	<u>59,691,176*</u>	<u>60,717,015</u>
Net Position, December 31	<u>\$ 63,257,065</u>	<u>\$ 62,269,982</u>

\*Amount includes a change in accounting principles.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

### **Governmental Funds**

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted 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 \$6,427,218, an increase of \$806,256 in comparison with the prior year.

The General Fund is the chief operating fund of Norman County. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$3,700,517, while total fund balance was \$4,155,593. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 97.9 percent of total General Fund expenditures. The County Board has determined that the County should maintain minimum unrestricted fund balance of 16.0 percent of the total General Fund expenditures. At December 31, 2015, the unrestricted fund balance of the General Fund is well above the minimum balance established by the Board. In 2015, fund balance in the General Fund increased by \$440,932.

The Road and Bridge Special Revenue Fund's fund balance increased by \$245,054 in 2015.

The Social Services Special Revenue Fund's balance increased by \$37,154 in 2015.

### **General Fund Budgetary Highlights**

The actual revenues were higher than budgeted revenues by \$200,811, and actual expenditures were lower than budgeted expenditures by \$214,426. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure variances were for human resources and unallocated for general government, civil defense for public safety, aquatic invasive species and water planning for conservation of natural resources, and Northwest Minnesota Multi-County Housing Redevelopment Authority for economic development.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2015, was \$56,886,088 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in Norman County's investment in capital assets for the current fiscal year was 3.77 percent.

	Governmental Capital Assets (Net of Depreciation)	
	2015	2014
Land	\$ 928,653	\$ 928,653
Infrastructure	51,404,409	49,435,188
Buildings	2,212,642	2,319,290
Furniture, equipment, and machinery	2,340,384	2,137,770
Total	<u>\$ 56,886,088</u>	<u>\$ 54,820,901</u>

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

### Long-Term Debt

At the end of the current fiscal year, Norman County had \$208,300 of bonded indebtedness. This debt was issued for the Perley and Hendrum dike projects completed in 2011.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Norman County is very dependent on state-paid aids, credits, and grants. Should the State of Minnesota significantly change the formula for state-aid payments to the County, it would have a significant impact on next year's budget. Due to a slight increase in the state-aid payments, the Norman County budget is balanced for 2015.
- The County is reviewing revenue sources and considering cost-effective and efficient ways to deliver Norman County's programs and services that will influence future budgets.

## REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Norman 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 Norman County Auditor-Treasurer, P. O. Box 266, Ada, Minnesota 56510.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 1**

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

**Assets**

Cash and pooled investments	\$	5,803,669
Taxes receivable - delinquent		74,295
Special assessments receivable		
Prior - net		38,948
Deferred - net		112,117
Accounts receivable		74,091
Accrued interest receivable		787
Due from other governments		3,444,744
Inventories		690,479
Advance to watershed		124,128
Capital assets		
Non-depreciable		928,653
Depreciable - net of accumulated depreciation		55,957,435
		55,957,435
<b>Total Assets</b>	<b>\$</b>	<b>67,249,346</b>

**Deferred Outflows of Resources**

Deferred pension outflows	\$	438,497
		438,497

**Liabilities**

Accounts payable	\$	154,040
Salaries payable		21,479
Contracts payable		217,870
Due to other governments		94,871
Customer deposits		5,425
Accrued interest payable		3,631
Long-term liabilities		
Due within one year		146,312
Due in more than one year		693,425
Net pension liability		2,759,914
		2,759,914
<b>Total Liabilities</b>	<b>\$</b>	<b>4,096,967</b>

**Deferred Inflows of Resources**

Deferred pension inflows	\$	333,811
		333,811

**Net Position**

Investment in capital assets	\$	56,886,088
Restricted for		
General government		263,334
Public safety		191,742
Highways and streets		3,019,125
Conservation of natural resources		321,281
Unrestricted		2,575,495
		2,575,495
<b>Total Net Position</b>	<b>\$</b>	<b>63,257,065</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 2**

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

	<b>Program Revenues</b>			<b>Net (Expense)</b>
<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue and Changes in Net Position</b>
<b><u>Functions/Programs</u></b>				
<b>Primary government</b>				
<b>Governmental activities</b>				
General government	\$ 1,738,411	\$ 212,083	\$ 121,405	\$ -
Public safety	1,523,740	91,082	143,811	-
Highways and streets	4,330,717	24,656	4,208,286	1,539,022
Sanitation	398,696	281,597	69,692	-
Human services	2,298,381	326,838	1,290,836	-
Health	317,518	216,100	-	-
Culture and recreation	110,279	-	-	-
Conservation of natural resources	304,558	81,972	95,637	-
Economic development	10,507	-	-	10,507
Interest	8,780	-	-	-
	<b>\$ 11,041,587</b>	<b>\$ 1,234,328</b>	<b>\$ 5,929,667</b>	<b>\$ 1,549,529</b>
<b>Total Governmental Activities</b>	<b>\$ 11,041,587</b>	<b>\$ 1,234,328</b>	<b>\$ 5,929,667</b>	<b>\$ 1,549,529</b>
 <b>General Revenues</b>				
Property taxes				\$ 5,139,111
Gravel taxes				62,565
Wheelage taxes				84,952
Grants and contributions not restricted to specific programs				341,974
Payments in lieu of tax				40,244
Investment earnings				4,743
Miscellaneous				220,363
				<b>\$ 5,893,952</b>
				<b>\$ 3,565,889</b>
				<b>59,691,176</b>
				<b>\$ 63,257,065</b>

**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 3**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 4,127,090	\$ 55,493	\$ 985,122	\$ 480,873	\$ 5,648,578
Petty cash and change funds	4,700	200	-	-	4,900
Undistributed cash in agency funds	88,688	29,075	13,386	19,042	150,191
Taxes receivable - delinquent	44,318	19,723	9,539	715	74,295
Special assessments receivable					
Delinquent	36,733	-	-	2,215	38,948
Noncurrent	-	-	-	112,117	112,117
Accounts receivable	26,534	2,069	152	45,336	74,091
Accrued interest receivable	787	-	-	-	787
Due from other funds	804	9,351	2,183	-	12,338
Due from other governments	18,921	3,255,151	169,868	-	3,443,940
Inventories	-	690,479	-	-	690,479
Advance to watershed	-	-	-	124,128	124,128
<b>Total Assets</b>	<b><u>\$ 4,348,575</u></b>	<b><u>\$ 4,061,541</u></b>	<b><u>\$ 1,180,250</u></b>	<b><u>\$ 784,426</u></b>	<b><u>\$ 10,374,792</u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 3  
(Continued)**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 74,811	\$ 10,785	\$ 49,970	\$ 18,474	\$ 154,040
Salaries payable	17,071	-	4,408	-	21,479
Contracts payable	-	217,870	-	-	217,870
Due to other funds	10,453	-	-	1,081	11,534
Due to other governments	19,316	533	26,223	48,799	94,871
Customer deposits	1,100	-	-	4,325	5,425
<b>Total Liabilities</b>	<b>\$ 122,751</b>	<b>\$ 229,188</b>	<b>\$ 80,601</b>	<b>\$ 72,679</b>	<b>\$ 505,219</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	<b>\$ 70,231</b>	<b>\$ 3,209,527</b>	<b>\$ 7,896</b>	<b>\$ 154,701</b>	<b>\$ 3,442,355</b>
<b>Fund Balances</b>					
Nonspendable					
Inventories	\$ -	\$ 690,479	\$ -	\$ -	\$ 690,479
Advance to watershed	-	-	-	124,128	124,128
Restricted for					
Debt service	-	-	-	55,289	55,289
Law library	46,539	-	-	-	46,539
Recorder's technology equipment	85,089	-	-	-	85,089
Real estate tax shortfall	61,760	-	-	-	61,760
E-911	157,517	-	-	-	157,517
Recorder's compliance	60,242	-	-	-	60,242
Gravel pit postclosure	-	-	-	105,698	105,698
County state-aid highway system	-	238,131	-	-	238,131
Ditch maintenance and construction	-	-	-	215,583	215,583
By donors for specific purposes - K9	10,656	-	-	-	10,656
Sheriff forfeitures	23,569	-	-	-	23,569
Attorney forfeitures	9,704	-	-	-	9,704
Committed to					
Township road restoration	-	208,234	-	-	208,234
Sheriff's contingencies	5,000	-	-	-	5,000
Assigned to					
Human services	-	-	1,091,753	-	1,091,753
County homes	-	-	-	91,902	91,902
Unassigned	3,695,517	(514,018)	-	(35,554)	3,145,945
<b>Total Fund Balances</b>	<b>\$ 4,155,593</b>	<b>\$ 622,826</b>	<b>\$ 1,091,753</b>	<b>\$ 557,046</b>	<b>\$ 6,427,218</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 4,348,575</b>	<b>\$ 4,061,541</b>	<b>\$ 1,180,250</b>	<b>\$ 784,426</b>	<b>\$ 10,374,792</b>

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

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**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 4**

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

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>6,427,218</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		56,886,088
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		438,497
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,442,355
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (208,300)	
Accrued interest payable	(3,631)	
Compensated absences	(367,417)	
Net OPEB liability	(264,020)	
Net pension liability	<u>(2,759,914)</u>	(3,603,282)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(333,811)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>63,257,065</u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT 5*

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 3,052,709	\$ 1,521,893	\$ 635,789	\$ 83,174	\$ 5,293,565
Special assessments	213,294	-	-	113,215	326,509
Licenses and permits	10,895	-	-	600	11,495
Intergovernmental	597,783	4,997,512	1,341,757	73,079	7,010,131
Charges for services	234,832	31,519	232,432	281,991	780,774
Fines and forfeits	9,154	-	-	-	9,154
Gifts and contributions	7,529	-	-	-	7,529
Investment earnings	4,743	-	-	-	4,743
Miscellaneous	89,420	135,279	88,383	35,577	348,659
<b>Total Revenues</b>	<b>\$ 4,220,359</b>	<b>\$ 6,686,203</b>	<b>\$ 2,298,361</b>	<b>\$ 587,636</b>	<b>\$ 13,792,559</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 1,678,974	\$ -	\$ -	\$ 13,172	\$ 1,692,146
Public safety	1,440,310	-	-	-	1,440,310
Highways and streets	-	6,117,722	-	-	6,117,722
Sanitation	-	-	-	393,368	393,368
Human services	2,750	-	2,259,827	-	2,262,577
Health	317,518	-	-	-	317,518
Culture and recreation	103,128	-	-	-	103,128
Conservation of natural resources	226,240	-	-	78,148	304,388
Economic development	10,507	-	-	-	10,507
<b>Intergovernmental</b>					
Highways and streets	-	349,493	-	-	349,493
<b>Debt service</b>					
Principal	-	-	1,335	11,000	12,335
Interest	-	-	45	8,832	8,877
<b>Total Expenditures</b>	<b>\$ 3,779,427</b>	<b>\$ 6,467,215</b>	<b>\$ 2,261,207</b>	<b>\$ 504,520</b>	<b>\$ 13,012,369</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 440,932</b>	<b>\$ 218,988</b>	<b>\$ 37,154</b>	<b>\$ 83,116</b>	<b>\$ 780,190</b>
<b>Fund Balance - January 1</b>	<b>3,714,661</b>	<b>377,772</b>	<b>1,054,599</b>	<b>473,930</b>	<b>5,620,962</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>26,066</b>	<b>-</b>	<b>-</b>	<b>26,066</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,155,593</b>	<b>\$ 622,826</b>	<b>\$ 1,091,753</b>	<b>\$ 557,046</b>	<b>\$ 6,427,218</b>

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

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**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT 6**

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

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 780,190**

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

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.

Expenditures for general capital assets and infrastructure	\$ 3,946,250	
Current year depreciation	<u>(1,881,063)</u>	2,065,187

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

Unavailable revenue - December 31	\$ 3,442,355	
Unavailable revenue - January 1	<u>(2,630,498)</u>	811,857

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Principal repayments		
General obligation bonds	\$ 11,000	
Capital lease	<u>1,334</u>	12,334

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

Change in accrued interest payable	\$ 98	
Change in compensated absences	(5,680)	
Change in net OPEB liability	(47,741)	
Change in net pension liability, as restated	(60,854)	
Change in deferred outflows of resources, as restated	318,243	
Change in deferred inflows of resources	(333,811)	
Change in inventories	<u>26,066</u>	<u>(103,679)</u>

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,565,889**

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**FIDUCIARY FUNDS**

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NORMAN COUNTY  
ADA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2015

	<u>Children's Collaborative Investment Trust</u>	<u>Agency</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 21,661	\$ 233,555
<b><u>Liabilities</u></b>		
Due to other funds	\$ -	\$ 804
Due to other governments	-	192,156
Funds held in trust	-	40,595
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 233,555</b>
<b><u>Net Position</u></b>		
Net position held in trust for pool participants	<b>\$ 21,661</b>	

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT 8*

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

	<u>Children's Collaborative Investment Trust</u>
<b><u>Additions</u></b>	
Contributions from participants	\$ 29,315
<b><u>Deductions</u></b>	
Pool participant withdrawals	<u>26,582</u>
<b>Change in Net Position</b>	<b>\$ 2,733</b>
<b>Net Position - Beginning of the Year</b>	<b><u>18,928</u></b>
<b>Net Position - End of the Year</b>	<b><u><u>\$ 21,661</u></u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

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

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1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Norman County was established February 17, 1881, 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 joint ventures, related organizations, and jointly-governed organizations described in Notes 6.C., 6.D., and 6.E., 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.

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) 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.

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

Additionally, the County reports the following fund types:

The Debt Service Fund accounts for the resources accumulated and payments made for the principal and interest on long-term debt of the government.

The Children's Collaborative Investment Trust Fund accounts for the external pooled and non-pooled investments on behalf of the Children's Collaborative (Serving Norman County Families).

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

C. Measurement Focus and Basis of Accounting

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

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Norman County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that 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, unless the County Board takes specific action to appropriate those unrestricted resources.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2015 were \$4,743.

2. External Investment Pools

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

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. External Investment Pools (Continued)

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). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account 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 and deferred special assessments. All special assessments receivable are shown net of an allowance for uncollectibles.

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Advance to Watershed

Noncurrent portions of intergovernmental advances, reported as “advance to watershed,” are offset by a nonspendable fund balance, which indicates that they do not constitute available resources.

In 2012, an advance of \$109,400 was made to the Wild Rice Watershed District to cover expenses for Project 30. The outstanding balance of this advance at December 31, 2015, was \$124,128. The balance plus accrued interest will be repaid in annual installments of \$34,450, with the first payment due February 1, 2016.

6. Inventories

All inventories are valued at cost using the weighted average 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.

7. 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 government’s capitalization threshold for capital assets is as follows:

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

Assets	Capitalization Threshold
Land	\$ 1
All other classes of assets	5,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	25 - 50
Improvements other than buildings	20 - 35
Public domain infrastructure	15 - 75
Furniture, equipment, and vehicles	3 - 15

8. Compensated Absences

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

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Pension Plan

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

10. Deferred Outflows/Inflows of Resources and Unearned Revenue

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 one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position 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. Currently, the County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and deferred special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred

**NORMAN COUNTY  
ADA, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly are reported only in the statement of net position.

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the liability is not reported. When the debt is issued, the face amount of the debt issued is reported as an other financing source.

12. Classification of Net Position

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

Investment in capital assets - represents capital assets, net of accumulated depreciation.

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 investment in capital assets.

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1. Summary of Significant Accounting Policies

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

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

Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or 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 (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that 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 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 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.

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1. Summary of Significant Accounting Policies

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

13. 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.

14. Minimum Fund Balance

Unrestricted fund balance (committed, assigned, and unassigned) may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the County's Board. In the event of projected revenue shortfalls, it is the responsibility of the County Auditor-Treasurer to report the projections to the County's Board on a quarterly basis and shall be recorded in the minutes.

Any budget revision that will result in the unrestricted fund balance dropping below the minimum level will require the approval of a 3/5 vote of the County Board.

The Fund Balance Policy establishes a minimum unrestricted fund balance equal to 16 percent of total General Fund expenditures. In the event that the balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established minimum level within two years.

15. 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.

**NORMAN COUNTY  
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1. Summary of Significant Accounting Policies (Continued)

E. Change in Accounting Principles

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

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

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

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

	<u>Governmental Activities</u>
Net Position, January 1, 2015, as previously reported	\$ 62,269,982
Change in accounting principles	<u>(2,578,806)</u>
Net Position, January 1, 2015, as restated	<u>\$ 59,691,176</u>

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2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Solid Waste Special Revenue Fund

The Solid Waste Special Revenue Fund had a deficit fund balance of \$7,690 as of December 31, 2015. The fund balance deficit will be eliminated through future collections.

Ditch Fund Deficits

Of 36 drainage systems, 3 have incurred expenditures in excess of their revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue and Debt Service Funds as of December 31, 2015:

Nonspendable fund balance	\$	124,128	
Restricted fund balances		270,872	
Unassigned fund balances		(27,864)	<u>          </u>
Total Fund Balances	\$	367,136	<u>          </u>

B. Excess of Expenditures Over Budget

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

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Solid Waste Special Revenue Fund	\$ 393,368	\$ 370,612	\$ 22,756

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

The County's total cash and investments follows:

Governmental activities	
Cash and pooled investments	\$ 5,803,669
Fiduciary funds	
Cash and pooled investments	
Investment trust fund	21,661
Agency funds	<u>233,555</u>
 Total Cash and Investments	 <u>\$ 6,058,885</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, 2015, the County's deposits were not exposed to custodial credit risk.

**NORMAN COUNTY  
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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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, 2015, the County had no investments.

**NORMAN COUNTY  
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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

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

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 74,295	\$ -
Special assessments	151,065	112,117
Accounts	74,091	-
Interest	787	-
Due from other governments	3,444,744	-
Advance to watershed	124,128	89,678
Total	\$ 3,869,110	\$ 201,795

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 928,653	\$ -	\$ -	\$ 928,653
Capital assets depreciated				
Buildings	\$ 4,043,756	\$ -	\$ -	\$ 4,043,756
Machinery, furniture, and equipment	5,542,298	645,768	446,918	5,741,148
Infrastructure	68,742,256	3,300,482	-	72,042,738
Total capital assets depreciated	\$ 78,328,310	\$ 3,946,250	\$ 446,918	\$ 81,827,642
Less: accumulated depreciation for				
Buildings	\$ 1,724,466	\$ 106,648	\$ -	\$ 1,831,114
Machinery, furniture, and equipment	3,404,528	443,154	446,918	3,400,764
Infrastructure	19,307,068	1,331,261	-	20,638,329
Total accumulated depreciation	\$ 24,436,062	\$ 1,881,063	\$ 446,918	\$ 25,870,207
Total capital assets depreciated, net	\$ 53,892,248	\$ 2,065,187	\$ -	\$ 55,957,435
Governmental Activities Capital Assets, Net	\$ 54,820,901	\$ 2,065,187	\$ -	\$ 56,886,088

**NORMAN COUNTY  
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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

General government	\$	75,027
Public safety		74,210
Culture and recreation		7,151
Highways and streets, including depreciation of infrastructure assets		1,692,553
Human services		32,122
Total Depreciation Expense	\$	1,881,063

4. Deferred Outflows of Resources

Deferred outflows of resources - deferred pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. Deferred pension outflows for the year ended December 31, 2015, were \$438,497.

B. Interfund Receivables and Payables

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

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Agency funds	\$ 804
Road and Bridge Special Revenue Fund	General Fund	\$ 8,270
	Ditch Special Revenue Fund	1,081
Total due to Road and Bridge Special Revenue Fund		\$ 9,351
Human Services Special Revenue Fund	General Fund	\$ 2,183
Total Due To/From Other Funds		\$ 12,338

**NORMAN COUNTY  
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3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

Due To/From Other Funds (Continued)

Outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

Accounts	\$	154,040
Salaries		21,479
Contracts		217,870
Due to other governments		94,871
Customer deposits		5,425
		5,425
Total Payables	\$	493,685

2. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2010A G.O. Watershed		\$6,000 -	1.00 -		
Bonds	2031	\$15,000	5.25	\$ 247,300	\$ 208,300

**NORMAN COUNTY  
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3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2016	\$ 12,000	\$ 8,564
2017	12,000	8,246
2018	13,000	7,876
2019	14,000	7,440
2020	14,000	6,953
2021 - 2025	59,500	27,439
2026 - 2030	69,000	12,895
2031	14,800	388
Total	<u>\$ 208,300</u>	<u>\$ 79,801</u>

Payments on the bonds are made by the Ditch Debt Service Fund.

4. Changes in Long-Term Liabilities

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

	Beginning Balance (Restated) Note 1.E.	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 219,300	\$ -	\$ 11,000	\$ 208,300	\$ 12,000
Capital lease	1,335	-	1,335	-	-
Compensated absences	361,737	298,735	293,055	367,417	134,312
Net OPEB liability	216,279	47,741	-	264,020	-
Net pension liability	2,578,806	181,108	-	2,759,914	-
Total Long-Term Liabilities	<u>\$ 3,377,457</u>	<u>\$ 527,584</u>	<u>\$ 305,390</u>	<u>\$ 3,599,651</u>	<u>\$ 146,312</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. 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	\$ 36,683	\$ 33,548	\$ -	\$ -	\$ 70,231
Special Revenue					
Road and Bridge	16,159	-	3,192,515	853	3,209,527
Social Services	7,896	-	-	-	7,896
Nonmajor governmental funds					
Ditch Special Revenue	218	65,034	-	-	65,252
Ditch Debt Service	1,833	47,083	-	-	48,916
Solid Waste	593	39,940	-	-	40,533
Total	<u>\$ 63,382</u>	<u>\$ 185,605</u>	<u>\$ 3,192,515</u>	<u>\$ 853</u>	<u>\$ 3,442,355</u>

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Norman 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 and the Public Employees Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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

2. Benefits Provided

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

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

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

3. Contributions

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

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

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

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

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

General Employees Retirement Fund	\$ 202,929
Public Employees Police and Fire Fund	52,223

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

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$2,373,594 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0458 percent. It was 0.0501 percent measured as of June 30, 2014. The County recognized pension expense of \$264,961 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 119,669
Difference between projected and actual investment earnings	224,697	-
Changes in proportion	-	151,494
Contributions paid to PERA subsequent to the measurement date	102,466	-
Total	\$ 327,163	\$ 271,163

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

A total of \$102,466 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ (34,214)
2017	(34,214)
2018	(34,214)
2019	56,174

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$386,320 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0340 percent. It was 0.0320 percent measured as of June 30, 2014. The County recognized pension expense of \$69,673 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The County also recognized \$3,060 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 62,648
Difference between projected and actual investment earnings	67,310	-
Changes in proportion	18,001	-
Contributions paid to PERA subsequent to the measurement date	26,023	-
Total	\$ 111,334	\$ 62,648

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

A total of \$26,023 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 7,898
2017	7,898
2018	7,898
2019	7,898
2020	(8,929)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended June 30, 2015, was \$334,634.

5. Actuarial Assumptions

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

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

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

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

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

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

**NORMAN COUNTY  
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

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

7. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 3,732,133	\$ 2,373,594	\$ 1,251,649
Public Employees Police and Fire Fund net pension liability	752,941	386,320	83,426

**NORMAN COUNTY  
ADA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

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

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,821	\$ 1,821
Percentage of covered payroll	5%	5%

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

Norman 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 Norman 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 2015, there were 73 participants in the plan. Currently, no retirees participate in the plan.

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	\$ 72,127
Interest on net OPEB obligation	8,651
Adjustment to ARC	<u>(12,939)</u>
Annual OPEB cost (expense)	\$ 67,839
Contributions made	<u>(20,098)</u>
Increase in net OPEB obligation	\$ 47,741
Net OPEB Obligation - Beginning of Year	<u>216,279</u>
Net OPEB Obligation - End of Year	<u>\$ 264,020</u>

**NORMAN COUNTY  
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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost for the year ended December 31, 2015, was \$67,839. The percentage of annual OPEB cost contributed to the plan was 29.6 percent, and the net OPEB obligation for 2015 was \$264,020. The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2013, 2014, and 2015, was as follows:

<u>Fiscal Year-End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 77,474	\$ 44,299	57.2%	\$ 197,709
December 31, 2014	76,797	58,227	75.8	216,279
December 31, 2015	67,839	20,098	29.6	264,020

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$494,630, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$494,630. The covered payroll (annual payroll of active employees covered by the plan) was \$3,123,086, and the ratio of the UAAL to the covered payroll was 15.8 percent.

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.

**NORMAN COUNTY  
ADA, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques 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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Norman County's implicit rate of return on the General Fund. The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 24 years.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. 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. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**NORMAN COUNTY  
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5. Risk Management (Continued)

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.

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. Project 9

On July 21, 2005, Norman County entered into a joint powers agreement with Clay County, pursuant to Minn. Stat. § 471.59. Clay County sold \$830,000 of bonds on behalf of the Wild Rice Watershed District for Project 9. Special assessments to pay for a portion of the bonds will be collected via Norman County. Norman County will remit the special assessment proceeds to Clay County.

C. Joint Ventures

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Norman, Polk, and Red Lake Counties. The purpose of Tri-County Community Corrections is to house, supervise, treat, counsel, and provide other correctional services to prisoners throughout the territorial area of the member counties.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Tri-County Community Corrections (Continued)

Control is vested in the Tri-County Community Corrections Joint Powers Board, composed of two County Commissioners from each member county, as provided in Tri-County Community Corrections' bylaws.

In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net position of Tri-County Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (10 percent), Polk County (85 percent), and Red Lake County (5 percent).

Financing is provided by state, federal, and local grants; charges for services; and appropriations from member counties. Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Norman County's contribution for 2015 was \$445,045.

Complete financial information can be obtained from the Polk County Auditor's Office or the Northwest Regional Corrections Center located at 816 Marin Avenue, Suite 110, Crookston, Minnesota 56716.

Norman-Mahnomen Public Health

The Multi-County Nursing Service was established in 1997 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and included Becker, Mahnomen, and Norman Counties. On June 24, 2003, the Becker County Board passed a resolution to withdraw from the Multi-County Nursing Service as of January 1, 2005. On January 1, 2005, Norman and Mahnomen Counties amended the joint powers agreement forming the Multi-County Nursing Service, and started doing business as Norman-Mahnomen Public Health. Effective December 31, 2012, the Norman-Mahnomen Community Health Board was dissolved. Effective January 1, 2013, the Norman-Mahnomen Board of Health was created and does business under the name Norman-Mahnomen Public Health. The purpose of Norman-Mahnomen Public Health is the development, implementation, and operation of public health services throughout the member counties.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Norman-Mahnomen Public Health (Continued)

Control of Norman-Mahnomen Public Health was vested in the Norman-Mahnomen Board of Health, which consisted of six members. Norman and Mahnomen Counties each appoint three members.

In the event of withdrawal from Norman-Mahnomen Public Health, the withdrawing county is not entitled to any reimbursement of funds contributed during the course of its membership, except to the extent of any surplus uncommitted monies remaining in the operation account upon expiration of the fiscal year of the county's withdrawal. Such surplus shall be distributed in the proportion that the withdrawing County's contribution bears to the aggregate contribution of all member parties for the year of withdrawal. Funds utilized for capital asset acquisition shall be paid only at the time of sale of such assets.

Financing is provided by state and federal grants, appropriations from member counties, charges for services, and miscellaneous revenues. Norman County's contribution for 2015 was \$99,168.

Complete financial information can be obtained from the Norman-Mahnomen Board of Health, 15 East 2nd Avenue, Room 107, Ada, Minnesota 56510.

Norman County-Ada-Twin Valley Joint Airport Authority

The Norman County-Ada-Twin Valley Joint Airport Authority was established in 1976 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The purpose of the Norman County-Ada-Twin Valley Joint Airport Authority is the construction, development, and maintenance of the Norman County-Ada-Twin Valley Joint Airport. As allowed by Minn. Stat. § 360.032, every municipality, through its governing body, may acquire property, real or personal, for the purpose of establishing, constructing, and enlarging airports. Control of the Norman County-Ada-Twin Valley Joint Airport is vested in the Norman County-Ada-Twin Valley Airport Authority, which consists of six members. As provided in the bylaws, the Norman County Board appoints two members, and each of the two City Councils appoints two members.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Norman County-Ada-Twin Valley Joint Airport Authority (Continued)

The joint powers agreement remains in force until any single member gives the other parties one-year's written notice of termination. Any party terminating the agreement shall transfer its interest in the real and personal assets to the remaining parties for consideration of \$1.

Financing of the capital costs and operations is provided by state and federal grants, charges for services, and appropriations from Norman County and the Cities of Ada and Twin Valley. Norman County's contribution for 2015 was \$4,030.

Complete financial statements for the Norman County-Ada-Twin Valley Joint Airport Authority can be obtained from Norman County Abstracting and Accounting, Inc., 18 East 4th Avenue, Ada, Minnesota 56510.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board's convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau.

The purpose of the Northwest Minnesota Regional Radio 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.

Control of the Northwest Minnesota Regional Radio Board is vested in the Northwest Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Northwest Minnesota Regional Radio Board's bylaws.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

In the event of dissolution of the Northwest Minnesota Regional Radio 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 Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Norman County's contribution for 2015 was \$2,500.

Complete financial information can be obtained from the Northwest Minnesota Regional Radio Board, c/o Greater Northwest EMS, 2301 Johanneson Avenue N.W., Suite 103, Bemidji, Minnesota 56601.

Land of the Dancing Sky Area Agency on Aging

The Land of the Dancing Sky Area Agency on Aging provides services to a 21-county service area. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards of the two areas on aging continue to meet monthly to make decisions affecting their local counties.

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

D. Related Organizations

Ambulance Service

Norman County and the City of Ada entered into an agreement to establish an Ambulance Advisory Committee, effective March 5, 1991. The purpose of the Committee is to provide coordinated funding and delivery of ambulance services within Norman County.

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 29, 1974, and includes land within Mahnomen, Norman, and Polk Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident use of natural resources. Control of the District is vested in the Sand Hill River Watershed District Board of Managers, composed of five members appointed by the Polk County Board for staggered terms of three years each.

E. Jointly-Governed Organizations

Norman County, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organizations listed below:

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Water Conservation District.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnommen, Norman, and Polk Counties. The purpose of the Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

Control of the Watershed District is vested in the Board of Managers, composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnommen, and Norman Counties. Becker County appoints one member, Clay County appoints one member, Mahnommen County appoints two members, and Norman County appoints three members.

Complete financial information can be obtained from the Wild Rice Watershed District office at 11 East 5th Avenue, Ada, Minnesota 56510.

Northwest Regional Development Commission

The Northwest Regional Development Commission (NWRDC) was created through the actions of local units of government in 1973. The Commission is a group of 35 representatives of counties, cities, townships, school districts, and special interest groups which sets the general policy and direction of the agency. The Commission appoints a Board of Directors made up of one member from each county and a chairperson elected at large to conduct its monthly business. The Commission was created to “develop plans and implement programs which address growth and development issues” in Northwest Minnesota.

The Commission is authorized to levy a limited amount of local property taxes and to enter into contracts with other units of government and private foundations to operate programs and services which benefit the area. The NWRDC provides local match for each of the programs through the local tax levy. Norman County provided \$29,660 to this organization in 2015.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Northwest Regional Development Commission (Continued)

In 2005, the NWRDC became part of a larger planning and service area covering 21 counties. This is a partnership between the NWRDC, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Norman County and 17 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board, comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Minnesota Red River Basin of the North Joint Powers Agreement (Continued)

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During the year, the County made no payments to the joint powers.

Complete financial statements can be obtained from the offices of The International Coalition at 119 - 5th Street South, Moorhead, Minnesota 56560.

Children's Collaborative (Serving Norman County Families)

The Children's Collaborative (Serving Norman County Families) was established in 1999 under the authority of Minn. Stat. § 124D.23. The Collaborative includes Norman County Social Services, Ada-Borup Public Schools, Norman County East Public Schools, Norman County West Public Schools, Norman-Mahnomen Community Health Board, Northwestern Mental Health Center, and Tri-Valley Opportunity Council, Inc. The purpose of the Collaborative is to provide coordinated services and to commit resources to an integrated fund. Control of the Collaborative is vested in a Board of Directors, comprised of one member appointed by each member party.

In the event of withdrawal from the Collaborative, the withdrawing party shall give a 180-day notice. The withdrawing party remains liable for fiscal obligations incurred prior to the effective date of withdrawal and shall not be entitled to a refund of contributions made to the integrated fund or other fees paid to operate the Collaborative. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Collaborative's debts and liabilities, settling its affairs, and disposing of integrated fund assets, if any.

Financing is provided by state and federal grants and contributions from its member parties. Complete financial information can be obtained from Norman County Social Services, 15 Second Avenue East, Ada, Minnesota 56510.

**NORMAN COUNTY  
ADA, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-220) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase a participant's employment, retention, earnings, and occupational skill attainment, and result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, comprising 18 members, with one representative from each of the seven counties, three members at large, and eight members representing local agencies. The joint powers agreement that created this Service Area terminated on June 30, 2002, and must be renewed by resolution of the participating County Boards. In the event of dissolution of the Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants.

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Rural Counties Caucus

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

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which has 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Norman County contributed \$90,135 to the Agassiz Regional Library during 2015.

Homeland Security and Emergency Management (HSEM) Region 3 Emergency Managers

The HSEM Region 3 Emergency Managers Joint Powers Board was formed pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3, specifically, within the jurisdictional boundaries of the 14 member counties. Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Norman County's responsibility does not extend beyond making this appointment.

Sentence to Service

Norman County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Department of Corrections and Natural Resources, provide the funds needed to operate the STS program.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the local elected officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area, including specific duties as listed in the Agreement.

In the event of dissolution of the Joint Powers Agreement, the net position of the Joint Powers Board at that time shall be disposed of in accordance with law.

Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982.

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Communities Caring for Children

The Communities Caring for Children (CCC) 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 CCC during 2015.

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.

**NORMAN COUNTY  
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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Polk-Norman-Mahnomen Community Health Board

The Polk-Norman-Mahnomen Community Health Board was established in 2012 under the authority of Minn. Stat. ch. 145A and Minn. Stat. § 471.59. The Community Health Board includes the Polk County Board of Health and the Norman-Mahnomen Board of Health. The purpose of the Community Health Board is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control of the Community Health Board is vested in a seven-member board with Polk, Norman, and Mahnomen Counties each appointing one member and the Polk County Board of Health and the Norman-Mahnomen Board of Health each appointing two members.

In the event of withdrawal from the Community Health Board, the withdrawing party shall give a one-year notice. Should the Community Health Board cease to exist, all property, real and personal, held by the Community Health Board at the time of termination shall be distributed to each joint participant in proportion to its relative financial contributions.

Financing is provided by state and federal grants. Polk County is the fiscal agent for the Community Health Board. During 2015, Norman County did not contribute to the Community Health Board.

F. Subsequent Event

Effective January 1, 2016, Norman County will assume the public health responsibilities from the Norman-Mahnomen Board of Health. The Norman-Mahnomen Board of Health, doing business under the name Norman-Mahnomen Public Health, will be dissolved as of that date. Norman County will account for the activities of public health as a new special revenue fund. Mahnomen County will contract with Norman County for services as needed.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**NORMAN COUNTY  
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*EXHIBIT A-1*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,150,898	\$ 3,150,898	\$ 3,052,709	\$ (98,189)
Special assessments	200,000	200,000	213,294	13,294
Licenses and permits	12,702	12,702	10,895	(1,807)
Intergovernmental	359,587	359,587	597,783	238,196
Charges for services	226,039	226,039	234,832	8,793
Fines and forfeits	-	-	9,154	9,154
Gifts and contributions	1,000	1,000	7,529	6,529
Investment earnings	7,522	7,522	4,743	(2,779)
Miscellaneous	61,800	61,800	89,420	27,620
<b>Total Revenues</b>	<b>\$ 4,019,548</b>	<b>\$ 4,019,548</b>	<b>\$ 4,220,359</b>	<b>\$ 200,811</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 182,110	\$ 182,110	\$ 175,571	\$ 6,539
Courts	50,000	50,000	4,948	45,052
Law library	6,845	6,845	7,381	(536)
County auditor-treasurer	246,590	246,590	235,400	11,190
County assessor	198,700	198,700	187,515	11,185
Elections	400	400	83	317
Human resources	52,440	52,440	73,665	(21,225)
Accounting and auditing	55,000	55,000	49,729	5,271
Data processing	62,700	62,700	69,362	(6,662)
Attorney	176,636	176,636	167,049	9,587
Victim assistance	35,111	35,111	37,275	(2,164)
Recorder	275,587	275,587	276,989	(1,402)
Planning and zoning	34,516	34,516	29,552	4,964
County buildings	112,000	112,000	32,221	79,779
Buildings and plant	156,665	156,665	143,869	12,796
Veterans service officer	53,120	53,120	57,367	(4,247)
Cemeteries	75	75	75	-
Unallocated - general government	98,200	98,200	130,923	(32,723)
<b>Total general government</b>	<b>\$ 1,796,695</b>	<b>\$ 1,796,695</b>	<b>\$ 1,678,974</b>	<b>\$ 117,721</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 901,443	\$ 901,443	\$ 842,415	\$ 59,028
K-9	-	-	7,500	(7,500)
Coroner	19,738	19,738	7,514	12,224
Radio tower	250	250	(156)	406
Hazardous materials training	10,300	10,300	6,895	3,405
Safety coordinator	5,861	5,861	9,546	(3,685)
E-911 system	59,060	59,060	32,598	26,462
Community corrections	435,875	435,875	445,045	(9,170)
Civil defense	40,334	40,334	69,774	(29,440)
Police and fire	700	700	4,728	(4,028)
Other public safety	23,200	23,200	14,451	8,749
<b>Total public safety</b>	<b>\$ 1,496,761</b>	<b>\$ 1,496,761</b>	<b>\$ 1,440,310</b>	<b>\$ 56,451</b>
<b>Human services</b>				
Senior citizen centers	\$ 1,750	\$ 1,750	\$ 1,750	\$ -
Retired senior volunteer program	1,500	1,500	1,000	500
<b>Total human services</b>	<b>\$ 3,250</b>	<b>\$ 3,250</b>	<b>\$ 2,750</b>	<b>\$ 500</b>
<b>Health</b>				
Nursing service	\$ 125,968	\$ 125,968	\$ 95,792	\$ 30,176
Ambulance	240,000	240,000	221,726	18,274
<b>Total health</b>	<b>\$ 365,968</b>	<b>\$ 365,968</b>	<b>\$ 317,518</b>	<b>\$ 48,450</b>
<b>Culture and recreation</b>				
Historical society	\$ 7,650	\$ 7,650	\$ 7,650	\$ -
Agassiz trail project	3,000	3,000	4,123	(1,123)
Winter shows	800	800	800	-
County library	90,135	90,135	90,135	-
Celebrations	420	420	420	-
<b>Total culture and recreation</b>	<b>\$ 102,005</b>	<b>\$ 102,005</b>	<b>\$ 103,128</b>	<b>\$ (1,123)</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 148,988	\$ 148,988	\$ 96,801	\$ 52,187
Soil and water conservation	62,200	62,200	62,200	-
Agricultural society	12,150	12,150	12,150	-
Aquatic invasive species	-	-	8,676	(8,676)
Forfeited tax	-	-	3,193	(3,193)
Weed control	150	150	720	(570)
Predator control	5,686	5,686	2,095	3,591
Water planning	-	-	40,405	(40,405)
	<u>-</u>	<u>-</u>	<u>40,405</u>	<u>(40,405)</u>
<b>Total conservation of natural resources</b>	<b>\$ 229,174</b>	<b>\$ 229,174</b>	<b>\$ 226,240</b>	<b>\$ 2,934</b>
<b>Economic development</b>				
Northwest Minnesota Multi-County Housing and Redevelopment Authority	\$ -	\$ -	\$ 10,507	\$ (10,507)
	<u>-</u>	<u>-</u>	<u>10,507</u>	<u>(10,507)</u>
<b>Total Expenditures</b>	<b>\$ 3,993,853</b>	<b>\$ 3,993,853</b>	<b>\$ 3,779,427</b>	<b>\$ 214,426</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 25,695</b>	<b>\$ 25,695</b>	<b>\$ 440,932</b>	<b>\$ 415,237</b>
<b>Fund Balance - January 1</b>	<b>3,714,661</b>	<b>3,714,661</b>	<b>3,714,661</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,740,356</b>	<b>\$ 3,740,356</b>	<b>\$ 4,155,593</b>	<b>\$ 415,237</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT A-2*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,555,344	\$ 1,555,344	\$ 1,521,893	\$ (33,451)
Intergovernmental	6,907,656	6,907,656	4,997,512	(1,910,144)
Charges for services	7,000	7,000	31,519	24,519
Miscellaneous	75,000	75,000	135,279	60,279
<b>Total Revenues</b>	<b>\$ 8,545,000</b>	<b>\$ 8,545,000</b>	<b>\$ 6,686,203</b>	<b>\$ (1,858,797)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 404,090	\$ 404,090	\$ 318,282	\$ 85,808
Maintenance	1,912,950	1,912,950	1,871,743	41,207
Construction	5,670,140	5,670,140	3,464,611	2,205,529
Equipment and maintenance shop	629,432	629,432	463,086	166,346
<b>Total highways and streets</b>	<b>\$ 8,616,612</b>	<b>\$ 8,616,612</b>	<b>\$ 6,117,722</b>	<b>\$ 2,498,890</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	349,493	(349,493)
<b>Total Expenditures</b>	<b>\$ 8,616,612</b>	<b>\$ 8,616,612</b>	<b>\$ 6,467,215</b>	<b>\$ 2,149,397</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (71,612)</b>	<b>\$ (71,612)</b>	<b>\$ 218,988</b>	<b>\$ 290,600</b>
<b>Fund Balance - January 1</b>	<b>377,772</b>	<b>377,772</b>	<b>377,772</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>26,066</b>	<b>26,066</b>
<b>Fund Balance - December 31</b>	<b>\$ 306,160</b>	<b>\$ 306,160</b>	<b>\$ 622,826</b>	<b>\$ 316,666</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT A-3*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 658,955	\$ 658,955	\$ 635,789	\$ (23,166)
Intergovernmental	1,276,997	1,276,997	1,341,757	64,760
Charges for services	262,830	262,830	232,432	(30,398)
Miscellaneous	60,570	60,570	88,383	27,813
<b>Total Revenues</b>	<b>\$ 2,259,352</b>	<b>\$ 2,259,352</b>	<b>\$ 2,298,361</b>	<b>\$ 39,009</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 864,284	\$ 864,284	\$ 785,468	\$ 78,816
Social services	1,529,271	1,529,271	1,474,359	54,912
<b>Total human services</b>	<b>\$ 2,393,555</b>	<b>\$ 2,393,555</b>	<b>\$ 2,259,827</b>	<b>\$ 133,728</b>
<b>Debt service</b>				
Principal	\$ 1,334	\$ 1,334	\$ 1,335	\$ (1)
Interest	45	45	45	-
<b>Total debt service</b>	<b>\$ 1,379</b>	<b>\$ 1,379</b>	<b>\$ 1,380</b>	<b>\$ (1)</b>
<b>Total Expenditures</b>	<b>\$ 2,394,934</b>	<b>\$ 2,394,934</b>	<b>\$ 2,261,207</b>	<b>\$ 133,727</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (135,582)</b>	<b>\$ (135,582)</b>	<b>\$ 37,154</b>	<b>\$ 172,736</b>
<b>Fund Balance - January 1</b>	<b>1,054,599</b>	<b>1,054,599</b>	<b>1,054,599</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 919,017</b>	<b>\$ 919,017</b>	<b>\$ 1,091,753</b>	<b>\$ 172,736</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT A-4**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$508,463	\$508,463	0.0%	\$2,750,246	18.5%
January 1, 2012	-	660,548	660,548	0.0	2,830,548	23.3
January 1, 2015	-	494,630	494,630	0.0	3,123,086	15.8

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT A-5*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
June 30, 2015	0.0458%	\$ 2,373,594	\$ 2,689,645	88.25%	78.20%

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

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT A-6*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
December 31, 2015	\$ 202,928	\$ 202,928	\$ -	\$ 2,705,708	7.50%

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

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT A-7*

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

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	0.034%	\$ 386,320	\$ 307,937	125.45%	86.60%

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

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT A-8*

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

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$ 52,223	\$ 52,223	\$ -	\$ 322,361	16.20%

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

**NORMAN COUNTY  
ADA, MINNESOTA**

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

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, Gravel Reserve Tax Special Revenue Fund, and the Ditch Debt Service Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-July or August of each year, all departments and agencies submit requests for budget appropriations to the County Auditor-Treasurer so that a budget can be prepared. Before September 15, the proposed budget is presented to the Norman County Board for review. The Board continues to refine the budget, holds departmental budget meetings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The 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 (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

2. Other Postemployment Benefits Funding Status

The County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2009. See Note 4.C. to the financial statements for more information.

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 the trends in the amounts reported.

**NORMAN COUNTY  
ADA, MINNESOTA**

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3. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2015

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases. This change caused a decrease in the liability.
- Mortality assumptions were updated to include the RP-2014 tables, including the generational improvement scale, to include future mortality improvement. This change caused an increase in the liability.
- The discount rate was changed from 4.5 percent to 4.0 percent. This change caused a decrease in the liability.

**SUPPLEMENTARY INFORMATION**

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**NORMAN COUNTY  
ADA, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

County Homes Fund - to account for the collection of rents and payment of expenses on small homes owned by Norman County, which are rented to senior citizens.

Ditch Fund - to account for the financing and costs relating to all County ditches.

Gravel Reserve Tax Fund - to account for the proceeds of a special gravel removal or occupation tax that is restricted to expenditures for the restoration of abandoned gravel pits.

Solid Waste Fund - to account for the financing and costs relating to the Fosston Incinerator, demolition landfill, and public education. Financing is provided by special assessments, charges for services, and intergovernmental revenues designated for environmental purposes.

**DEBT SERVICE FUND**

Ditch Fund - to account for the accumulation of resources and the payment of principal and interest of ditch bond issues.

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**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT B-1**

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

	<b>Special Revenue (Exhibit C-1)</b>	<b>Ditch Debt Service</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 426,791	\$ 54,082	\$ 480,873
Undistributed cash in agency funds	17,983	1,059	19,042
Taxes receivable - delinquent	715	-	715
Special assessments receivable			
Delinquent	234	1,981	2,215
Noncurrent	65,034	47,083	112,117
Accounts receivable	45,336	-	45,336
Advance to watershed	-	124,128	124,128
	<b>\$ 556,093</b>	<b>\$ 228,333</b>	<b>\$ 784,426</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 18,474	\$ -	\$ 18,474
Due to other funds	1,081	-	1,081
Due to other governments	48,799	-	48,799
Customer deposits	4,325	-	4,325
	<b>\$ 72,679</b>	<b>\$ -</b>	<b>\$ 72,679</b>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue	<b>\$ 105,785</b>	<b>\$ 48,916</b>	<b>\$ 154,701</b>
 <b>Fund Balances</b>			
<b>Nonspendable</b>			
Advance to watershed	\$ -	\$ 124,128	\$ 124,128
<b>Restricted for</b>			
Debt service	-	55,289	55,289
Gravel pit postclosure	105,698	-	105,698
Ditch maintenance and construction	215,583	-	215,583
<b>Assigned to</b>			
County homes	91,902	-	91,902
Unassigned	(35,554)	-	(35,554)
	<b>\$ 377,629</b>	<b>\$ 179,417</b>	<b>\$ 557,046</b>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 556,093</b>	<b>\$ 228,333</b>	<b>\$ 784,426</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT B-2**

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

	<b>Special Revenue (Exhibit C-2)</b>	<b>Ditch Debt Service</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>			
Taxes	\$ 83,174	\$ -	\$ 83,174
Special assessments	99,553	13,662	113,215
Licenses and permits	600	-	600
Intergovernmental	73,079	-	73,079
Charges for services	276,874	5,117	281,991
Miscellaneous	35,577	-	35,577
	<b>\$ 568,857</b>	<b>\$ 18,779</b>	<b>\$ 587,636</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 13,172	\$ -	\$ 13,172
Sanitation	393,368	-	393,368
Conservation of natural resources	78,148	-	78,148
<b>Debt service</b>			
Principal	-	11,000	11,000
Interest	-	8,832	8,832
	<b>\$ 484,688</b>	<b>\$ 19,832</b>	<b>\$ 504,520</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 84,169</b>	<b>\$ (1,053)</b>	<b>\$ 83,116</b>
<b>Fund Balance - January 1</b>	<b>293,460</b>	<b>180,470</b>	<b>473,930</b>
<b>Fund Balance - December 31</b>	<b>\$ 377,629</b>	<b>\$ 179,417</b>	<b>\$ 557,046</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT C-1*

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

	<b>County Homes</b>	<b>Ditch</b>	<b>Gravel Reserve Tax</b>	<b>Solid Waste</b>	<b>Total (Exhibit B-1)</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 96,454	\$ 188,260	\$ 134,988	\$ 7,089	\$ 426,791
Undistributed cash in agency funds	-	524	-	17,459	17,983
Taxes receivable - delinquent	-	-	-	715	715
Special assessments receivable					
Delinquent	-	234	-	-	234
Noncurrent	-	65,034	-	-	65,034
Accounts receivable	52	-	1,589	43,695	45,336
	<b>\$ 96,506</b>	<b>\$ 254,052</b>	<b>\$ 136,577</b>	<b>\$ 68,958</b>	<b>\$ 556,093</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 279	\$ -	\$ -	\$ 18,195	\$ 18,474
Due to other funds	-	1,081	-	-	1,081
Due to other governments	-	-	30,879	17,920	48,799
Customer deposits	4,325	-	-	-	4,325
	<b>\$ 4,604</b>	<b>\$ 1,081</b>	<b>\$ 30,879</b>	<b>\$ 36,115</b>	<b>\$ 72,679</b>
 <b>Deferred Inflows of Resources</b>					
Unavailable revenue	<b>\$ -</b>	<b>\$ 65,252</b>	<b>\$ -</b>	<b>\$ 40,533</b>	<b>\$ 105,785</b>
 <b>Fund Balances</b>					
Restricted for					
Gravel pit postclosure	\$ -	\$ -	\$ 105,698	\$ -	\$ 105,698
Ditch maintenance and construction	-	215,583	-	-	215,583
Assigned to					
County homes	91,902	-	-	-	91,902
Unassigned	-	(27,864)	-	(7,690)	(35,554)
	<b>\$ 91,902</b>	<b>\$ 187,719</b>	<b>\$ 105,698</b>	<b>\$ (7,690)</b>	<b>\$ 377,629</b>
	<b>\$ 96,506</b>	<b>\$ 254,052</b>	<b>\$ 136,577</b>	<b>\$ 68,958</b>	<b>\$ 556,093</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT C-2*

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

	<u>County Homes</u>	<u>Ditch</u>	<u>Gravel Reserve Tax</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-2)</u>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 35,960	\$ 47,214	\$ 83,174
Special assessments	-	99,553	-	-	99,553
Licenses and permits	-	-	-	600	600
Intergovernmental	-	-	-	73,079	73,079
Charges for services	-	-	-	276,874	276,874
Miscellaneous	35,577	-	-	-	35,577
<b>Total Revenues</b>	<b>\$ 35,577</b>	<b>\$ 99,553</b>	<b>\$ 35,960</b>	<b>\$ 397,767</b>	<b>\$ 568,857</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 13,172	\$ -	\$ -	\$ -	\$ 13,172
Sanitation	-	-	-	393,368	393,368
Conservation of natural resources	-	41,074	37,074	-	78,148
<b>Total Expenditures</b>	<b>\$ 13,172</b>	<b>\$ 41,074</b>	<b>\$ 37,074</b>	<b>\$ 393,368</b>	<b>\$ 484,688</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 22,405</b>	<b>\$ 58,479</b>	<b>\$ (1,114)</b>	<b>\$ 4,399</b>	<b>\$ 84,169</b>
<b>Fund Balance - January 1</b>	<b>69,497</b>	<b>129,240</b>	<b>106,812</b>	<b>(12,089)</b>	<b>293,460</b>
<b>Fund Balance - December 31</b>	<b>\$ 91,902</b>	<b>\$ 187,719</b>	<b>\$ 105,698</b>	<b>\$ (7,690)</b>	<b>\$ 377,629</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT C-3*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ 27,720	\$ 27,720	\$ 35,577	\$ 7,857
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Low-income housing	24,100	24,100	13,172	10,928
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 3,620	\$ 3,620	\$ 22,405	\$ 18,785
<b>Fund Balance - January 1</b>	<u>69,497</u>	<u>69,497</u>	<u>69,497</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 73,117</u>	<u>\$ 73,117</u>	<u>\$ 91,902</u>	<u>\$ 18,785</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT C-4*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 49,076	\$ 49,076	\$ 47,214	\$ (1,862)
Licenses and permits	400	400	600	200
Intergovernmental	74,044	74,044	73,079	(965)
Charges for services	275,000	275,000	276,874	1,874
<b>Total Revenues</b>	<b>\$ 398,520</b>	<b>\$ 398,520</b>	<b>\$ 397,767</b>	<b>\$ (753)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Recycling	\$ 89,521	\$ 89,521	\$ 81,813	\$ 7,708
Landfill	22,000	22,000	23,709	(1,709)
Fosston incinerator	240,925	240,925	237,192	3,733
Household hazardous waste	18,166	18,166	50,654	(32,488)
<b>Total Expenditures</b>	<b>\$ 370,612</b>	<b>\$ 370,612</b>	<b>\$ 393,368</b>	<b>\$ (22,756)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 27,908</b>	<b>\$ 27,908</b>	<b>\$ 4,399</b>	<b>\$ (23,509)</b>
<b>Fund Balance - January 1</b>	<b>(12,089)</b>	<b>(12,089)</b>	<b>(12,089)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 15,819</b>	<b>\$ 15,819</b>	<b>\$ (7,690)</b>	<b>\$ (23,509)</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**FIDUCIARY FUNDS**

**AGENCY FUNDS**

State Revenue - to account for the collection and payment of amounts due to the state.

Taxes and Penalties - to account for the collection of taxes and penalties and their payment to the various taxing districts.

Watershed - to account for the collection and payment of amounts to the watershed.

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**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT D-1*

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 12,796	\$ 429,619	\$ 415,607	\$ 26,808
<b><u>Liabilities</u></b>				
Due to other funds	\$ 484	\$ 804	\$ 484	\$ 804
Due to other governments	12,312	428,815	415,123	26,004
<b>Total Liabilities</b>	<b>\$ 12,796</b>	<b>\$ 429,619</b>	<b>\$ 415,607</b>	<b>\$ 26,808</b>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 207,795	\$ 5,118,472	\$ 5,119,520	\$ 206,747
<b><u>Liabilities</u></b>				
Due to other governments	\$ 192,545	\$ 5,058,215	\$ 5,084,608	\$ 166,152
Funds held in trust	15,250	60,257	34,912	40,595
<b>Total Liabilities</b>	<b>\$ 207,795</b>	<b>\$ 5,118,472</b>	<b>\$ 5,119,520</b>	<b>\$ 206,747</b>
 <b><u>WATERSHED</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 550,249	\$ 550,249	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 550,249	\$ 550,249	\$ -

**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT D-1  
(Continued)*

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>220,591</u>	\$ <u>6,098,340</u>	\$ <u>6,085,376</u>	\$ <u>233,555</u>
<b><u>Liabilities</u></b>				
Due to other funds	\$ 484	\$ 804	\$ 484	\$ 804
Due to other governments	204,857	6,037,279	6,049,980	192,156
Funds held in trust	<u>15,250</u>	<u>60,257</u>	<u>34,912</u>	<u>40,595</u>
<b>Total Liabilities</b>	<b>\$ <u>220,591</u></b>	<b>\$ <u>6,098,340</u></b>	<b>\$ <u>6,085,376</u></b>	<b>\$ <u>233,555</u></b>

## **SCHEDULES**

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**NORMAN COUNTY  
ADA, MINNESOTA**

*EXHIBIT E-1*

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

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Deposits and Investments</b>			
<b>Unrestricted</b>			
Cash on hand	N/A	N/A	\$ 4,900
Noninterest-bearing checking (1)	N/A	Continuous	21,661
Interest-bearing checking (2)	0.01%	Continuous	2,970,564
Money market checking (1)	0.15%	Continuous	2,000,000
Certificates of deposit (2)	0.13% to 0.15%	June 16, 2016 to June 30, 2016	<u>1,000,000</u>
<b>Total unrestricted</b>			<b>\$ 5,997,125</b>
<b>Restricted for real estate tax shortfall</b>			
Certificates of deposit (3)	0.12% to 0.17%	December 22, 2016	<u>61,760</u>
<b>Total Deposits and Investments</b>			<b><u><u>\$ 6,058,885</u></u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2015**

	Assets					
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		Advance to Watershed	Total
			Delinquent	Noncurrent		
<b>County Ditches</b>						
5	\$ 3,900	\$ -	\$ 5	\$ 1,267	\$ -	\$ 5,172
6	(3,124)	2	2	3,010	-	(110)
7	15,909	-	-	-	-	15,909
8	(14,884)	130	-	5,600	-	(9,154)
9	697	-	-	2,415	-	3,112
14	2,583	-	-	302	-	2,885
17	3,005	1	-	160	-	3,166
22	10,157	10	-	2,116	-	12,283
23	2,734	-	-	-	-	2,734
24	3,317	1	-	-	-	3,318
25	9,690	-	-	3,357	-	13,047
26	207	2	-	63	-	272
28 & 3	470	-	-	68	-	538
29	1,344	39	-	748	-	2,131
29 Lat. 1	3,456	27	3	647	-	4,133
31	4,177	-	-	-	-	4,177
33	27,864	-	59	4,420	-	32,343
34	27,755	4	-	505	-	28,264
36	3,731	-	-	166	-	3,897
39	389	-	-	154	-	543
40	4,263	3	-	559	-	4,825
41	140	-	-	1,725	-	1,865
42	(9,988)	-	-	14,481	-	4,493
46	1,109	-	-	-	-	1,109
47	6,229	-	-	4,806	-	11,035
49	4,362	16	88	511	-	4,977
62	3,313	8	43	282	-	3,646
65	5,923	-	-	1,021	-	6,944
69	9,017	13	-	1,542	-	10,572
73	17,292	-	-	1,963	-	19,255
75	2,627	-	-	738	-	3,365
<b>Borup State Ditch</b>	59	-	-	-	-	59
<b>Judicial Ditches</b>						
54 South	26,218	268	34	8,037	-	34,557
55	14,319	-	-	4,371	-	18,690
<b>Watershed Ditches</b>						
Project 43 - Perley	12,185	128	725	8,561	3,029	24,628
Project 44 - Hendum	41,897	931	1,256	38,522	121,099	203,705
<b>Total</b>	<b>\$ 242,342</b>	<b>\$ 1,583</b>	<b>\$ 2,215</b>	<b>\$ 112,117</b>	<b>\$ 124,128</b>	<b>\$ 482,385</b>

EXHIBIT E-2

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows, and Fund Balances
Due to Other Funds	Unavailable Revenue	Total	Nonspendable Advance to Watershed	Restricted for Debt Service	Restricted for Ditch Maintenance and Construction	Unassigned	Total	
\$ -	\$ 1,272	\$ 1,272	\$ -	\$ -	\$ 3,900	\$ -	\$ 3,900	\$ 5,172
-	3,012	3,012	-	-	-	(3,122)	(3,122)	(110)
-	-	-	-	-	15,909	-	15,909	15,909
-	5,600	5,600	-	-	-	(14,754)	(14,754)	(9,154)
-	2,415	2,415	-	-	697	-	697	3,112
-	302	302	-	-	2,583	-	2,583	2,885
-	160	160	-	-	3,006	-	3,006	3,166
-	2,116	2,116	-	-	10,167	-	10,167	12,283
-	-	-	-	-	2,734	-	2,734	2,734
-	-	-	-	-	3,318	-	3,318	3,318
-	3,357	3,357	-	-	9,690	-	9,690	13,047
-	63	63	-	-	209	-	209	272
-	68	68	-	-	470	-	470	538
-	748	748	-	-	1,383	-	1,383	2,131
-	650	650	-	-	3,483	-	3,483	4,133
-	-	-	-	-	4,177	-	4,177	4,177
-	4,477	4,477	-	-	27,866	-	27,866	32,343
-	505	505	-	-	27,759	-	27,759	28,264
-	166	166	-	-	3,731	-	3,731	3,897
-	154	154	-	-	389	-	389	543
-	559	559	-	-	4,266	-	4,266	4,825
-	1,725	1,725	-	-	140	-	140	1,865
-	14,481	14,481	-	-	-	(9,988)	(9,988)	4,493
-	-	-	-	-	1,109	-	1,109	1,109
82	4,806	4,888	-	-	6,147	-	6,147	11,035
-	591	591	-	-	4,386	-	4,386	4,977
-	319	319	-	-	3,327	-	3,327	3,646
-	1,021	1,021	-	-	5,923	-	5,923	6,944
-	1,542	1,542	-	-	9,030	-	9,030	10,572
-	1,963	1,963	-	-	17,292	-	17,292	19,255
-	738	738	-	-	2,627	-	2,627	3,365
-	-	-	-	-	59	-	59	59
999	8,071	9,070	-	-	25,487	-	25,487	34,557
-	4,371	4,371	-	-	14,319	-	14,319	18,690
-	9,248	9,248	3,029	12,351	-	-	15,380	24,628
-	39,668	39,668	121,099	42,938	-	-	164,037	203,705
<b>\$ 1,081</b>	<b>\$ 114,168</b>	<b>\$ 115,249</b>	<b>\$ 124,128</b>	<b>\$ 55,289</b>	<b>\$ 215,583</b>	<b>\$ (27,864)</b>	<b>\$ 367,136</b>	<b>\$ 482,385</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2015**

	<u>Assets</u>					<u>Total</u>
	<u>Cash and Pooled Investments</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable</u>		<u>Advance to Watershed</u>	
			<u>Delinquent</u>	<u>Noncurrent</u>		
<b>Presented as</b>						
Ditch Special Revenue Fund	\$ 188,260	\$ 524	\$ 234	\$ 65,034	\$ -	\$ 254,052
Ditch Debt Service Fund	54,082	1,059	1,981	47,083	124,128	228,333
<b>Total</b>	<b>\$ 242,342</b>	<b>\$ 1,583</b>	<b>\$ 2,215</b>	<b>\$ 112,117</b>	<b>\$ 124,128</b>	<b>\$ 482,385</b>

**EXHIBIT E-2**  
**(Continued)**

<b>Liabilities and Deferred Inflows of Resources</b>			<b>Fund Balances</b>					<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>
<b>Due to Other Funds</b>	<b>Unavailable Revenue</b>	<b>Total</b>	<b>Nonspendable Advance to Watershed</b>	<b>Restricted for Debt Service</b>	<b>Restricted for Ditch Maintenance and Construction</b>	<b>Unassigned</b>	<b>Total</b>	
\$ 1,081	\$ 65,252	\$ 66,333	\$ -	\$ -	\$ 215,583	\$ (27,864)	\$ 187,719	\$ 254,052
-	48,916	48,916	124,128	55,289	-	-	179,417	228,333
<b><u>\$ 1,081</u></b>	<b><u>\$ 114,168</u></b>	<b><u>\$ 115,249</u></b>	<b><u>\$ 124,128</u></b>	<b><u>\$ 55,289</u></b>	<b><u>\$ 215,583</u></b>	<b><u>\$ (27,864)</u></b>	<b><u>\$ 367,136</u></b>	<b><u>\$ 482,385</u></b>

**NORMAN COUNTY  
ADA, MINNESOTA**

***EXHIBIT E-3***

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

**Shared Revenue**

**State**

Highway users tax	\$ 3,352,822
County program aid	128,591
PERA rate reimbursement	13,183
Disparity reduction aid	15,681
Police aid	35,642
Aquatic invasive species aid	8,676
Market value credit	181,459
	181,459

**Total shared revenue** **\$ 3,736,054**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 239,993
	239,993

**Payments**

**Local**

Payments in lieu of taxes	\$ 40,244
	40,244

**Grants**

**State**

Minnesota Department/Board of	
Public Safety	\$ 108,818
Transportation	18,910
Natural Resources	30,275
Human Services	500,199
Veterans Affairs	7,500
Labor and Industry	4,500
Water and Soil Resources	86,961
Pollution Control Agency	69,692
Peace Officer Standards and Training Board	1,966
	1,966

**Total state** **\$ 828,821**

**Federal**

Department of	
Agriculture	\$ 78,515
Housing and Urban Development	10,507
Transportation	1,533,462
Health and Human Services	519,694
Homeland Security	22,841
	22,841

**Total federal** **\$ 2,165,019**

**Total state and federal grants** **\$ 2,993,840**

**Total Intergovernmental Revenue** **\$ 7,010,131**

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT E-4**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN10152514	\$ 78,515	\$ -
<b>U.S. Department of Housing and Urban Development</b>				
Passed Through Minnesota Department of Employment and Economic Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CDAP-11-0065-O-FY12	\$ 10,507	\$ 10,507
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	00054	\$ 1,526,028	\$ -
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC15-2015-NORMANSO-00066	2,022	-
National Priority Safety Programs	20.616	A-ENFRC15-2015-NORMANSO-00066	2,599	-
(Total expenditures for Highway Safety Cluster \$4,621)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC15-2015-NORMANSO-00066	3,561	-
<b>Total U.S. Department of Transportation</b>			<b>\$ 1,534,210</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	1401MNFPS	\$ 1,273	\$ -
Temporary Assistance for Needy Families	93.558	1502MNTANF	72,932	-
Child Support Enforcement	93.563	1504MN4005	82,013	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNRCA	115	-
Child Care and Development Block Grant	93.575	G1501MNCCDF	2,396	-
Community-Based Child Abuse Prevention Grants	93.590	1302MNFPRG	2,900	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1401MNCWSS	1,848	-
Foster Care Title IV-E	93.658	1501MNFOST	24,002	-
Social Services Block Grant	93.667	1501MNSOSR	74,348	-
Chafee Foster Care Independence Program	93.674	1401MN1420	3,670	-
Children's Health Insurance Program	93.767	1405MN5021	37	-
Medical Assistance Program	93.778	1505MN5ADM	254,160	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 519,694</b>	<b>\$ -</b>

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

**NORMAN COUNTY  
ADA, MINNESOTA**

**EXHIBIT E-4  
(Continued)**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	A-EMPG-2014- NORMANCO-00057, A-EMPG-2015- NORMANCO-00056	\$ 22,841	\$ -
<b>Total Federal Awards</b>			<b>\$ 2,165,767</b>	<b>\$ 10,507</b>

**NORMAN COUNTY  
ADA, MINNESOTA**

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

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1. Reporting Entity

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

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,165,019
Grants received more than 60 days after year-end, deferred in 2015	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	35,177
Highway Planning and Construction	748
Grants unavailable in 2014, recognized as revenue in 2015	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(35,177)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 2,165,767</u>

**NORMAN COUNTY  
ADA, MINNESOTA**

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5. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Safety Cluster	\$	4,621
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6. Pass-Through Grant Numbers

The numbers provided by the Minnesota Department of Human Services are the numbers provided them by the federal government. No individual grant numbers are generated by the Minnesota Department of Human Services.



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**NORMAN COUNTY  
ADA, MINNESOTA**

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

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

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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 2 CFR 200.516(a)? **No**

The major program is:

Highway Planning and Construction

CFDA No. 20.205

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

Norman 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 1996-006

#### 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 Norman County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The Auditor-Treasurer's Office generally tries to segregate the record-keeping function from the custody function. However, due to breaks, vacations, and illness, staff assigned record-keeping responsibilities may be required to assist in receipting collections, and staff assigned the custody functions may be required to assist in posting. 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 Norman 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 it believes it is more efficient to have fees specific to the services provided by a department collected within that department and periodically remit those fees to the Treasurer's Office. The County combined the Auditor-Treasurer position several years ago to reduce costs by limiting staff.

**Recommendation:** We recommend Norman 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:

*We will continue to be aware of this.*

Finding 2011-001

Network/Application Password Controls

**Criteria:** County management is responsible for the County's internal controls over its information systems. This requires establishing security policies and performing assessments of existing controls to determine if the internal controls established are still effective or if changes are needed to ensure County data is protected as prescribed by management.

**Condition:** Norman County uses the Integrated Financial System-Platform Independent (IFS-PI) application software for its general ledger. This application was written as a web-based application and may be run on a server or a mainframe system. Norman County contracts with a vendor for use of space on a mainframe IBM I Series system. For an employee of Norman County to access the IFS-PI application, the user must be signed on to the County network and have a current sign-on for the IFS-PI application. The network sign-on differs from the sign-on for the IBM I Series system, so the mainframe security settings do not apply to the application. Norman County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

**Context:** The IFS-PI application is the general ledger for Norman County. Detailed receipt and disbursement transactions as well as budget information are maintained on the IFS-PI application throughout the year. This information is used by management to monitor the resources available and make decisions based on the available resources. At or near year-end, certain accrual information is also recorded in the application. The information maintained within the IFS-PI application is the key source of information used for the preparation of the County's annual financial statements. Norman County uses other web-based applications that should also be considered; however, those applications are not key applications for financial reporting.

**Effect:** Normal password controls in place in the IBM I Series system are not effective for the IFS-PI application and other web-based applications, so a review of each web-based application controls and County network controls is imperative to ensure passwords are working as intended.

**Cause:** Norman County updated to the IFS-PI application software. Although County management was made aware of some of the password implications of this change during the previous audit, the County could not provide assurance that network controls were reviewed.

**Recommendation:** We recommend Norman County management review password controls in place that limit access to any of the web-based applications used by the County to ensure they are appropriate to protect the County data as prescribed by management.

Client's Response:

*I emailed our IT person, and hopefully he can make this go away.*

Finding 2013-001

Sheriff's Departmental Control Procedures

**Criteria:** Deposits for fees collected should be deposited timely. Evidence obtained should be logged, tagged, and stored in a secure area.

**Condition:** During our follow-up on previously reported control procedures within the Sheriff's Department, we noted two unresolved weaknesses in departmental control procedures as follows:

- During our review of collections and deposits, we noted that all fees collected for civil process since the middle of August 2015, totaling \$3,858, had not been receipted or deposited as of January 20, 2016. Checks included in the collections had not been restrictively endorsed.
- During our review of evidence, we noted an item in the evidence room was not listed on the evidence inventory listing. One item on the inventory list had been released to the owner, but the release was not indicated on the inventory listing, and the item was not removed from the listing.

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

**Effect:** Internal control procedures assumed to be in place may not be working as intended to ensure accounting records are properly maintained and compared with the underlying items they represent. If the internal controls are not working as intended, there is increased risk that errors or fraud could occur and not be detected timely.

**Cause:** The County Board relies on management within the individual departments to ensure proper internal controls have been established and are working as intended. Although individual department managers may be aware certain control procedures should be performed, they are provided only limited formal guidance documenting the internal control policies and procedures and the consequences for not complying with those policies and procedures.

**Recommendation:** Norman County's management should implement oversight and monitoring procedures to ensure that internal control policies and procedures are being implemented by staff.

The Office of the State Auditor has prepared a Statement of Position 2007-1010, which discusses the importance of internal controls. It can be found on our website, [www.auditor.state.mn.us](http://www.auditor.state.mn.us), along with other useful information, and may offer additional guidance.

Client's Response:

*Collections and deposits are up to date as of today's date. Evidence Inventory Listings will be checked frequently to ensure proper entry and removal.*

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

#### **PREVIOUSLY REPORTED ITEMS RESOLVED**

##### **Supervisory Review Over Eligibility - Intake Functions (2013-002)**

The County had no documented review process of case files by a supervisor for the Medical Assistance program.

##### **Resolution**

Three reviews were done in 2015, and the County plans to review at least four case files quarterly.

##### **Income Maintenance DHS-2550/Social Services DHS-2556 Reporting (2013-003)**

During our testing of DHS-2550 and DHS-2556 quarterly reports for Medical Assistance, we noted expenditures reported on the DHS-2550 quarterly report for the second quarter were understated by \$987, and expenditures reported on the DHS-2556 quarterly report for the fourth quarter were understated by \$25,000.

##### **Resolution**

The County submitted a revised DHS-2550 quarterly report for the second quarter of 2014 and a revised DHS-2556 quarterly report for the fourth quarter of 2014. All DHS-2550 and DHS-2556 quarterly reports tested for 2015 were correctly reported and agreed with the accounting records.

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MINNESOTA LEGAL COMPLIANCE

###### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-001

###### Ditch Fund Cash Deficits

**Criteria:** As stated in Minn. Stat. § 385.04, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures. The loan must be repaid with interest.

**Condition:** Three of the 36 individual ditch systems had deficit cash balances totaling \$27,996 at December 31, 2015. This amount decreased from the prior year, when we reported that 5 of the 36 individual ditch systems had deficit cash balances totaling \$50,331.

**Context:** If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer, under Minn. Stat. § 103E.655, subd. 2. A fund balance to be used for repairs may be established under Minn. Stat. § 103E.735, subd. 1, for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

**Effect:** Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other County funds or other ditch systems and, as such, is in noncompliance with Minnesota law.

**Cause:** Ditch expenditures were necessary; the ditch levies were not sufficient, and no loans were formally made between ditches to cover the cash deficits.

**Recommendation:** We recommend Norman County eliminate the ditch system cash deficits by borrowing from an eligible fund with a surplus cash balance and by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

###### Client's Response:

*We will continue to work on this.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Special Revenue Funds Cash Balance Deficits (2011-002)**

At December 31, 2014, the Road and Bridge Special Revenue Fund had a deficit cash balance of \$345,355, and the Solid Waste Special Revenue Fund had a deficit cash balance of \$4,915.

**Resolution**

At December 31, 2015, the Road and Bridge Special Revenue Fund had a positive cash balance of \$55,493, and the Solid Waste Special Revenue Fund had a positive cash balance of \$7,089. All of Norman County's funds had positive cash balances at December 31, 2015.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-002

Individual Ditch System Equity Balance Deficits

**Criteria:** Within each ditch system, assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance. Through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance for the repair costs of a ditch system not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is greater.

**Condition:** As of December 31, 2015, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

**Context:** Three of the 36 individual ditch systems had deficit fund balances as of December 31, 2015, totaling \$27,864, with the largest being \$14,754. One of the ditch systems has sufficient current levies to cover the deficit; however, the other two ditch systems do not. This is an improvement from the prior year, when we reported that 5 of the 36 individual ditch systems had deficit fund balances totaling \$49,373.

**Effect:** Allowing a ditch system to maintain a deficit fund balance, in effect, constitutes an interest-free loan from other individual ditch systems.

**Cause:** Ditch expenditures were necessary, and the ditch levies were not sufficient to cover all costs.

**Recommendation:** We recommend Norman County eliminate the ditch fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair costs of a ditch system.

Client's Response:

*We will continue to work on this.*



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

### Independent Auditor's Report

Board of County Commissioners  
Norman County  
Ada, 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 Norman County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 27, 2016.

### **Internal Control Over Financial Reporting**

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

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

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-006, 2011-001, and 2013-001, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Norman County had no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Norman County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 1996-001. 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 a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

## **Norman County's Response to Findings**

Norman County's responses to the internal control, legal compliance, and management practices 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 Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

April 27, 2016

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
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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  
Norman County  
Ada, Minnesota

### **Report on Compliance for Each Major Federal Program**

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

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

**Report on Internal Control Over Compliance**

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

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

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

## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

April 27, 2016