STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

NORMAN COUNTY
ADA, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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NORMAN COUNTY
ADA, MINNESOTA

Year Ended December 31, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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Introductory Section

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NORMAN COUNTY
ADA, MINNESOTA

ORGANIZATION
DECEMBER 31, 2017

			Term Expires
Elected			
Commissioners			
Chair	Marvin Gunderson	District 1	January 2021
Board Member	Nathan Redland	District 2	January 2019
Board Member	Steve Jacobson	District 3	January 2021
Board Member	Lee Ann Hall	District 4	January 2019
Vice Chair	Steven Bommersbach	District 5	January 2021
Attorney	James Brue		January 2019
Auditor-Treasurer	Donna Hanson*		January 2019
County Recorder	Kari Aanenson		January 2019
Registrar of Deeds	Kari Aanenson		January 2019
County Sheriff	Jeremy Thornton		January 2019
Appointed			
Assessor	Jill Murray		December 2020
County Engineer	Jerilyn Swenson		May 2020
Coroner	Dr. Mary Ann Sens		December 2017
Court Administrator	Camille Bessler		Indefinite
Emergency Services	Garry Johanson		May 2020
Veterans Service Officer	John Rosenberger		December 2020
Social Services Board			
Chair	Marvin Gunderson		January 2021
Vice Chair	Steve Bommersbach		January 2021
Secretary	Carol Sorenson		May 2018
Member	Nathan Redland		January 2019
Member	Steve Jacobson		January 2021
Member	Lee Ann Hall		January 2019
Member	Marian Cerkowniak		May 2018
Director	Kristi Nelson		Indefinite

*Donna Hanson was appointed to fill out the previous Auditor-Treasurer's term when he retired.

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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SAINT PAUL, MN 55103-2139

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(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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 July 20, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Norman County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

July 20, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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NORMAN COUNTY
ADA, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(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, 2017. 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 and deferred outflows of resources of Norman County exceeded its liabilities and deferred inflows of resources by $67,205,797 at the close of 2017. Of this amount, $2,333,743 (unrestricted net position) may be used to meet Norman County's ongoing obligations to citizens and creditors.

The County's net position increased by $2,098,473 for the year ended December 31, 2017.

At the close of 2017, Norman County's governmental funds reported combined ending fund balances of $7,587,116, an increase of $279,057 in comparison with the prior year.

At the close of 2017, unrestricted fund balance for the General Fund was $4,439,560, or 106.92 percent of total General Fund expenditures.

Norman County currently has $184,300 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, deferred inflows of resources, liabilities, and deferred outflows of resources, with the difference 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, 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 nine 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 six 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, or other governments. The County's fiduciary activities are reported in a separate statement of 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $67,205,797 at the close of 2017. The largest portion of Norman County's net position (91.5 percent) reflects its net investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

Governmental Net Position

	2017	2016
Assets		
Current and other assets	$ 10,914,855	$ 11,097,098
Capital assets	61,517,961	59,025,012
Total Assets	$ 72,432,816	$ 70,122,110
Deferred Outflows of Resources		
Deferred pension outflows	$ 1,791,462	$ 2,828,656
Liabilities		
Long-term liabilities outstanding	$ 4,964,183	$ 6,443,990
Other liabilities	482,044	642,686
Total Liabilities	$ 5,446,227	$ 7,086,676
Deferred Inflows of Resources		
Deferred pension inflows	$ 1,507,490	$ 756,766
Prepaid taxes	64,764	-
Total Deferred Inflows of Resources	$ 1,572,254	$ 756,766
Net Position		
Investment in capital assets	$ 61,517,961	$ 59,025,012
Restricted	3,354,093	3,771,441
Unrestricted	2,333,743	2,310,871
Total Net Position, as reported	$ 67,205,797	$ 65,107,324

The unrestricted net position amount of $2,333,743 as of December 31, 2017, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Norman County's activities increased net position by $2,098,473, or 3.22 percent, over the 2016 net position. The key element of the increase was an increase in capital assets.

Changes in Net Position

	2017	2016
Revenues		
Program revenues		
Charges for services	$ 1,386,407	$ 1,109,123
Operating grants and contributions	7,452,203	6,726,106
Capital grants and contributions	416,539	510,936
General revenues		
Property taxes	5,641,825	5,498,527
Gravel taxes	89,690	100,185
Wheelage tax	88,075	75,712
Grants and contributions not restricted to specific programs	347,915	362,674
Other	248,172	187,539
Special item		
Merger of Norman-Mahnomen Public Health Operations into Norman County	-	445,423
Total Revenues	$ 15,670,826	$ 15,016,225
Expenses		
General government	$ 1,996,111	$ 2,052,309
Public safety	1,664,487	1,721,751
Highways and streets	5,173,033	4,593,041
Sanitation	445,483	437,923
Human services	2,733,895	2,589,197
Health	937,100	1,320,976
Culture and recreation	181,210	152,110
Conservation of natural resources	432,928	290,220
Economic development	-	-
Interest	8,106	8,439
Total Expenses	$ 13,572,353	$ 13,165,966
Increase (Decrease) in Net Position	$ 2,098,473	$ 1,850,259
Net Position, January 1	65,107,324	63,257,065
Net Position, December 31	$ 67,205,797	$ 65,107,324

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 $7,587,116, an increase of $279,057 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 $4,439,560, while total fund balance was $4,955,779. 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 106.92 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, 2017, the unrestricted fund balance of the General Fund is well above the minimum balance established by the Board. In 2017, fund balance in the General Fund increased by $440,071.

The Road and Bridge Special Revenue Fund's fund balance decreased by $212,496 in 2017.

The Social Services Special Revenue Fund's balance decreased by $15,112 in 2017.

General Fund Budgetary Highlights

The actual revenues were higher than budgeted revenues by $442,421, and actual expenditures were higher than budgeted expenditures by $105,234. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure overrun variances were for chief financial officer, civil defense, riparian aid, ambulance, and water planning.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2017, was $61,517,961 (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 4.22 percent.

Governmental Capital Assets
(Net of Depreciation)

	2017	2016
Land	$ 964,208	$ 928,653
Infrastructure	55,979,647	53,421,232
Buildings	2,013,683	2,112,629
Furniture, equipment, and machinery	2,560,423	2,562,498
Total	$ 61,517,961	$ 59,025,012

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 $184,300 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.

- Norman County is anticipating building a new building at the Highway Department in the near future which will have an impact on the budget, whether we bond for the project, or increase the levy and use a portion of the reserves, or both.

- 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, 2017

Assets		
Cash	$	6,440,843
Taxes receivable - delinquent		88,261
Special assessments receivable		
Delinquent - net		35,265
Noncurrent - net		82,842
Accounts receivable		192,676
Accrued interest receivable		3,244
Due from other governments		3,191,162
Inventories		815,911
Advance to watershed		64,651
Capital assets		
Non-depreciable		964,208
Depreciable - net of accumulated depreciation		60,553,753
Total Assets	**$**	**72,432,816**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**1,791,462**
Liabilities		
Accounts payable	$	181,396
Salaries payable		48,491
Contracts payable		105,615
Due to other governments		136,829
Customer deposits		6,347
Accrued interest payable		3,366
Long-term liabilities		
Due within one year		207,137
Due in more than one year		431,630
Net pension liability		4,001,115
Other postemployment benefits obligations		324,301
Total Liabilities	**$**	**5,446,227**
Deferred Inflows of Resources		
Deferred pension inflows	$	1,507,490
Prepaid property taxes		64,764
Total Deferred Inflows of Resources	**$**	**1,572,254**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Net Position

Investment in capital assets	$ 61,517,961
Restricted for	
General government	230,142
Public safety	174,050
Highways and streets	2,376,060
Social services	8,104
Conservation of natural resources	565,737
Unrestricted	2,333,743
Total Net Position	**$ 67,205,797**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Primary government					
Governmental activities					
General government	$ 1,996,111	$ 294,065	$ 99,068	$ -	$ (1,602,978)
Public safety	1,664,487	73,027	192,927	-	(1,398,533)
Highways and streets	5,173,033	16,831	4,772,584	416,539	32,921
Sanitation	445,483	280,253	68,711	-	(96,519)
Human services	2,733,895	327,957	1,503,729	-	(902,209)
Health	937,100	326,569	583,154	-	(27,377)
Culture and recreation	181,210	-	-	-	(181,210)
Conservation of natural resources	432,928	67,705	232,030	-	(133,193)
Interest	8,106	-	-	-	(8,106)
Total Governmental Activities	**$ 13,572,353**	**$ 1,386,407**	**$ 7,452,203**	**$ 416,539**	**$ (4,317,204)**

General Revenues	
Property taxes	$ 5,641,825
Gravel taxes	89,690
Wheelage taxes	88,075
Grants and contributions not restricted to specific programs	347,915
Payments in lieu of tax	51,323
Investment earnings	30,437
Miscellaneous	166,412
Total general revenues	**$ 6,415,677**
Change in net position	**$ 2,098,473**
Net Position - Beginning	**65,107,324**
Net Position - Ending	**$ 67,205,797**

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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, 2017

	General	Road and Bridge	Social Services	Nonmajor Funds	Total
Assets					
Cash	$ 4,571,504	$ -	$ 635,629	$ 1,017,433	$ 6,224,566
Petty cash and change funds	4,200	200	-	100	4,500
Undistributed cash in agency funds	121,929	47,145	22,952	19,751	211,777
Taxes receivable - delinquent	51,872	23,544	11,955	890	88,261
Special assessments receivable					
Delinquent	32,352	-	-	2,913	35,265
Noncurrent	-	-	-	82,842	82,842
Accounts receivable	22,574	5,738	90,484	73,880	192,676
Accrued interest receivable	3,244	-	-	-	3,244
Due from other funds	315,875	4,990	390	2,931	324,186
Due from other governments	15,514	2,788,118	272,338	119,981	3,195,951
Inventories	-	815,911	-	-	815,911
Advance to watershed	-	-	-	64,651	64,651
Total Assets	**$ 5,139,064**	**$ 3,685,646**	**$ 1,033,748**	**$ 1,385,372**	**$ 11,243,830**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 54,467	$ 64,944	$ 34,140	$ 27,845	$ 181,396
Salaries payable	13,365	19,380	15,746	-	48,491
Contracts payable	-	105,615	-	-	105,615
Due to other funds	2,447	273,271	5,214	48,043	328,975
Due to other governments	5,336	724	70,756	60,013	136,829
Customer deposits	1,375	-	-	4,972	6,347
Total Liabilities	**$ 76,990**	**$ 463,934**	**$ 125,856**	**$ 140,873**	**$ 807,653**
Deferred Inflows of Resources					
Unavailable revenue	$ 70,436	$ 2,462,609	$ 78,405	$ 172,847	$ 2,784,297
Prepaid property taxes	35,859	19,759	8,615	531	64,764
Total Deferred Inflows of Resources	**$ 106,295**	**$ 2,482,368**	**$ 87,020**	**$ 173,378**	**$ 2,849,061**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Social Services	Nonmajor Funds	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Inventories	$ -	$ 815,911	$ -	$ -	$ 815,911
Advance to watershed	-	-	-	64,651	64,651
Restricted for					
Debt service	-	-	-	106,807	106,807
Law library	41,400	-	-	-	41,400
Recorder's technology equipment	66,804	-	-	-	66,804
Real estate tax shortfall	61,760	-	-	-	61,760
E-911	143,991	-	-	-	143,991
Recorder's compliance	52,103	-	-	-	52,103
Child Protection Grant	-	-	8,104	-	8,104
Gravel pit postclosure	-	-	-	129,469	129,469
Ditch maintenance and construction	-	-	-	324,241	324,241
By donors for specific purposes - K9	4,679	-	-	-	4,679
Sheriff's forfeitures	25,380	-	-	-	25,380
Attorney's forfeitures	8,075	-	-	-	8,075
Riparian Protection Aid	112,027	-	-	-	112,027
Committed to					
Election equipment	30,500	-	-	-	30,500
Sheriff's contingencies	5,000	-	-	-	5,000
Assigned to					
Human services	-	-	812,768	-	812,768
County homes	-	-	-	103,467	103,467
Health	-	-	-	407,018	407,018
Unassigned	4,404,060	(76,567)	-	(64,532)	4,262,961
Total Fund Balances	**$ 4,955,779**	**$ 739,344**	**$ 820,872**	**$ 1,071,121**	**$ 7,587,116**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 5,139,064**	**$ 3,685,646**	**$ 1,033,748**	**$ 1,385,372**	**$ 11,243,830**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		**$ 7,587,116**
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.		61,517,961
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,791,462
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,784,297
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (184,300)	
Accrued interest payable	(3,366)	
Compensated absences	(454,467)	
Net other postemployment benefits liability	(324,301)	
Net pension liability	(4,001,115)	(4,967,549)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(1,507,490)
Net Position of Governmental Activities (Exhibit 1)		**$ 67,205,797**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 5

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

	General	Road and Bridge	Social Services	Nonmajor Funds	Total
Revenues					
Taxes	$ 3,281,327	$ 1,635,499	$ 795,006	$ 106,642	$ 5,818,474
Special assessments	214,743	-	-	84,166	298,909
Licenses and permits	13,405	-	-	300	13,705
Intergovernmental	749,693	5,707,561	1,488,644	619,282	8,565,180
Charges for services	327,252	59,433	167,576	389,648	943,909
Fines and forfeits	512	-	-	-	512
Gifts and contributions	3,620	-	-	-	3,620
Investment earnings	26,692	3,169	-	1	29,862
Miscellaneous	65,513	86,703	160,381	45,187	357,784
Total Revenues	**$ 4,682,757**	**$ 7,492,365**	**$ 2,611,607**	**$ 1,245,226**	**$ 16,031,955**
Expenditures					
Current					
General government	$ 1,820,243	$ -	$ -	$ 47,435	$ 1,867,678
Public safety	1,554,773	-	-	-	1,554,773
Highways and streets	-	7,358,509	-	-	7,358,509
Sanitation	-	-	-	442,377	442,377
Human services	2,750	-	2,626,719	-	2,629,469
Health	217,871	-	-	710,656	928,527
Culture and recreation	174,059	-	-	-	174,059
Conservation of natural resources	382,372	-	-	48,536	430,908
Intergovernmental					
Highways and streets	-	363,617	-	-	363,617
Debt service					
Principal	-	-	-	12,000	12,000
Interest	-	-	-	8,246	8,246
Total Expenditures	**$ 4,152,068**	**$ 7,722,126**	**$ 2,626,719**	**$ 1,269,250**	**$ 15,770,163**
Excess of Revenues Over (Under) Expenditures	**$ 530,689**	**$ (229,761)**	**$ (15,112)**	**$ (24,024)**	**$ 261,792**
Other Financing Sources (Uses)					
Transfers in	$ -	$ -	$ -	$ 90,618	$ 90,618
Transfers out	(90,618)	-	-	-	(90,618)
Total Other Financing Sources (Uses)	**$ (90,618)**	**$ -**	**$ -**	**$ 90,618**	**$ -**

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

EXHIBIT 5
(Continued)

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

	General	Road and Bridge	Social Services	Nonmajor Funds	Total
Net Change in Fund Balance	$ 440,071	$ (229,761)	$ (15,112)	$ 66,594	$ 261,792
Fund Balance - January 1	4,515,708	951,840	835,984	1,004,527	7,308,059
Increase (decrease) in inventories	-	17,265	-	-	17,265
Fund Balance - December 31	$ 4,955,779	$ 739,344	$ 820,872	$ 1,071,121	$ 7,587,116

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, 2017

Net change in fund balances - total governmental funds (Exhibit 5)		**$ 261,792**
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	$ 4,401,105	
Current year depreciation	(1,908,156)	2,492,949
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	$ 2,784,297	
Unavailable revenue - January 1	(3,149,859)	(365,562)
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		12,000
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	$ 140	
Change in compensated absences	(13,953)	
Change in net other postemployment benefits liability	(21,620)	
Change in net pension liability	1,503,380	
Change in deferred outflows of resources	(1,037,194)	
Change in deferred inflows of resources	(750,724)	
Change in inventories	17,265	(302,706)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 2,098,473**

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

FIDUCIARY FUNDS

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

		Agency
Assets		
Cash	$	264,941
Due from other funds		5,214
Total Assets	**$**	**270,155**
Liabilities		
Due to other funds	$	425
Due to other governments		117,962
Funds held in trust		151,768
Total Liabilities	**$**	**270,155**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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.B., 6.C., and 6.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund 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.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

         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.

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

   C. Measurement Focus and Basis of Accounting

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

   Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through interest-earning activities. Pursuant to Minn. Stat. § 385.07, interest earnings on cash are credited to the General Fund. Other funds received interest earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled interest earnings for 2017 were $29,862.

2. Receivables and Payables

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

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

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

3. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments and noncurrent special assessments.

1. Summary of Significant Accounting Policies

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

4. 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, 2017, was $64,651. The balance plus accrued interest will be repaid in annual installments of $34,450.

5. 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.

6. Capital Assets

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

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

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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

7. Compensated Absences

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

8. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association of Minnesota (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the

1. Summary of Significant Accounting Policies

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

8. Pension Plan (Continued)

same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated through the General Fund and other governmental funds that have personal services.

9. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. Pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual economic experience, changes in actuarial assumptions, changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has three types of deferred inflows, unavailable revenue, prepaid property taxes, and deferred pension inflows that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent 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

1. Summary of Significant Accounting Policies

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

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

reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Prepaid property taxes arise under both the modified accrual and the full accrual basis of accounting and, accordingly, are reported in the governmental funds balance sheet and the statement of net position. 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, changes in actuarial assumptions, and 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.

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

1. Summary of Significant Accounting Policies

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

11. 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.

12. 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.

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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.

13. 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

1. Summary of Significant Accounting Policies

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

13. Minimum Fund Balance (Continued)

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.

14. Use of Estimates

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

E. Reclassification of Fund Type

Previously, the County presented an investment trust fund for the Children's Collaborative (Serving Norman County Families). The Children's Collaborative Trust Fund does not meet the requirements of an investment trust fund, since there is no formal agreement to provide interest; therefore, it was reclassified to be included as the Children's Collaborative (Serving Norman County Families) Agency Fund. The beginning balance of the Children's Collaborative Investment Trust Fund of $28,075 was adjusted to be included with the Children's Collaborative (Serving Norman County Families) Agency Fund.

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 $62,487 as of December 31, 2017. The fund balance deficit will be eliminated through future collections.

Ditch Fund Deficits

Of 36 drainage systems, 1 has incurred expenditures in excess of its revenues and available resources. This deficit 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, 2017:

Nonspendable fund balances	$ 64,651
Restricted fund balances	431,048
Unassigned fund balances	(2,045)
Total Fund Balances	$ 493,654

B. Excess of Expenditures Over Budget

The following nonmajor individual funds had expenditures in excess of budget for the year ended December 31, 2017.

	Expenditures	Budget	Excess
County Homes Special Revenue Fund	$ 47,435	$ 29,755	$ 17,680
Solid Waste Special Revenue Fund	442,377	366,292	76,085

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

The County's total cash is as follows:

Governmental activities		
Cash	$	6,440,843
Fiduciary funds		
Cash		
Agency funds		264,941
Total Cash	$	6,705,784

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, 2017, the County's deposits were not exposed to custodial credit risk.

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, 2017, the County had no investments.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2017, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 88,261	$ -
Special assessments	118,107	82,842
Accounts	192,676	-
Interest	3,244	-
Due from other governments	3,191,162	-
Advance to watershed	64,651	32,981
Total	$ 3,658,101	$ 115,823

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 928,653	$ 35,555	$ -	$ 964,208
Capital assets depreciated				
Buildings	$ 4,043,756	$ -	$ -	$ 4,043,756
Machinery, furniture, and equipment	6,207,284	387,585	134,975	6,459,894
Infrastructure	75,390,822	3,956,639	-	79,347,461
Total capital assets depreciated	$ 85,641,862	$ 4,344,224	$ 134,975	$ 89,851,111
Less: accumulated depreciation for				
Buildings	$ 1,931,127	$ 98,946	$ -	$ 2,030,073
Machinery, furniture, and equipment	3,644,786	410,986	156,301	3,899,471
Infrastructure	21,969,590	1,398,224	-	23,367,814
Total accumulated depreciation	$ 27,545,503	$ 1,908,156	$ 156,301	$ 29,297,358
Total capital assets depreciated, net	$ 58,096,359	$ 2,436,068	$ (21,326)	$ 60,553,753
Governmental Activities Capital Assets, Net	$ 59,025,012	$ 2,471,623	$ (21,326)	$ 61,517,961

The decrease in accumulated depreciation is an adjustment of $21,326 for assets overdepreciated in a previous year.

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	$	66,286
Public safety		81,666
Culture and recreation		7,151
Highways and streets, including depreciation of infrastructure assets		1,717,352
Human services		35,701
Total Depreciation Expense	$	1,908,156

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Special Revenue Fund	$ 271,174
	Solid Waste Special Revenue Fund	44,276
	Agency Funds	425
Total due to General Fund		$ 315,875
Road and Bridge Special Revenue Fund	General Fund	$ 1,223
	Ditch Special Revenue Fund	2,973
	County Homes Special Revenue Fund	623
	Solid Waste Special Revenue Fund	171
Total due to Road and Bridge Special Revenue Fund		$ 4,990
Social Services Special Revenue Fund	General Fund	$ 390
Gravel Tax Special Revenue Fund	Road and Bridge Special Revenue Fund	$ 2,097
County Homes Special Revenue Fund	General Fund	$ 38

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Solid Waste Special Revenue Fund	General Fund	$ 796
Children's Collaborative (Serving Norman County Families) Agency Fund	Social Services Special Revenue Fund	$ 5,214
Total Due To/From Other Funds		$ 329,400

Outstanding balances between funds result from the elimination of individual fund cash deficits and 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.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfer to Public Health Special Revenue Fund from General Fund	$ 90,618	To cover the annual appropriation.

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

Accounts	$ 181,396
Salaries	48,491
Contracts	105,615
Due to other governments	136,829
Customer deposits	6,347
Total Payables	$ 478,678

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2010A G.O. Watershed Bonds	2031	$6,000 - $15,000	1.00 - 5.25	$ 247,300	$ 184,300

3. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2018	$ 13,000	$ 7,876
2019	14,000	7,440
2020	14,000	6,953
2021	13,500	6,445
2022	11,000	5,968
2023 - 2027	61,000	22,219
2028 - 2031	57,800	6,090
Total	$ 184,300	$ 62,991

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	$ 196,300	$ -	$ 12,000	$ 184,300	$ 13,000
Compensated absences	440,514	365,689	351,736	454,467	194,137
Total Long-Term Liabilities	$ 636,814	$ 365,689	$ 363,736	$ 638,767	$ 207,137

Compensated absences are liquidated by each fund based on actual direct labor hours incurred.

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.

	Taxes	Special Assessments	Grants and Allotments	Other	Total
Major governmental funds					
General	$ 75,548	$ 28,751	$ -	$ 1,996	$ 106,295
Special Revenue					
Road and Bridge	37,758	-	2,443,192	1,418	2,482,368
Social Services	17,649	-	69,371	-	87,020
Nonmajor governmental funds					
Ditch Special Revenue	311	54,678	-	-	54,989
Ditch Debt Service	2,204	28,163	-	-	30,367
Public Health	-	-	50,827	465	51,292
Solid Waste	1,213	35,517	-	-	36,730
Total All Funds	$ 134,683	$ 147,109	$ 2,563,390	$ 3,879	$ 2,849,061

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Deferred Inflows of Resources (Continued)

	Taxes	Special Assessments	Grants and Allotments	Other	Total
Deferred inflows of resources					
Unavailable revenue	$ 69,919	$ 147,109	$ 2,563,390	$ 3,879	$ 2,784,297
Prepaid property taxes	64,764	-	-	-	64,764
Totals	$ 134,683	$ 147,109	$ 2,563,390	$ 3,879	$ 2,849,061

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

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

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

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

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

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

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

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

General Employees Retirement Plan	$ 254,149
Public Employees Police and Fire Plan	66,983

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $3,287,726 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.0515 percent. It was 0.0500 percent measured as of June 30, 2016. The County recognized pension expense of $482,518 for its proportionate share of the General Employees Retirement Plan's pension expense.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County also recognized $1,193 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ending June 30, 2017.

The County's proportionate share of the net pension liability	$	3,287,726
State of Minnesota's proportionate share of the net pension liability associated with the County		41,302
Total	$	3,329,028

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 108,353	$ 207,175
Changes in actuarial assumptions	529,935	329,595
Difference between projected and actual investment earnings	9,509	-
Changes in proportion	298,131	152,935
Contributions paid to PERA subsequent to the measurement date	132,372	-
Total	$ 1,078,300	$ 689,705

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The $132,372 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 133,769
2019	241,386
2020	20,625
2021	(139,557)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $486,043 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.036 percent. It was 0.036 percent measured as of June 30, 2016. The County recognized pension expense of $127,585 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The County also recognized $3,240 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan 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 Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 11,188	$ 127,725
Changes in actuarial assumptions	636,084	690,060
Difference between projected and actual investment earnings	4,697	-
Changes in proportion	25,950	-
Contributions paid to PERA subsequent to the measurement date	35,243	-
Total	$ 713,162	$ 817,785

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The $35,243 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 15,596
2019	15,596
2020	(1,226)
2021	(34,058)
2022	(135,774)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $610,103.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

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

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

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

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      7. Changes in Actuarial Assumptions (Continued)

         Public Employees Police and Fire Plan

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

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

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

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

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

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

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

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

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

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

8. Pension Liability Sensitivity

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

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 5,099,507	4.60%	$ 915,360
Current	7.50	3,287,726	5.60	486,043
1% Increase	8.50	1,804,454	6.60	131,617

9. Pension Plan Fiduciary Net Position

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

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

Five 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 Norman County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	$ 1,930	$ 1,930
Percentage of covered payroll	5%	5%

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.

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the 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		12,107
Adjustment to ARC		(17,164)
Annual OPEB cost (expense)	$	67,070
Contributions made		(45,450)
Increase in net OPEB obligation	$	21,620
Net OPEB Obligation - Beginning of Year		302,681
Net OPEB Obligation - End of Year	$	324,301

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, 2017, was $67,070. The percentage of annual OPEB cost contributed to the plan was 67.8 percent, and the net OPEB obligation for 2017 was $324,301. The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2015, 2016, and 2017, was as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 67,839	$ 20,098	29.6%	$ 264,020
December 31, 2016	67,716	29,055	42.9	302,681
December 31, 2017	67,070	45,450	67.8	324,301

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.

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, 2017, was 22 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). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

5. Risk Management (Continued)

claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

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.

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.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Community Corrections (Continued)

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 2017 was $523,879.

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 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.

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 2017 was $4,030.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

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 Emergency Communications Board

The Northwest Minnesota Regional Emergency Communications Board (formerly known as the Northwest Minnesota Regional Radio Board) was formed in 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead; the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau; and the White Earth Reservation.

The purpose of the Northwest Minnesota Regional Emergency Communications 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 and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

The Northwest Minnesota Regional Emergency Communications Board is composed of one Commissioner of each county appointed by their respective County Board, one City Council member from the city appointed by their City Council, and one representative appointed by the Tribal Council from each tribal entity party to the agreement, as provided in the Northwest Minnesota Regional Emergency Communications Board's bylaws.

In the event of dissolution of the Northwest Minnesota Regional Emergency Communications 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, county or tribal entity 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.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Emergency Communications Board (Continued)

The Northwest Minnesota Regional Emergency Communications 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 2017 was $2,500.

Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 - 4th Street Northwest, Suite 310, 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 in Northwest and West Central Minnesota. This is a partnership between the Northwest Regional Development Commission and the 5-county service area of Region 2. 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.

Pine to Prairie Drug and Violent Crime Task Force

The Pine to Prairie Drug and Violent Crime Task Force was formed under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The full members are Lake of the Woods, Norman, Pennington, Polk, and Roseau Counties; the Cities of Crookston, East Grand Forks, and Thief River Falls; and the federal agencies of the U.S. Customs and Border Protection and Homeland Security Investigations Department. Associate members are Red Lake County and the City of Ada, and liaison members are Kittson and Marshall Counties. The purpose of the Task Force is to coordinate efforts to investigate, apprehend, and prosecute drug, gang, and violent crime offenders.

6. Summary of Significant Contingencies and Other Items

   B. Joint Ventures

   Pine to Prairie Drug and Violent Crime Task Force (Continued)

   Control of the Task Force is vested in the Pine to Prairie Drug and Violent Crime Task Force Governing Board, which consists of not less than 6 members or more than 14 members designated by each participating full member, and up to 5 additional members selected by the Governing Board. Board members shall not be deemed to be employees of the Task Force and shall not be compensated by it. Full members assign a peace officer to be an agent on the Task Force. Associate members are not required to assign an officer, but participate in operations and activities and contribute funds annually. Liaison members shall participate upon request.

   Dissolution would occur when two-thirds of the members agree by resolution to terminate the agreement or when necessitated by law or funding status, at which time, the net assets of the Task Force are to be divided among the members in the same proportion as their respective full-time equivalent contributions. Any member may withdraw upon six months' written notice and shall not be entitled to any distribution of the net position.

   Financing is provided by state and federal grants, charges for services, appropriations from members, and donations. Members do not experience any additional financial benefit or burden. The City of Crookston is designated as the coordinating agency.

   Complete financial information can be obtained from the City of Crookston, 321 West Robert Street, Crookston, Minnesota 56716.

   C. 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.

6. Summary of Significant Contingencies and Other Items

C. Related Organizations (Continued)

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 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.

D. Jointly-Governed Organizations

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

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, 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, Mahnomen, and Norman Counties. Becker County appoints one member, Clay County appoints one member, Mahnomen 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.

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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 $30,513 to this organization in 2017.

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.

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.

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

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

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.

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2017, Norman County did not contribute any funding to the Joint Powers Board.

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 and Public Health, Ada-Borup Public Schools, Norman County East Public Schools, Norman County West Public Schools, 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.

6. Summary of Significant Contingencies and Other Items

D. 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, Becker, Beltrami, Big Stone, Clay, Clearwater, Cottonwood, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Morrison, Norman, Pennington, Polk, Pope, Red Lake, Renville, Roseau, Stevens, Todd, Traverse, Wadena, Watonwan, and Wilkin Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of 12 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.

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Lake Agassiz Regional Library

The Lake Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Lake 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 $94,985 to the Lake Agassiz Regional Library during 2017.

Homeland Security and Emergency Management Region 3 Emergency Managers

The Homeland Security and Emergency Management Region (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, Mahnomen, 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.

Sentencing 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 Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program.

6. Summary of Significant Contingencies and Other Items

D. 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 the implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Norman County did not contribute to the CCC during 2017.

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, Norman County made no payments to the joint powers.

6. Summary of Significant Contingencies and Other Items

D. 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 Local Board of Health and the Norman County Local Board of Health, which is a part of Norman County. 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 County Board member, the Polk County Local Board of Health and the Norman County Local Board of Health each appointing two members, one County Board member, and one community member. The Norman County Local Board of Health appoints one of the members from Norman County and one of the members from Mahnomen County.

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 2017, Norman County did not contribute to the Community Health Board.

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REQUIRED SUPPLEMENTARY INFORMATION

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 3,480,247	$ 3,480,247	$ 3,281,327	$ (198,920)
Special assessments	-	-	214,743	214,743
Licenses and permits	9,415	9,415	13,405	3,990
Intergovernmental	441,655	441,655	749,693	308,038
Charges for services	257,657	257,657	327,252	69,595
Fines and forfeits	-	-	512	512
Gifts and contributions	2,000	2,000	3,620	1,620
Investment earnings	4,520	4,520	26,692	22,172
Miscellaneous	44,842	44,842	65,513	20,671
Total Revenues	**$ 4,240,336**	**$ 4,240,336**	**$ 4,682,757**	**$ 442,421**
Expenditures				
Current				
General government				
Commissioners	$ 188,787	$ 188,787	$ 192,232	$ (3,445)
Courts	40,500	40,500	37,576	2,924
Law library	7,946	7,946	8,619	(673)
County auditor-treasurer	287,959	287,959	214,887	73,072
County assessor	249,071	249,071	220,139	28,932
Elections	30,650	30,650	79	30,571
Chief financial officer	-	-	58,941	(58,941)
Human resources	71,813	71,813	35,338	36,475
Accounting and auditing	65,000	65,000	57,515	7,485
Data processing	71,000	71,000	71,567	(567)
Attorney	186,216	186,216	167,929	18,287
Victim assistance	56,000	56,000	53,862	2,138
Recorder	295,410	295,410	275,448	19,962
Planning and zoning	36,710	36,710	28,537	8,173
County buildings	54,500	54,500	47,070	7,430
Buildings and plant	162,542	162,542	148,013	14,529
Veterans service officer	55,562	55,562	60,316	(4,754)
Cemeteries	75	75	75	-
Unallocated - general government	156,094	156,094	142,100	13,994
Total general government	**$ 2,015,835**	**$ 2,015,835**	**$ 1,820,243**	**$ 195,592**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,012,381	$ 1,012,381	$ 961,210	$ 51,171
K-9	2,000	2,000	393	1,607
Coroner	19,926	19,926	17,563	2,363
Radio tower	500	500	-	500
Hazardous materials training	10,000	10,000	6,103	3,897
Safety coordinator	4,304	4,304	5,555	(1,251)
E-911 system	75,000	75,000	28,276	46,724
Community corrections	458,147	458,147	458,148	(1)
Civil defense	37,520	37,520	63,418	(25,898)
Police and fire	1,700	1,700	930	770
Other public safety	9,500	9,500	13,177	(3,677)
Total public safety	**$ 1,630,978**	**$ 1,630,978**	**$ 1,554,773**	**$ 76,205**
Human services				
Senior citizen centers	$ 1,750	$ 1,750	$ 1,750	$ -
Retired senior volunteer program	1,000	1,000	1,000	-
Total human services	**$ 2,750**	**$ 2,750**	**$ 2,750**	**$ -**
Health				
Ambulance	$ -	$ -	$ 217,566	$ (217,566)
Wellness program	-	-	305	(305)
Total health	**$ -**	**$ -**	**$ 217,871**	**$ (217,871)**
Culture and recreation				
Historical society	$ 7,650	$ 7,650	$ 7,650	$ -
Agassiz trail project	60,000	60,000	70,624	(10,624)
Winter shows	800	800	800	-
County library	94,985	94,985	94,985	-
Celebrations	420	420	-	420
Total culture and recreation	**$ 163,855**	**$ 163,855**	**$ 174,059**	**$ (10,204)**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
Cooperative extension	$ 135,328	$ 135,328	$ 133,217	$ 2,111
Soil and water conservation	64,200	64,200	64,200	-
Agricultural society	12,150	12,150	39,900	(27,750)
Aquatic invasive species	13,353	13,353	13,353	-
Riparian Protection Aid	-	-	47,974	(47,974)
Forfeited tax	-	-	10,148	(10,148)
Weed control	200	200	338	(138)
Predator control	3,686	3,686	3,764	(78)
Water planning	4,499	4,499	69,478	(64,979)
Total conservation of natural resources	**$ 233,416**	**$ 233,416**	**$ 382,372**	**$ (148,956)**
Total Expenditures	**$ 4,046,834**	**$ 4,046,834**	**$ 4,152,068**	**$ (105,234)**
Excess of Revenues Over (Under) Expenditures	**$ 193,502**	**$ 193,502**	**$ 530,689**	**$ 337,187**
Other Financing Sources (Uses)				
Transfers out	(90,618)	(90,618)	(90,618)	-
Net Change in Fund Balance	**$ 102,884**	**$ 102,884**	**$ 440,071**	**$ 337,187**
Fund Balance - January 1	**4,515,708**	**4,515,708**	**4,515,708**	**-**
Fund Balance - December 31	**$ 4,618,592**	**$ 4,618,592**	**$ 4,955,779**	**$ 337,187**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,660,248	$ 1,660,248	$ 1,635,499	$ (24,749)
Intergovernmental	4,863,656	4,863,656	5,707,561	843,905
Charges for services	12,000	12,000	59,433	47,433
Investment earnings	-	-	3,169	3,169
Miscellaneous	75,000	75,000	86,703	11,703
Total Revenues	**$ 6,610,904**	**$ 6,610,904**	**$ 7,492,365**	**$ 881,461**
Expenditures				
Current				
Highways and streets				
Administration	$ 409,600	$ 409,600	$ 360,911	$ 48,689
Maintenance	2,213,750	2,213,750	2,415,221	(201,471)
Construction	3,403,750	3,403,750	4,104,103	(700,353)
Equipment and maintenance shop	578,860	578,860	478,274	100,586
Total highways and streets	**$ 6,605,960**	**$ 6,605,960**	**$ 7,358,509**	**$ (752,549)**
Intergovernmental				
Highways and streets	-	-	363,617	(363,617)
Total Expenditures	**$ 6,605,960**	**$ 6,605,960**	**$ 7,722,126**	**$ (1,116,166)**
Net Change in Fund Balance	**$ 4,944**	**$ 4,944**	**$ (229,761)**	**$ (234,705)**
Fund Balance - January 1	**951,840**	**951,840**	**951,840**	**-**
Increase (decrease) in inventories	**-**	**-**	**17,265**	**17,265**
Fund Balance - December 31	**$ 956,784**	**$ 956,784**	**$ 739,344**	**$ (217,440)**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 824,669	$ 824,669	$ 795,006	$ (29,663)
Intergovernmental	1,488,972	1,488,972	1,488,644	(328)
Charges for services	158,950	158,950	167,576	8,626
Miscellaneous	41,878	41,878	160,381	118,503
Total Revenues	**$ 2,514,469**	**$ 2,514,469**	**$ 2,611,607**	**$ 97,138**
Expenditures				
Current				
Human services				
Income maintenance	$ 925,503	$ 925,503	$ 839,063	$ 86,440
Social services	1,588,966	1,588,966	1,787,656	(198,690)
Total Expenditures	**$ 2,514,469**	**$ 2,514,469**	**$ 2,626,719**	**$ (112,250)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (15,112)**	**$ (15,112)**
Fund Balance - January 1	**835,984**	**835,984**	**835,984**	**-**
Fund Balance - December 31	**$ 835,984**	**$ 835,984**	**$ 820,872**	**$ (15,112)**

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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	0.00%	$ 2,750,246	18.5%
January 1, 2012	-	660,548	660,548	0.00	2,830,548	23.3
January 1, 2015	-	494,630	494,630	0.00	3,123,086	15.8

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

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-5

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Norman County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.0515%	$ 3,287,726	$ 41,302	$ 3,329,028	$ 3,314,665	99.19%	75.90%
2016	0.0500	4,059,752	52,966	4,112,718	3,103,841	130.80	68.91
2015	0.0521	2,700,092	N/A	2,700,092	3,060,280	88.23	78.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT A-6

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	$ 254,149	$ 254,149	$ -	$ 3,388,657	7.50%
2016	244,110	244,110	-	3,254,799	7.50
2015	230,241	230,241	-	3,069,881	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 PLAN
DECEMBER 31, 2017

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.036%	$ 486,043	$ 370,478	131.19%	85.43%
2016	0.036	1,444,743	346,715	416.69	63.88
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 PLAN
DECEMBER 31, 2017

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	$ 66,983	$ 66,983	$ -	$ 413,482	16.20%
2016	58,422	58,422	-	360,626	16.20
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.

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

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, 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. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2017.

	Expenditures	Budget	Excess
General Fund	$ 4,152,068	$ 4,046,834	$ 105,234
Road and Bridge Special Revenue Fund	7,722,126	6,605,960	1,116,166
Social Services Special Revenue Fund	2,626,719	2,514,469	112,250

3. 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.

3. Other Postemployment Benefits Funding Status (Continued)

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

4. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2012

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases. This change caused an increase in the liability.

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.

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association (PERA) for the fiscal year June 30:

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

General Employees Retirement Plan

2017

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

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

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

2016

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

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

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

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

Public Employees Police and Fire Plan

2017

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

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

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

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

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

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

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

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

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

Public Employees Police and Fire Plan

2017 (Continued)

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

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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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.

Public Health Fund - to account for providing nursing service care to the elderly and other residents of the County. Financing is provided by health care service grants, County contributions, and user service charges.

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, 2017

	Special Revenue (Exhibit C-1)	Ditch Debt Service	Total (Exhibit 3)
Assets			
Cash	$ 911,159	$ 106,274	$ 1,017,433
Petty cash and change funds	100	-	100
Undistributed cash in agency funds	19,477	274	19,751
Taxes receivable - delinquent	890	-	890
Special assessments receivable			
Delinquent	450	2,463	2,913
Noncurrent	54,679	28,163	82,842
Accounts receivable	73,880	-	73,880
Due from other funds	2,931	-	2,931
Due from other governments	119,981	-	119,981
Advance to watershed	-	64,651	64,651
Total Assets	**$ 1,183,547**	**$ 201,825**	**$ 1,385,372**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 27,845	$ -	$ 27,845
Due to other funds	48,043	-	48,043
Due to other governments	60,013	-	60,013
Customer deposits	4,972	-	4,972
Total Liabilities	**$ 140,873**	**$ -**	**$ 140,873**
Deferred Inflows of Resources			
Unavailable revenue	$ 142,480	$ 30,367	$ 172,847
Prepaid property taxes	531	-	531
Total Deferred Inflows of Resources	**$ 143,011**	**$ 30,367**	**$ 173,378**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT B-1
(Continued)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue (Exhibit C-1)	Ditch Debt Service	Total (Exhibit 3)
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Advance to watershed	$ -	$ 64,651	$ 64,651
Restricted for			
Debt service	-	106,807	106,807
Gravel pit postclosure	129,469	-	129,469
Ditch maintenance and construction	324,241	-	324,241
Assigned to			
County homes	103,467	-	103,467
Health	407,018	-	407,018
Unassigned	(64,532)	-	(64,532)
Total Fund Balances	**$ 899,663**	**$ 171,458**	**$ 1,071,121**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 1,183,547**	**$ 201,825**	**$ 1,385,372**

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, 2017**

	Special Revenue (Exhibit C-2)	Ditch Debt Service	Total (Exhibit 5)
Revenues			
Taxes	$ 106,642	$ -	$ 106,642
Special assessments	73,281	10,885	84,166
Licenses and permits	300	-	300
Intergovernmental	619,282	-	619,282
Charges for services	385,561	4,087	389,648
Investment earnings	1	-	1
Miscellaneous	45,187	-	45,187
Total Revenues	**$ 1,230,254**	**$ 14,972**	**$ 1,245,226**
Expenditures			
Current			
General government	$ 47,435	$ -	$ 47,435
Sanitation	442,377	-	442,377
Health	710,656	-	710,656
Conservation of natural resources	48,536	-	48,536
Debt service			
Principal	-	12,000	12,000
Interest	-	8,246	8,246
Total Expenditures	**$ 1,249,004**	**$ 20,246**	**$ 1,269,250**
Excess of Revenues Over (Under) Expenditures	**$ (18,750)**	**$ (5,274)**	**$ (24,024)**
Other Financing Sources (Uses)			
Transfers in	90,618	-	90,618
Net Change in Fund Balance	**$ 71,868**	**$ (5,274)**	**$ 66,594**
Fund Balance - January 1	**827,795**	**176,732**	**1,004,527**
Fund Balance - December 31	**$ 899,663**	**$ 171,458**	**$ 1,071,121**

NORMAN COUNTY
ADA, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017

	County Homes	Ditch
Assets		
Cash	$ 109,460	$ 322,566
Petty cash and change funds	-	-
Undistributed cash in agency funds	-	2,463
Taxes receivable - delinquent	-	-
Special assessments receivable		
Delinquent	-	450
Noncurrent	-	54,679
Accounts receivable	-	-
Due from other funds	38	-
Due from other governments	-	-
Total Assets	**$ 109,498**	**$ 380,158**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 436	$ -
Due to other funds	623	2,973
Due to other governments	-	-
Customer deposits	4,972	-
Total Liabilities	**$ 6,031**	**$ 2,973**
Deferred Inflows of Resources		
Unavailable revenue	$ -	$ 54,989
Prepaid property taxes	-	-
Total Deferred Inflows of Resources	**$ -**	**$ 54,989**
Fund Balances		
Restricted for		
Gravel pit postclosure	$ -	$ -
Ditch maintenance and construction	-	324,241
Assigned to		
County homes	103,467	-
Health	-	-
Unassigned	-	(2,045)
Total Fund Balances	**$ 103,467**	**$ 322,196**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 109,498**	**$ 380,158**

EXHIBIT C-1

Gravel Reserve Tax	Public Health	Solid Waste	Total (Exhibit B-1)
$ 159,315	$ 319,818	$ -	$ 911,159
-	100	-	100
-	-	17,014	19,477
-	-	890	890
-	-	-	450
-	-	-	54,679
6,815	27,074	39,991	73,880
2,097	-	796	2,931
-	119,981	-	119,981
$ 168,227	**$ 466,973**	**$ 58,691**	**$ 1,183,547**
$ -	$ 8,573	$ 18,836	$ 27,845
-	-	44,447	48,043
38,758	90	21,165	60,013
-	-	-	4,972
$ 38,758	**$ 8,663**	**$ 84,448**	**$ 140,873**
$ -	$ 51,292	$ 36,199	$ 142,480
-	-	531	531
$ -	**$ 51,292**	**$ 36,730**	**$ 143,011**
$ 129,469	$ -	$ -	$ 129,469
-	-	-	324,241
-	-	-	103,467
-	407,018	-	407,018
-	-	(62,487)	(64,532)
$ 129,469	**$ 407,018**	**$ (62,487)**	**$ 899,663**
$ 168,227	**$ 466,973**	**$ 58,691**	**$ 1,183,547**

NORMAN COUNTY
ADA, MINNESOTA

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

	County Homes	Ditch
Revenues		
Taxes	$ -	$ -
Special assessments	-	73,281
Licenses and permits	-	-
Intergovernmental	-	-
Charges for services	-	-
Investment earnings	-	-
Miscellaneous	35,101	-
Total Revenues	**$ 35,101**	**$ 73,281**
Expenditures		
Current		
General government	$ 47,435	$ -
Sanitation	-	-
Health	-	-
Conservation of natural resources	-	9,778
Total Expenditures	**$ 47,435**	**$ 9,778**
Excess of Revenues Over (Under) Expenditures	**$ (12,334)**	**$ 63,503**
Other Financing Sources (Uses)		
Transfers in	-	-
Net Change in Fund Balance	**$ (12,334)**	**$ 63,503**
Fund Balance - January 1	**115,801**	**258,693**
Fund Balance - December 31	**$ 103,467**	**$ 322,196**

EXHIBIT C-2

Gravel Reserve Tax	Public Health	Solid Waste	Total (Exhibit B-2)
$ 52,437	$ -	$ 54,205	$ 106,642
-	-	-	73,281
-	-	300	300
-	546,826	72,456	619,282
-	105,306	280,255	385,561
-	1	-	1
-	10,086	-	45,187
$ 52,437	**$ 662,219**	**$ 407,216**	**$ 1,230,254**
$ -	$ -	$ -	$ 47,435
-	-	442,377	442,377
-	710,656	-	710,656
38,758	-	-	48,536
$ 38,758	**$ 710,656**	**$ 442,377**	**$ 1,249,004**
$ 13,679	**$ (48,437)**	**$ (35,161)**	**$ (18,750)**
-	90,618	-	90,618
$ 13,679	**$ 42,181**	**$ (35,161)**	**$ 71,868**
115,790	**364,837**	**(27,326)**	**827,795**
$ 129,469	**$ 407,018**	**$ (62,487)**	**$ 899,663**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT C-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Miscellaneous	$ 30,000	$ 30,000	$ 35,101	$ 5,101
Expenditures				
Current				
General government				
Low-income housing	29,755	29,755	47,435	(17,680)
Net Change in Fund Balance	**$ 245**	**$ 245**	**$ (12,334)**	**$ (12,579)**
Fund Balance - January 1	**115,801**	**115,801**	**115,801**	**-**
Fund Balance - December 31	**$ 116,046**	**$ 116,046**	**$ 103,467**	**$ (12,579)**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT C-4

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 537,243	$ 537,243	$ 546,826	$ 9,583
Charges for services	126,200	126,200	105,306	(20,894)
Investment Income	-	-	1	1
Miscellaneous	7,000	7,000	10,086	3,086
Total Revenues	**$ 670,443**	**$ 670,443**	**$ 662,219**	**$ (8,224)**
Expenditures				
Current				
Public Health	754,061	754,061	710,656	43,405
Excess of Revenues Over (Under) Expenditures	**$ (83,618)**	**$ (83,618)**	**$ (48,437)**	**$ 35,181**
Other Financing Sources (Uses)				
Transfers in	**90,618**	**90,618**	**90,618**	**-**
Net Change in Fund Balance	**$ 7,000**	**$ 7,000**	**$ 42,181**	**$ 35,181**
Fund Balance - January 1	**364,837**	**364,837**	**364,837**	**-**
Fund Balance - December 31	**$ 371,837**	**$ 371,837**	**$ 407,018**	**$ 35,181**

EXHIBIT C-5

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 58,900	$ 58,900	$ 54,205	$ (4,695)
Licenses and permits	400	400	300	(100)
Intergovernmental	72,515	72,515	72,456	(59)
Charges for services	280,000	280,000	280,255	255
Total Revenues	**$ 411,815**	**$ 411,815**	**$ 407,216**	**$ (4,599)**
Expenditures				
Current				
Sanitation				
Recycling	$ 85,404	$ 85,404	$ 120,374	$ (34,970)
Landfill	22,000	22,000	51,706	(29,706)
Fosston incinerator	236,695	236,695	248,959	(12,264)
Household hazardous waste	22,193	22,193	21,338	855
Total Expenditures	**$ 366,292**	**$ 366,292**	**$ 442,377**	**$ (76,085)**
Net Change in Fund Balance	**$ 45,523**	**$ 45,523**	**$ (35,161)**	**$ (80,684)**
Fund Balance - January 1	**(27,326)**	**(27,326)**	**(27,326)**	**-**
Fund Balance - December 31	**$ 18,197**	**$ 18,197**	**$ (62,487)**	**$ (80,684)**

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.

Children's Collaborative (Serving Norman County Families) - to account for external pooled and non-pooled investments on behalf of the Children's Collaborative (Serving Norman County Families).

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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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
Assets				
Cash	**$ 21,865**	**$ 433,804**	**$ 441,582**	**$ 14,087**
Liabilities				
Accounts payable	$ -	$ 30,890	$ 30,890	$ -
Due to other funds	656	425	656	425
Due to other governments	21,209	402,489	410,036	13,662
Total Liabilities	**$ 21,865**	**$ 433,804**	**$ 441,582**	**$ 14,087**
TAXES AND PENALTIES				
Assets				
Cash	**$ 197,014**	**$ 5,216,657**	**$ 5,190,397**	**$ 223,274**
Liabilities				
Due to other governments	$ 175,524	$ 5,030,035	$ 5,134,053	$ 71,506
Funds held in trust	21,490	186,622	56,344	151,768
Total Liabilities	**$ 197,014**	**$ 5,216,657**	**$ 5,190,397**	**$ 223,274**
WATERSHED				
Assets				
Cash	**$ -**	**$ 532,233**	**$ 532,233**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 532,233**	**$ 532,233**	**$ -**

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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
CHILDREN'S COLLABORATIVE (SERVING NORMAN COUNTY FAMILIES)				
Assets				
Cash	$ 18,830	$ 33,925	$ 25,175	$ 27,580
Due from other funds	9,245	5,214	9,245	5,214
Total Assets	**$ 28,075**	**$ 39,139**	**$ 34,420**	**$ 32,794**
Liabilities				
Due to other governments	**$ 28,075**	**$ 39,139**	**$ 34,420**	**$ 32,794**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash	$ 237,709	$ 6,216,619	$ 6,189,387	$ 264,941
Due from other funds	9,245	5,214	9,245	5,214
Total Assets	**$ 246,954**	**$ 6,221,833**	**$ 6,198,632**	**$ 270,155**
Liabilities				
Accounts payable	$ -	$ 30,890	$ 30,890	$ -
Due to other funds	656	425	656	425
Due to other governments	224,808	6,003,896	6,110,742	117,962
Funds held in trust	21,490	186,622	56,344	151,768
Total Liabilities	**$ 246,954**	**$ 6,221,833**	**$ 6,198,632**	**$ 270,155**

SCHEDULES

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT E-1

SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2017

	Interest Rate	Maturity Date	Fair Value
Deposits			
Cash on hand	N/A	N/A	$ 4,500
Noninterest-bearing checking (2)	N/A	Continuous	189,825
Interest-bearing checking (1)	0.01%	Continuous	1,449,699
Money market checking (1)	0.15%	Continuous	1,500,000
Certificates of deposit (9)	0.35% to 1.49%	February 1, 2018 to December 22, 2018	3,561,760
Total Deposits			**$ 6,705,784**

NORMAN COUNTY
ADA, MINNESOTA

BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2017

	Assets						
			Special Assessments Receivable		Due from		
	Cash	Undistributed Cash	Delinquent	Noncurrent	Other Funds	Advance to Watershed	Total
County Ditches							
5	$ 6,600	$ 44	$ 5	$ 1,267	$ -	$ -	$ 7,916
6	1,542	69	6	452	-	-	2,069
7	20,560	15	-	5,325	-	-	25,900
8	384	85	-	1,400	-	-	1,869
9	5,409	136	-	2,415	-	-	7,960
14	3,178	66	-	302	-	-	3,546
17	2,977	-	-	160	-	-	3,137
22	14,205	-	176	2,116	-	-	16,497
23	2,709	-	-	-	-	-	2,709
24	3,459	-	-	163	-	-	3,622
25	16,706	-	80	3,357	-	-	20,143
26	332	-	-	63	-	-	395
28 & 3	625	-	-	68	-	-	693
29	2,382	42	-	748	-	-	3,172
29 Lat. 1	4,099	-	-	647	-	-	4,746
31	4,138	-	-	-	-	-	4,138
33	32,129	-	-	4,420	-	-	36,549
34	34,033	-	-	253	-	-	34,286
36	4,078	-	-	166	-	-	4,244
39	(2,045)	-	-	2,306	-	-	261
40	5,732	13	-	559	-	-	6,304
41	2,952	-	8	575	-	-	3,535
42	17,233	1,360	-	10,861	-	-	29,454
46	1,505	-	1	303	-	-	1,809
47	13,593	243	12	1,202	-	-	15,050
49	5,468	7	72	511	-	-	6,058
62	4,146	23	40	282	-	-	4,491
65	8,050	-	-	1,021	-	-	9,071
69	12,155	-	6	1,542	-	-	13,703
73	21,500	21	-	1,963	-	-	23,484
75	2,601	103	21	738	-	-	3,463
Borup State Ditch	59	-	-	-	-	-	59
Judicial Ditches							
54 South	42,030	199	23	8,037	-	-	50,289
55	28,042	37	-	1,457	-	-	29,536
Watershed Ditches							
Project 43 - Perley	11,140	88	937	5,136	-	1,577	18,878
Project 44 - Hendrum	95,134	186	1,526	23,027	-	63,074	182,947
Total	**$ 428,840**	**$ 2,737**	**$ 2,913**	**$ 82,842**	**$ -**	**$ 64,651**	**$ 581,983**

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows of Resources, 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**	
$ -	$ 1,267	$ 1,267	$ -	$ -	$ 6,649	$ -	$ 6,649	$ 7,916
-	452	452	-	-	1,617	-	1,617	2,069
1,087	5,325	6,412	-	-	19,488	-	19,488	25,900
-	1,400	1,400	-	-	469	-	469	1,869
-	2,415	2,415	-	-	5,545	-	5,545	7,960
-	302	302	-	-	3,244	-	3,244	3,546
-	160	160	-	-	2,977	-	2,977	3,137
-	2,292	2,292	-	-	14,205	-	14,205	16,497
-	-	-	-	-	2,709	-	2,709	2,709
-	163	163	-	-	3,459	-	3,459	3,622
-	3,357	3,357	-	-	16,786	-	16,786	20,143
-	63	63	-	-	332	-	332	395
-	68	68	-	-	625	-	625	693
-	748	748	-	-	2,424	-	2,424	3,172
-	647	647	-	-	4,099	-	4,099	4,746
-	-	-	-	-	4,138	-	4,138	4,138
720	4,420	5,140	-	-	31,409	-	31,409	36,549
-	253	253	-	-	34,033	-	34,033	34,286
-	166	166	-	-	4,078	-	4,078	4,244
-	2,306	2,306	-	-	-	(2,045)	(2,045)	261
-	559	559	-	-	5,745	-	5,745	6,304
-	583	583	-	-	2,952	-	2,952	3,535
-	10,861	10,861	-	-	18,593	-	18,593	29,454
-	304	304	-	-	1,505	-	1,505	1,809
-	1,214	1,214	-	-	13,836	-	13,836	15,050
-	579	579	-	-	5,479	-	5,479	6,058
-	320	320	-	-	4,171	-	4,171	4,491
-	1,021	1,021	-	-	8,050	-	8,050	9,071
1,166	1,548	2,714	-	-	10,989	-	10,989	13,703
-	1,963	1,963	-	-	21,521	-	21,521	23,484
-	738	738	-	-	2,725	-	2,725	3,463
-	-	-	-	-	59	-	59	59
-	8,038	8,038	-	-	42,251	-	42,251	50,289
-	1,457	1,457	-	-	28,079	-	28,079	29,536
-	6,021	6,021	1,577	11,280	-	-	12,857	18,878
-	24,346	24,346	63,074	95,527	-	-	158,601	182,947
$ 2,973	**$ 85,356**	**$ 88,329**	**$ 64,651**	**$ 106,807**	**$ 324,241**	**$ (2,045)**	**$ 493,654**	**$ 581,983**

NORMAN COUNTY
ADA, MINNESOTA

BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2017

	Assets						
			Special Assessments Receivable		Due from		
	Cash	Undistributed Cash	Delinquent	Noncurrent	Other Funds	Advance to Watershed	Total
Presented as							
Ditch Special Revenue Fund	$ 322,566	$ 2,463	$ 450	$ 54,679	$ -	$ -	$ 380,158
Ditch Debt Service Fund	106,274	274	2,463	28,163	-	64,651	201,825
Total	**$ 428,840**	**$ 2,737**	**$ 2,913**	**$ 82,842**	**$ -**	**$ 64,651**	**$ 581,983**

EXHIBIT E-2
(Continued)

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows of Resources, 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**	
$ 2,973	$ 54,989	$ 57,962	$ -	$ -	$ 324,241	$ (2,045)	$ 322,196	$ 380,158
-	30,367	30,367	64,651	106,807	-	-	171,458	201,825
$ 2,973	**$ 85,356**	**$ 88,329**	**$ 64,651**	**$ 106,807**	**$ 324,241**	**$ (2,045)**	**$ 493,654**	**$ 581,983**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT E-3

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

Appropriations and Shared Revenue		
State		
Highway users tax	$	4,941,730
County program aid		126,711
PERA rate reimbursement		23,107
Disparity reduction aid		15,682
Police aid		51,783
Aquatic invasive species aid		13,353
Riparian Protection Aid		160,000
Market value credit		179,312
Total appropriations and shared revenue	**$**	**5,511,678**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**462,442**
Payments		
Local		
Payments in lieu of taxes	$	51,323
Mahnomen County		88,968
Total payments	**$**	**140,291**
Grants		
State		
Minnesota Department/Board of		
Public Safety	$	92,640
Transportation		277,397
Health		129,587
Natural Resources		23,642
Human Services		458,901
Veterans Affairs		7,500
Water and Soil Resources		49,750
Pollution Control Agency		77,638
Peace Officer Standards and Training Board		1,908
Supreme Court		12,000
Total state	**$**	**1,130,963**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT E-3
(Continued)

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

Grants (Continued)		
Federal		
Department of		
Agriculture	$	102,407
Justice		39,152
Transportation		385,750
Education		4,833
Health and Human Services		774,818
Homeland Security		12,846
Total federal	**$**	**1,319,806**
Total state and federal grants	**$**	**2,450,769**
Total Intergovernmental Revenue	**$**	**8,565,180**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT E-4

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Polk Norman Mahnomen Community Health Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00106	$ 50,128
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	70,147
Total U.S. Department of Agriculture			**$ 120,275**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVSP-2017-NORM-00020	**$ 39,152**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	00054	**$ 408,923**
U.S. Department of Education			
Passed Through Polk Norman Mahnomen Community Health Board			
Special Education - Grants for Infants and Families	84.181	83869	**$ 3,866**
U.S. Department of Health and Human Services			
Passed Through Polk Norman Mahnomen Community Health Board			
Public Health Emergency Preparedness	93.069	65498	$ 27,377
Public Health Emergency Preparedness	93.069	127907	14,397
(Total Public Health Emergency Preparedness 93.069 $41,774)			
Drug-Free Communities Support Program Grants	93.276	5H79SP020911-02	1,304
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	102306	29,721
TANF Cluster			
Temporary Assistance for Needy Families	93.558	127473	32,911
(Total Temporary Assistance for Needy Families 93.558 $117,348)			
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	118491	52,063
Maternal and Child Health Services Block Grant to the States	93.994	86859	21,992

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, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number		Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1601MNFPSS		5,771
TANF Cluster				
Temporary Assistance for Needy Families	93.558	1601MNTANF		84,437
(Total Temporary Assistance for Needy Families 93.558 $117,348)				
Child Support Enforcement	93.563	1704MNCSES		103,394
Refugee and Entrant Assistance - State-Administered Programs	93.566	1701MNRCMA		188
CCDF Cluster				
Child Care and Development Block Grant	93.575	G1701MNCCDF		1,899
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG		6,357
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS		3,165
Foster Care - Title IV-E	93.658	1701MNFOST		29,104
Social Services Block Grant	93.667	G-1701MNSOSR		70,350
Chafee Foster Care Independence Program	93.674	G-1601MNCILP		3,017
Children's Health Insurance Program	93.767	05-1705MN0301		94
Medicaid Cluster				
Medical Assistance Program	93.778	05-1705MN5ADM		332,339
Medical Assistance Program	93.778	05-1705MN5MAP		2,408
(Total Medical Assistance Program 93.778 $334,747)				
Total U.S. Department of Health and Human Services			**$**	**822,288**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	F-EMPG-2017-NORMANCO-2390	**$**	**12,846**
Total Federal Awards			**$**	**1,407,350**

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

Totals by Cluster

Total expenditures for SNAP Cluster	$	70,147
Total expenditures for Highway Planning and Construction Cluster		408,923
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster		81,784
Total expenditures for TANF Cluster		117,348
Total expenditures for CCDF Cluster		1,899
Total expenditures for Medicaid Cluster		334,747

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

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NORMAN COUNTY
ADA, MINNESOTA

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

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by 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, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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 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	$	1,319,806
Grants received more than 60 days after year-end, deferred in 2017		
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)		7,777
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)		10,091
Highway Planning and Construction (CFDA No. 20.205)		23,173
Promoting Safe and Stable Families (CFDA No. 93.556)		423
Temporary Assistance for Needy Families (CFDA No. 93.558)		30,411
Child Support Enforcement (CFDA No. 93.563)		19,676
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		278
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)		4,946
Grants unavailable in 2016, recognized as revenue in 2017		
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 93.994)		(4,946)
Special Education - Grants for Infants and Families (CFDA No. 84.181)		(967)
Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)		(3,318)
Expenditures Per Schedule of Expenditures of Federal Awards	$	1,407,350

Management and Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 20, 2018.

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 a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1996-006, that we consider to be a significant deficiency.

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 administers no tax increment financing districts.

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 Matter

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

Purpose of This Report

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

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

July 20, 2018

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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 the 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, 2017. 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Basis for Qualified Opinion on Highway Planning and Construction Cluster (CFDA No 20.205)
As described in the accompanying Schedule of Findings and Questioned Costs, Norman County did not comply with requirements regarding CFDA No. 20.205 Highway Planning and Construction Cluster as described in finding number 2017-001 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction Cluster (CFDA No 20.205)
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Highway Planning and Construction Cluster for the year ended December 31, 2017.

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

Report on Internal Control Over Compliance

Management of 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness.

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

Purpose of This Report

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

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

July 20, 2018

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NORMAN COUNTY
ADA, MINNESOTA

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with 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? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Qualified**

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

The major program is:

Highway Planning and Construction Cluster	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? **Yes**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 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 training of a new employee, 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.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number 2017-001

Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Transportation's Highway Planning and Construction Cluster (CFDA No. 20.205), Award No. 00054, 2017

Pass-Through Agency: Minnesota Department of Transportation

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in this regulation. The Uniform Guidance provides for a grace period for implementation of the new procurement standards provided that election is documented with the choice to use previous procurement standards.

Condition: The County's written procurement policy did not have the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318, including provisions for written standards of conduct and suspension and debarment. The County did not enact the waiver offered by the Uniform Guidance for implementation of the new procurement standards.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs entity-wide. Written policies that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements. The County did adopt procurement policies in December 2016; however, additional information related to the Uniform Guidance will need to be added.

Effect: Noncompliance with federal program requirements. Additionally, written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements could increase the risk of noncompliance with federal program requirements.

Cause: The County was not aware of the changes to procurement requirements under the Uniform Guidance.

Recommendation: We recommend the County implement and adhere to written procurement policies addressing all the specific components of the Uniform Guidance requirements. The County should also implement procedures to provide assurance that staff are aware of changes to federal award requirements.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 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: One of the 36 individual ditch systems had a deficit cash balance of $2,045 at December 31, 2017. This is less than the prior year, when 2 of the 36 individual ditch systems had deficit cash balances totaling $10,903.

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.

View of Responsible Official: Concur

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

Finding Number 2017-002

Solid Waste Special Revenue Fund Deficit Fund Balance

Criteria: Assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance.

Condition: As of December 31, 2017, the assets in the County's Solid Waste Special Revenue Fund did not exceed liabilities, resulting in a deficit fund balance.

Context: As of December 31, 2017, the Solid Waste Special Revenue Fund had a deficit fund balance of $62,487.

Effect: A fund with a deficit fund balance is, in effect, borrowing from County funds with positive fund balances.

Cause: The Environmental Services Director noted that costs have increased over the programs and that the SCORE revenue is not enough to cover those expenditures. The Solid Waste Special Revenue Fund has had excess expenditures over revenues over the past two years.

Recommendation: We recommend the County more closely monitor the fund balance and eliminate the deficit fund balance by increasing revenues or appropriating sufficient funds to cover expenditures.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEM RESOLVED

2011-001 Network/Application Password Controls

Norman County Auditor-Treasurer's Office

Donna J. Hanson, Auditor-Treasurer
PO Box 266
Ada MN 56510
218-784-5471

REPRESENTATION OF NORMAN COUNTY
ADA, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 1996-006
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned:

Due to the number of county staff working in financial positions in Norman County it is extremely difficult to have proper segregation of duties. County officials and management will need to be ever mindful of the situation and vigilant efforts to ensure internal controls are in place and procedures are being followed by staff. The Auditor-Treasurer's Office has made every effort to have one individual preparing the bank deposit while another individual takes the deposit to the bank. I am currently looking to find more ways to ensure that the same individual is not receipting funds, billing, recording and balancing of bank statements, etc. I will bring to the Dept Head meetings on occasion the reminders to segregate duties if at all possible within each department when accepting funds, creating invoices, recording and reconciliation of accounts.

Anticipated Completion Date:

With the number of staff the county has in financial positions, I don't believe this will ever truly be completed, but maintaining a watchful eye and continuing to implement oversight procedures when possible, will assist us in management of segregation of duties. With the limited number of staff available during vacations, illness, or training opportunities, there will be instances where those with record keeping responsibilities will be required to assist in receipt collections and those assigned custody functions will be required to assist in posting, etc.

Finding Number: 2017-001
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: Highway Planning and Construction Cluster (CFDA No. 20.205)

Name of Contact Person Responsible for Corrective Action:

James Brue, County Attorney, Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned:

Attorney Brue is working on amending the Procurement Policy approved in December 2016. He is hoping to bring changes to the County Board for approval sometime in August of 2018. Auditor-Treasurer Hanson will be keeping a watchful eye to make sure that these changes/amendments are brought before the County Board at some time in the near future, and if not will remind Attorney Brue of the need.

Anticipated Completion Date:

October, 2018

Finding Number: 1996-001
Finding Title: Ditch Fund Cash Deficits

Name of Contact Person Responsible for Corrective Action:

Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned:

In 2017 Norman County did get the ditches that were in a negative balance at the end of 2016 to a positive balance before year end. However, we did have another ditch that showed a negative balance at year end. In 2018 we will make every effort to check all ditch balances beginning December 1st, to try to avoid having a ditch with a negative balance at year end. I will be placing a reminder on my calendar to check all ditch balances and if necessary, transfer money from one ditch to another or make a loan from the revenue fund to put the ditch in a positive balance. This can be difficult to successfully project as there are times we receive a billing for a ditch at the time of the last board meeting to pay bills for year end, and we may not run balances again at that time to make the transfer. We will make every effort to try to have all ditch balances with a positive balance at the end of 2018.

Anticipated Completion Date:

December 2018.

Finding Number: 2017-002
Finding Title: Solid Waste Special Revenue Fund Deficit Fund Balance

Name of Contact Person Responsible for Corrective Action:

Garry Johanson, Environmental Services Officer; Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned:

In 2018 the County Board recommended that Mr. Johanson not hold a Household Hazardous Waste Collection due to the cost of providing this service, and to move to holding this on an every other year basis in an effort to cut expenditures in this program. At the time that budgets were discussed and levy set for 2018, there was considerable discussion regarding raising the levy for the Solid Waste Fund or increasing the solid waste assessment fees, however, the board did not take action on either, in fact, they decreased the levy from 2017. In 2018 I will make a special note on my calendar to look at the fund balance for the Solid Waste Fund near year end, and if needed transfer money to that fund from the General Revenue Fund to avoid having a negative balance.

Anticipated Completion Date:

December 2018

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Norman County Auditor-Treasurer's Office

Donna J. Hanson, Auditor-Treasurer
PO Box 266
Ada MN 56510
218-784-5471

REPRESENTATION OF NORMAN COUNTY
ADA, MINNESOTA

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

Finding Number: 1996-006
Finding Title: Segregation of Duties

Summary of 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.

Summary of Corrective Action Previously Reported: With the small number of County staff working in the financial positions in the County, it will be extremely difficult to have proper segregation of duties. However, County officials and management will need to be ever mindful of the situation and vigilant in efforts to ensure that internal controls are in place and procedures are being followed by staff. We will also need to implement oversight procedures when possible (i.e., this past year, the Auditor-Treasurer's Office has made an effort to be sure that the individual preparing the bank deposit is not the same person actually taking the deposit to the bank). I will bring this finding to each department that receives payment for services, encouraging those department heads to be ever mindful of the segregation of duties, involving the acceptance of funds, billing, recording and balancing of bank statements, and asking if they can see a better way to carry out these duties while still maintaining a vigilant watchful eye.

Status: Not Corrected. With the limited number of staff in financial positions within Norman County, it is extremely difficult to properly segregate duties effectively to maintain proper internal control. However, the Auditor-Treasurer's Office is mindful of these issues and continues to strive to implement oversight procedures when possible. In 2017 we made every effort to have a different individual take the bank deposit to the bank from the individual who prepared the deposit. As staff that was hired in 2017 becomes more familiar with duties, it should also make some segregation of duties more attainable when those with custody functions will not need to be training and assisting with receipt duties and posting duties. I do not believe Norman County will ever fully achieve segregation of duties necessary for adequate internal controls, but we will find small ways in which to enhance our controls. I will bring this issue before the Dept Heads at a meeting to keep them ever mindful of internal controls, also.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2011-001
Finding Title: Network/Application Password Controls

Summary of 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.

Summary of Corrective Action Previously Reported: Our Mid-State Computer Co-op talked about security at our annual meeting the end of March. We had a meeting planned for May 5, 2017, along with our provider for the mainframe, Chad Swanson of Computer Professionals Unlimited, Inc., Morris Electronics, who serves as IT for many of the counties in the Co-op and American Communications, also inviting counties to bring their IT people if they have their own in-house staff. We were going to address security issues and questions that had been brought forward by auditors, and others. However, I just received notice this morning that it was going to have to be rescheduled due to conflicts with one of the presenter's due to medical reasons. Due to this meeting being rescheduled much later in the year, A/T Hanson contacted Morris Electronics who provides our IT services and was able to have them strengthen our network security with changes to password controls and complexity.

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

Finding Number: 1996-001
Finding Title: Ditch Fund Cash Deficits

Summary of Condition: Two of the 36 individual ditch systems had deficit cash balances totaling $10,903 at December 31, 2016. This amount decreased from the prior year, when 3 of the 36 individual ditch systems had deficit cash balances totaling $27,996.

Summary of Corrective Action Previously Reported: In 2017, I was able to convince the Board to levy 200% on County Ditch 8 with the hope that we would bring it into the black by the end of 2017. County Ditch 6 should have no problem moving into the black in 2017. If we do not collect enough taxes to achieve bringing CD 8 into the black close to year-end, we will look at borrowing from a ditch that has a positive balance, and then when we achieve collecting enough to pay back the funds borrowed from a ditch, we will repay with interest the sum that was borrowed. I am placing a reminder in my computer calendar to check ditch balances before the second December Board meeting in order to draft a resolution to present to the Board at that time which would authorize the transfer/borrowing of money from one ditch to the other to avoid cash deficits in the Ditch Fund.

Status: Partially Corrected. In 2017, the two ditches that were in a negative balance at year end 2016 did achieve a positive balance by year end 2017. However, an additional ditch required work and the board was aware that they were probably going to send it into a negative balance, but agreed to do the work in 2017. I had not put that ditch on my radar to check the balance before year end, and therefore, we had the issue of having another ditch with a negative balance. In 2018, I will try to watch all ditch balances near year end, and if necessary transfer funds from the Revenue Fund or a Ditch fund that has a healthy balance in order to keep the ditches all with positive year-end balances.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___