

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

NORMAN COUNTY
ADA, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 public pension funds; and

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

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

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

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**NORMAN COUNTY
ADA, MINNESOTA**

Year Ended December 31, 2018



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

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position – Governmental Activities	1	12
Statement of Activities	2	14
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	15
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	19
Fiduciary Funds		
Statement of Fiduciary Net Position	7	20
Notes to the Financial Statements		21
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	71
Road and Bridge Special Revenue Fund	A-2	74
Social Services Special Revenue Fund	A-3	75
Schedule of Changes in Total OPEB Liability and Related Ratios	A-4	76

**NORMAN COUNTY
ADA, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section		
Required Supplementary Information (Continued)		
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-5	77
Schedule of Contributions	A-6	78
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-7	79
Schedule of Contributions	A-8	79
Notes to the Required Supplementary Information		80
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet	B-1	87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	86
Combining Balance Sheet – Nonmajor Special Revenue Funds	C-1	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Special Revenue Funds	C-2	92
Budgetary Comparison Schedules		
County Homes Special Revenue Fund	C-3	94
Public Health Special Revenue Fund	C-4	95
Solid Waste Special Revenue Fund	C-5	96
Fiduciary Funds		
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	D-1	98
Schedules		
Schedule of Deposits and Investments	E-1	101
Balance Sheet – By Ditch – Ditch Special Revenue and Ditch Debt Service Funds	E-2	102
Schedule of Intergovernmental Revenue	E-3	106
Schedule of Expenditures of Federal Awards	E-4	108
Notes to the Schedule of Expenditures of Federal Awards		110

**NORMAN COUNTY
ADA, MINNESOTA**

**TABLE OF CONTENTS
(Continued)**

	<u>Exhibit</u>	<u>Page</u>
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		112
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		115
Schedule of Findings and Questioned Costs		118
Corrective Action Plan		128
Summary Schedule of Prior Audit Findings		132

This page was left blank intentionally.

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2018

		<u>Term Expires</u>
Elected		
Commissioners		
Board Member	Marvin Gunderson	District 1 January 2021
Vice Chair	Nathan Redland	District 2 January 2019
Board Member	Steve Jacobson	District 3 January 2021
Board Member	Lee Ann Hall	District 4 January 2019
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
Court Administrator	Camille Bessler	Indefinite
Emergency Services	Garry Johanson	May 2020
Veterans Service Officer	John Rosenberger	December 2020
Social Services Board		
Chair	Steven Bommersbach	January 2021
Vice Chair	Nathan Redland	January 2019
Secretary	Marian Cerkowniak	May 2021
Member	Marvin Gunderson	January 2021
Member	Steve Jacobson	January 2021
Member	Lee Ann Hall	January 2019
Member	Angie Nelson	May 2021
Director	Kristi Nelson	Indefinite

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

This page was left blank intentionally.

This page was left blank intentionally.



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Norman County
Ada, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2018, 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, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Norman County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying

accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary 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 June 12, 2019, 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 12, 2019

This page was left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. 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 \$70,495,705 at the close of 2018. Of this amount, \$3,882,531 (unrestricted net position) may be used to meet Norman County's ongoing obligations to citizens and creditors.

The County's net position increased by \$3,275,440 for the year ended December 31, 2018.

At the close of 2018, Norman County's governmental funds reported combined ending fund balances of \$9,209,200, an increase of \$1,622,084 in comparison with the prior year.

At the close of 2018, unrestricted fund balance for the General Fund was \$4,675,084, or 95.86 percent of total General Fund expenditures.

Norman County currently has \$171,300 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 \$70,495,705 at the close of 2018. The largest portion of Norman County's net position (88.7 percent) reflects its investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

Governmental Net Position

	2018	2017
Assets		
Current and other assets	\$ 13,082,932	\$ 10,914,855
Capital assets	62,504,160	61,517,961
Total Assets	\$ 75,587,092	\$ 72,432,816
Deferred Outflows of Resources		
Deferred pension outflows	\$ 1,322,786	\$ 1,791,462
Deferred other postemployment benefits outflows	17,310	-
Total Deferred Outflows of Resources	\$ 1,340,096	\$ 1,791,462
Liabilities		
Long-term liabilities outstanding	\$ 4,342,520	\$ 4,964,183
Other liabilities	540,721	482,044
Total Liabilities	\$ 4,883,241	\$ 5,446,227
Deferred Inflows of Resources		
Deferred pension inflows	\$ 1,503,942	\$ 1,507,490
Prepaid taxes	44,300	64,764
Total Deferred Inflows of Resources	\$ 1,548,242	\$ 1,572,254
Net Position		
Investment in capital assets	\$ 62,504,160	\$ 61,517,961
Restricted	4,109,014	3,354,093
Unrestricted	3,882,531	2,333,743
Total Net Position, as reported	\$ 70,495,705	\$ 67,205,797

The unrestricted net position amount of \$3,882,531 as of December 31, 2018, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Norman County's activities increased net position by \$3,275,440, or 4.87 percent, over the 2017 net position. The key element of the increase was an increase in capital assets.

Changes in Net Position

	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 1,441,565	\$ 1,386,407
Operating grants and contributions	8,213,268	7,452,203
Capital grants and contributions	-	416,539
General revenues		
Property taxes	5,972,537	5,641,825
Gravel taxes	99,604	89,690
Wheelage tax	82,216	88,075
Grants and contributions not restricted to specific programs	724,813	347,915
Other	296,390	248,172
Total Revenues	\$ 16,830,393	\$ 15,670,826
Expenses		
General government	\$ 2,342,130	\$ 1,996,111
Public safety	1,714,647	1,664,487
Highways and streets	5,185,938	5,173,033
Sanitation	396,344	445,483
Human services	2,332,178	2,733,895
Health	795,902	937,100
Culture and recreation	377,893	181,210
Conservation of natural resources	387,214	432,928
Economic development	15,000	-
Interest	7,707	8,106
Total Expenses	\$ 13,554,953	\$ 13,572,353
Increase (Decrease) in Net Position	\$ 3,275,440	\$ 2,098,473
Net Position, January 1, as restated (1)	67,220,265	65,107,324
Net Position, December 31	\$ 70,495,705	\$ 67,205,797

(1) Restatement for change in accounting principles; see Note 1.E.

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 \$9,209,200, an increase of \$1,622,084 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 \$4,675,084, while total fund balance was \$5,378,243. 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 95.86 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, 2018, the unrestricted fund balance of the General Fund is well above the minimum balance established by the Board. In 2018, fund balance in the General Fund increased by \$422,464.

The Road and Bridge Special Revenue Fund’s fund balance increased by \$733,642 in 2018.

The Social Services Special Revenue Fund’s balance increased by \$411,205 in 2018.

General Fund Budgetary Highlights

The actual revenues were higher than budgeted revenues by \$1,126,740, and actual expenditures were higher than budgeted expenditures by \$775,566. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure overrun variances were for unallocated – general government, ambulance, Agassiz Trail project, 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, 2018, was \$62,504,160 (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 1.6 percent.

	Governmental Capital Assets (Net of Depreciation)	
	2018	2017
Land	\$ 965,457	\$ 964,208
Infrastructure	56,881,422	55,979,647
Buildings	1,917,414	2,013,683
Furniture, equipment, and machinery	2,739,867	2,560,423
Total	\$ 62,504,160	\$ 61,517,961

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 \$171,300 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, PO Box 266, Ada, Minnesota 56510.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Assets

Cash	\$ 8,315,967
Taxes receivable – delinquent	108,979
Special assessments receivable	
Delinquent – net	38,131
Noncurrent – net	67,359
Accounts receivable	153,215
Accrued interest receivable	21,597
Due from other governments	3,426,638
Inventories	913,477
Prepaid expenses	4,588
Advance to watershed	32,981
Capital assets	
Non-depreciable	965,457
Depreciable – net of accumulated depreciation	61,538,703
	<hr/>
Total Assets	\$ 75,587,092

Deferred Outflows of Resources

Deferred pension outflows	\$ 1,322,786
Deferred other postemployment benefits outflows	17,310
	<hr/>
Total Deferred Outflows of Resources	\$ 1,340,096

Liabilities

Accounts payable	\$ 179,132
Salaries payable	170,769
Contracts payable	86,820
Due to other governments	95,642
Customer deposits	5,161
Accrued interest payable	3,197
Long-term liabilities	
Due within one year	201,531
Due in more than one year	482,613
Net pension liability	3,350,569
Other postemployment benefits liability	307,807
	<hr/>
Total Liabilities	\$ 4,883,241

Deferred Inflows of Resources

Deferred pension inflows	\$ 1,503,942
Prepaid property taxes	44,300
	<hr/>
Total Deferred Inflows of Resources	\$ 1,548,242

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

Page 12

**NORMAN COUNTY
ADA, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Net Position

Investment in capital assets	\$ 62,504,160
Restricted for	
General government	192,155
Public safety	207,653
Highways and streets	2,905,216
Conservation of natural resources	803,990
Unrestricted	<u>3,882,531</u>
Total Net Position	<u><u>\$ 70,495,705</u></u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 2,342,130	\$ 233,075	\$ 198,116	\$ -
Public safety	1,714,647	82,344	226,984	-
Highways and streets	5,185,938	111,378	5,233,652	-
Sanitation	396,344	279,710	67,729	-
Human services	2,332,178	342,463	1,464,187	-
Health	795,902	333,959	610,096	-
Culture and recreation	377,893	-	142,012	-
Conservation of natural resources	387,214	58,636	270,492	-
Economic development	15,000	-	-	-
Interest	7,707	-	-	-
Total Governmental Activities	\$ 13,554,953	\$ 1,441,565	\$ 8,213,268	\$ -
 General Revenues				
Property taxes				\$ 5,972,537
Gravel taxes				99,604
Wheelage taxes				82,216
Grants and contributions not restricted to specific programs				724,813
Payments in lieu of tax				54,729
Investment earnings				101,034
Miscellaneous				140,627
Total general revenues				\$ 7,175,560
Change in net position				\$ 3,275,440
Net Position – Beginning, as restated (Note 1.E.)				67,220,265
Net Position – Ending				\$ 70,495,705

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash	\$ 5,260,925	\$ 603,847	\$ 1,135,269	\$ 1,121,227	\$ 8,121,268
Petty cash and change funds	4,200	200	-	100	4,500
Undistributed cash in agency funds	105,232	45,053	19,573	20,341	190,199
Taxes receivable – delinquent	61,686	31,923	14,413	957	108,979
Special assessments receivable					
Delinquent	35,144	-	-	2,987	38,131
Noncurrent	-	-	-	67,359	67,359
Accounts receivable	16,599	13,358	35,953	87,305	153,215
Accrued interest receivable	21,597	-	-	-	21,597
Due from other funds	53,565	792	-	1,266	55,623
Due from other governments	58,846	3,065,024	191,057	116,798	3,431,725
Inventories	-	913,477	-	-	913,477
Prepaid items	4,588	-	-	-	4,588
Advance to watershed	-	-	-	32,981	32,981
Total Assets	<u>\$ 5,622,382</u>	<u>\$ 4,673,674</u>	<u>\$ 1,396,265</u>	<u>\$ 1,451,321</u>	<u>\$ 13,143,642</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 54,466	\$ 56,600	\$ 36,447	\$ 31,619	\$ 179,132
Salaries payable	68,861	51,747	33,511	16,650	170,769
Contracts payable	-	86,820	-	-	86,820
Due to other funds	1,266	-	5,331	54,113	60,710
Due to other governments	6,399	31	29,927	59,285	95,642
Customer deposits	1,675	-	-	3,486	5,161
Total Liabilities	<u>\$ 132,667</u>	<u>\$ 195,198</u>	<u>\$ 105,216</u>	<u>\$ 165,153</u>	<u>\$ 598,234</u>
Deferred Inflows of Resources					
Unavailable revenue	\$ 87,488	\$ 2,991,500	\$ 53,022	\$ 159,898	\$ 3,291,908
Prepaid property taxes	23,984	13,990	5,950	376	44,300
Total Deferred Inflows of Resources	<u>\$ 111,472</u>	<u>\$ 3,005,490</u>	<u>\$ 58,972</u>	<u>\$ 160,274</u>	<u>\$ 3,336,208</u>

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

Page 15

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
(Continued)					
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 913,477	\$ -	\$ -	\$ 913,477
Advance to watershed	-	-	-	32,981	32,981
Restricted for					
Debt service	-	-	-	131,259	131,259
Law library	37,697	-	-	-	37,697
Recorder's technology and equipment	37,110	-	-	-	37,110
Real estate tax shortfall	61,760	-	-	-	61,760
E-911	177,301	-	-	-	177,301
Recorder's enhancements	48,013	-	-	-	48,013
Gravel pit restoration	-	-	-	144,391	144,391
Highway maintenance and construction	-	61,848	-	-	61,848
Ditch maintenance and construction	-	-	-	356,248	356,248
K9 Unit	4,972	-	-	-	4,972
Law enforcement	25,380	-	-	-	25,380
Prosecutorial purposes	7,575	-	-	-	7,575
Enforce riparian protection	303,351	-	-	-	303,351
Committed to					
Election equipment	30,500	-	-	-	30,500
Sheriff's contingencies	5,000	-	-	-	5,000
Assigned to					
Highways and streets	-	497,661	-	-	497,661
Human services	-	-	1,232,077	-	1,232,077
County homes	-	-	-	120,756	120,756
Health	-	-	-	403,772	403,772
Unassigned	4,639,584	-	-	(63,513)	4,576,071
Total Fund Balances	\$ 5,378,243	\$ 1,472,986	\$ 1,232,077	\$ 1,125,894	\$ 9,209,200
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,622,382	\$ 4,673,674	\$ 1,396,265	\$ 1,451,321	\$ 13,143,642

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Fund balances – total governmental funds (Exhibit 3)	\$	9,209,200
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.		62,504,160
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,322,786
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,291,908
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (171,300)	
Accrued interest payable	(3,197)	
Compensated absences	(512,844)	
Other postemployment benefits liability	(307,807)	
Net pension liability	<u>(3,350,569)</u>	(4,345,717)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(1,503,942)
Deferred outflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		<u>17,310</u>
Net Position of Governmental Activities (Exhibit 1)	\$	<u>70,495,705</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 3,334,922	\$ 1,918,138	\$ 778,727	\$ 105,699	\$ 6,137,486
Special assessments	210,923	-	-	70,710	281,633
Licenses and permits	18,100	-	-	400	18,500
Intergovernmental	1,409,887	4,830,928	1,562,112	709,566	8,512,493
Charges for services	260,390	111,378	322,412	382,639	1,076,819
Gifts and contributions	764	-	-	-	764
Investment earnings	91,163	3,304	-	-	94,467
Miscellaneous	63,852	70,286	24,179	42,303	200,620
Total Revenues	\$ 5,390,001	\$ 6,934,034	\$ 2,687,430	\$ 1,311,317	\$ 16,322,782
Expenditures					
Current					
General government	\$ 2,309,221	\$ -	\$ -	\$ 19,296	\$ 2,328,517
Public safety	1,665,180	-	-	-	1,665,180
Highways and streets	-	5,872,433	-	-	5,872,433
Sanitation	-	-	-	396,038	396,038
Human services	2,850	-	2,276,225	-	2,279,075
Health	209,888	-	-	842,943	1,052,831
Culture and recreation	370,742	-	-	-	370,742
Conservation of natural resources	318,986	-	-	68,061	387,047
Intergovernmental					
Highways and streets	-	425,525	-	-	425,525
Debt service					
Principal	-	-	-	13,000	13,000
Interest	-	-	-	7,876	7,876
Total Expenditures	\$ 4,876,867	\$ 6,297,958	\$ 2,276,225	\$ 1,347,214	\$ 14,798,264
Excess of Revenues Over (Under) Expenditures	\$ 513,134	\$ 636,076	\$ 411,205	\$ (35,897)	\$ 1,524,518
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 90,670	\$ 90,670
Transfers out	(90,670)	-	-	-	(90,670)
Total Other Financing Sources (Uses)	\$ (90,670)	\$ -	\$ -	\$ 90,670	\$ -
Net Change in Fund Balance	\$ 422,464	\$ 636,076	\$ 411,205	\$ 54,773	\$ 1,524,518
Fund Balance – January 1	4,955,779	739,344	820,872	1,071,121	7,587,116
Increase (decrease) in inventories	-	97,566	-	-	97,566
Fund Balance – December 31	\$ 5,378,243	\$ 1,472,986	\$ 1,232,077	\$ 1,125,894	\$ 9,209,200

**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, 2018**

Net change in fund balances – total governmental funds (Exhibit 5) \$ 1,524,518

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 3,001,476	
Current year depreciation	<u>(2,015,277)</u>	986,199

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

Unavailable revenue – December 31	\$ 3,291,908	
Unavailable revenue – January 1	<u>(2,784,297)</u>	507,611

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		13,000

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	\$ 169	
Change in compensated absences	(58,377)	
Change in other postemployment benefits liability	2,026	
Change in net pension liability	650,546	
Change in deferred pension outflows	(468,676)	
Change in deferred pension inflows	3,548	
Change in deferred other postemployment benefits outflows	17,310	
Change in inventories	<u>97,566</u>	<u>244,112</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,275,440

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	<u>Agency</u>
<u>Assets</u>	
Cash	\$ 214,427
Due from other funds	5,299
Total Assets	\$ 219,726
<u>Liabilities</u>	
Accounts payable	\$ 410
Due to other funds	212
Due to other governments	186,193
Funds held in trust	32,911
Total Liabilities	\$ 219,726

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. 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, Related Organizations, and Jointly-Governed Organizations

The County participates in joint ventures, related organizations, and jointly-governed organizations described in Notes 5.B., 5.C., and 5.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

**NORMAN COUNTY
ADA, MINNESOTA**

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.

**NORMAN COUNTY
ADA, MINNESOTA**

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 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.

**NORMAN COUNTY
ADA, MINNESOTA**

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 2018 were \$94,467.

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.

**NORMAN COUNTY
ADA, MINNESOTA**

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, 2018, was \$32,981. The balance plus accrued interest will be repaid in annual installments of \$34,450.

5. Inventories and Prepaid Items

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.

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

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:

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Capital Assets (Continued)

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

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

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

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

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. The compensated absences liability is primarily liquidated by the General Fund and the Road and Bridge, Social Services, and Public Health Special Revenue Funds.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 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. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) 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

**NORMAN COUNTY
ADA, MINNESOTA**

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)

arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. 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 reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting 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.

**NORMAN COUNTY
ADA, MINNESOTA**

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.

**NORMAN COUNTY
ADA, MINNESOTA**

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 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.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Minimum Fund Balance (Continued)

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. Restatement of Net Position

Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes the amount employers report as OPEB expense and defers some allocations of expenses to future years as deferred outflows or inflows of resources. This statement also requires additional note disclosures and schedules in the required supplementary information. Beginning net position has been restated to reflect this change.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Net Position

Change in Accounting Principles (Continued)

	Governmental Activities
Net Position, January 1, 2018, as previously reported	\$ 67,205,797
Change in accounting principles	14,468
Net Position, January 1, 2018, as restated	\$ 67,220,265

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 \$63,513 as of December 31, 2018. The fund balance deficit will be eliminated through future collections.

B. Excess of Expenditures Over Budget

The following nonmajor fund had expenditures in excess of budget for the year ended December 31, 2018.

	Expenditures	Budget	Excess
Public Health Special Revenue Fund	\$ 842,943	\$ 810,986	\$ 31,957

**NORMAN COUNTY
ADA, MINNESOTA**

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	\$ 8,315,967
Fiduciary funds	
Cash	
Agency funds	<u>214,427</u>
Total Cash	<u>\$ 8,530,394</u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2018, the County's deposits were not exposed to custodial credit risk.

**NORMAN COUNTY
ADA, MINNESOTA**

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.

The County does not have additional policies for the investment risks described hereafter beyond complying with the requirements of Minnesota statutes.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County invests only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2018, \$14,196 of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. The County does not have a specific policy governing concentration of credit risk. At December 31, 2018, the County's investments were primarily in negotiable certificates of deposit.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

The following table presents the County’s deposit and investment balances at December 31, 2018, and information relating to potential investment risk:

Investment Type	Concentration of Credit Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
Investments			
Negotiable certificates of deposit			\$ 3,250,000
Deposits			5,275,894
Petty cash and change funds			4,500
			<u>4,500</u>
Total Cash and Investments			<u>\$ 8,530,394</u>

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2018, the County had the following recurring fair value measurements.

	December 31, 2018	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Negotiable certificates of deposit	\$ 3,250,000	\$ -	\$ 3,250,000	\$ -

All Level 2 debt securities are valued using a matrix pricing technique based on the securities' relationship to benchmark quoted prices.

2. Receivables

Receivables as of December 31, 2018, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 108,979	\$ -
Special assessments	105,490	67,359
Accounts	153,215	-
Interest	21,597	-
Due from other governments	3,426,638	-
Advance to watershed	32,981	-
Total	\$ 3,848,900	\$ 67,359

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 964,208	\$ 1,249	\$ -	\$ 965,457
Capital assets depreciated				
Buildings	\$ 4,043,756	\$ -	\$ -	\$ 4,043,756
Machinery, furniture, and equipment	6,459,894	621,095	304,812	6,776,177
Infrastructure	79,347,461	2,379,132	-	81,726,593
Total capital assets depreciated	\$ 89,851,111	\$ 3,000,227	\$ 304,812	\$ 92,546,526
Less: accumulated depreciation for				
Buildings	\$ 2,030,073	\$ 96,269	\$ -	\$ 2,126,342
Machinery, furniture, and equipment	3,899,471	441,651	304,812	4,036,310
Infrastructure	23,367,814	1,477,357	-	24,845,171
Total accumulated depreciation	\$ 29,297,358	\$ 2,015,277	\$ 304,812	\$ 31,007,823
Total capital assets depreciated, net	\$ 60,553,753	\$ 984,950	\$ -	\$ 61,538,703
Governmental Activities Capital Assets, Net	\$ 61,517,961	\$ 986,199	\$ -	\$ 62,504,160

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

General government	\$ 73,419
Public safety	85,561
Culture and recreation	7,151
Highways and streets, including depreciation of infrastructure assets	1,820,111
Human services	29,035
Total Depreciation Expense	\$ 2,015,277

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	\$ 32
	Public Health Special Revenue Fund	235
	Solid Waste Special Revenue Fund	53,086
	Agency Funds	212
		<u>53,565</u>
Total due to General Fund		<u>\$ 53,565</u>
Road and Bridge Special Revenue Fund	Ditch Special Revenue Fund	\$ 147
	County Homes Special Revenue Fund	645
		<u>792</u>
Total due to Road and Bridge Special Revenue Fund		<u>\$ 792</u>
Public Health Special Revenue Fund	General Fund	\$ 393
Solid Waste Special Revenue Fund	General Fund	\$ 873
Children's Collaborative (Serving Norman County Families) Agency Fund	Social Services Special Revenue Fund	\$ 5,299
Total Due To/From Other Funds		<u>\$ 60,922</u>

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.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfer to Public Health Special Revenue Fund from General Fund	<u>\$</u>	90,670	To cover the annual appropriation.
---------------------------------------------------------------------	-----------	--------	---------------------------------------

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2018, were as follows:

Accounts	\$	179,132
Salaries		170,769
Contracts		86,820
Due to other governments		95,642
Interest		3,197
Customer deposits		<u>5,161</u>
Total Payables	\$	<u>540,721</u>

2. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds 2010A G.O. Watershed Bonds	2031	\$6,000 – \$15,000	1.00 – 5.25	\$ 247,300	<u>\$ 171,300</u>

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2019	\$ 14,000	\$ 7,440
2020	14,000	6,953
2021	13,500	6,445
2022	11,000	5,968
2023	11,000	5,518
2024 – 2028	64,000	19,322
2029 – 2031	43,800	3,470
Total	<u>\$ 171,300</u>	<u>\$ 55,116</u>

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

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 184,300	\$ -	\$ 13,000	\$ 171,300	\$ 14,000
Compensated absences	454,467	421,965	363,588	512,844	187,531
Total Long-Term Liabilities	<u>\$ 638,767</u>	<u>\$ 421,965</u>	<u>\$ 376,588</u>	<u>\$ 684,144</u>	<u>\$ 201,531</u>

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

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Deferred Inflows of Resources

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

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 71,760	\$ 31,149	\$ -	\$ 8,563	\$ 111,472
Special Revenue					
Road and Bridge	38,430	-	2,965,642	1,418	3,005,490
Social Services	17,079	-	41,893	-	58,972
Nonmajor governmental funds					
Ditch Special Revenue	271	48,729	-	-	49,000
Ditch Debt Service	2,424	18,629	-	-	21,053
Public Health	-	-	35,137	14,418	49,555
Solid Waste	1,126	39,540	-	-	40,666
Total All Funds	<u>\$ 131,090</u>	<u>\$ 138,047</u>	<u>\$ 3,042,672</u>	<u>\$ 24,399</u>	<u>\$ 3,336,208</u>
Deferred inflows of resources					
Unavailable revenue	\$ 86,790	\$ 138,047	\$ 3,042,672	\$ 24,399	\$ 3,291,908
Prepaid property taxes	44,300	-	-	-	44,300
Totals	<u>\$ 131,090</u>	<u>\$ 138,047</u>	<u>\$ 3,042,672</u>	<u>\$ 24,399</u>	<u>\$ 3,336,208</u>

D. 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.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Plan Description (Continued)

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Retirees or spouses currently receiving benefit payments	1
Active plan participants	<u>85</u>
Total	<u><u>86</u></u>

Total OPEB Liability

The County's total OPEB liability of \$307,807 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.50 percent, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The current year discount rate is 3.30 percent based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions are currently based on a combination of historical information, projected future data, and the most recent actuarial experience studies for PERA.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

The method to develop starting claims costs, by age adjusting the premium information, was done under the Alternative Measurement Method.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018	\$ 309,833
Changes for the year	
Service cost	\$ 32,859
Interest	10,565
Benefit payments	(45,450)
Net change	\$ (2,026)
Balance at December 31, 2018	\$ 307,807

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	\$ 326,228
Current	3.30	307,807
1% Increase	4.30	290,368

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 281,756
Current	6.50% Decreasing to 5.00%	307,807
1% Increase	7.50% Decreasing to 6.00%	338,208

OPEB Expense and Deferred Outflows of Resources

For the year ended December 31, 2018, the County recognized OPEB expense of (\$2,026). The County reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources
Contributions made subsequent to the measurement date	\$ 17,310

The \$17,310 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated

E. 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 (the General Employees Plan) and the Public Employees Police and Fire Plan (the 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 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 Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Norman County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

1. Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the 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 five 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 5.00 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 Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 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 1.00 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 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

member is 1.20 percent of average salary for each of the first 10 years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service.

For General Employees 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 the Police and Fire Plan, 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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018.

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20

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

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	\$	268,597
Police and Fire Plan		70,639

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

4. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of \$2,912,485 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.0525 percent. It was 0.0515 percent measured as of June 30, 2017. The County recognized pension expense of \$90,726 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$22,269 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 Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The County's proportionate share of the net pension liability	\$	2,912,485
State of Minnesota's proportionate share of the net pension liability associated with the County		95,496
Total	\$	3,007,981

The County reported its proportionate share of the General Employees 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	\$ 75,685	\$ 80,898
Changes in actuarial assumptions	264,967	322,982
Difference between projected and actual investment earnings	-	304,633
Changes in proportion	240,587	45,346
Contributions paid to PERA subsequent to the measurement date	136,428	-
Total	\$ 717,667	\$ 753,859

The \$136,428 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2019	\$ 163,290
2020	(57,471)
2021	(217,653)
2022	(60,786)

Police and Fire Plan

At December 31, 2018, the County reported a liability of \$438,084 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.041 percent. It was 0.036 percent measured as of June 30, 2017. The County recognized pension expense of \$63,023 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$3,699 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 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.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

The County reported its proportionate share of the 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	\$ 16,389	\$ 92,660
Changes in actuarial assumptions	477,063	566,709
Difference between projected and actual investment earnings	-	90,714
Changes in proportion	75,942	-
Contributions paid to PERA subsequent to the measurement date	35,725	-
Total	\$ 605,119	\$ 750,083

The \$35,725 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, 2019. 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
2019	\$ 6,784
2020	(10,040)
2021	(42,871)
2022	(144,591)
2023	10,029

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$153,749.

5. Actuarial Assumptions

The total pension liability in the June 30, 2018, 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

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. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. 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 Plan and the 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 and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions

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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

8. Pension Liability Sensitivity (Continued)

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 4,733,161	6.50%	\$ 939,279
Current	7.50	2,912,485	7.50	438,084
1% Increase	8.50	1,409,569	8.50	23,616

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.

F. Defined Contribution Plan

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

F. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Norman County during the year ended December 31, 2018, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,949	\$ 1,949
Percentage of covered payroll	5.00%	5.00%

4. 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 claim in 2018 and 2019. 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.

**NORMAN COUNTY
ADA, MINNESOTA**

5. 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.

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 (ten percent), Polk County (85 percent), and Red Lake County (five percent).

Tri-County Community Corrections has no long-term debt. Financing is provided by state, federal, and local grants; charges for services; appropriations from member counties; and adequate rates charged so that no member county receives an additional financial benefit or burden.

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Community Corrections (Continued)

Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Norman County's contribution for 2018 was \$478,351.

Complete financial information can be obtained from Tri-County Community Corrections, 600 Bruce Street, 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 2018 was \$4,030.

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

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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, Mahnommen, 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 its City Council, and one representative appointed by the Tribal Council from each tribal 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.

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 did not make any contributions during 2018.

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Emergency Communications Board (Continued)

Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 – 4th Street Northwest, Suite 310, Bemidji, Minnesota 56601.

Pine to Prairie Drug and Violent Crime Task Force

The Pine to Prairie Drug and Violent Crime Task Force was established 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 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.

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 six members or more than 14 members designated by each participating full member, and up to five 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.

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

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.

During 2018, Norman County did not contribute to the Pine to Prairie Drug and Violent Crime Task Force.

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.

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.

**NORMAN COUNTY
ADA, MINNESOTA**

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

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, which is composed of seven members appointed by the County Commissioners of Clay, Mahnomen, and Norman Counties. Clay County appoints two members, Mahnomen County appoints two members, and Norman County appoints three members.

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

Northwest Regional Development Commission

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

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Northwest Regional Development Commission (Continued)

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 did not provide any contributions to this organization in 2018.

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

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

Complete financial information can be obtained from the Northwest Regional Development Commission, 109 South Minnesota Street, Warren, Minnesota 56762.

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2018, Norman County contributed \$186 to the Joint Powers Board.

Complete financial statements can be obtained from the offices of the International Coalition for Land/Water Stewardship in the Red River Basin, 119 – 5th Street South, Moorhead, Minnesota 56560.

Children’s Collaborative (Serving Norman County Families)

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

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59 for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Norman County and 22 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of \$3,600,000.

Control is vested in the CPT Board, which consists of one individual appointed by each member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by each member is to be repaid from any excess in fund balance at the end of the fiscal year, in proportion to the initial contribution. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

Financing is primarily from county member contributions. During 2018, Norman County contributed \$175,000 to CPT.

Current financial information can be obtained from the Stevens County Auditor/Treasurer, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

Northwest Private Industry Council, Inc./Workforce Council (WIOA – Northwest Workforce Service Area 1)

The Northwest Minnesota Private Industry Council, Inc., (NWPIC) is a private, non-profit corporation created in 1983 and began operations in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a seven-county area of Northwest Minnesota, including Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. NWPIC provides job training and employment opportunities for economically disadvantaged, under-employed and unemployed persons, and youthful persons in both the private the public sector.

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Northwest Private Industry Council, Inc./Workforce Council (WIOA – Northwest Workforce Service Area 1) (Continued)

The NWPIC, in partnership with the Local Elected Officials Board, is responsible for the development of the local plan for workforce development. The NWPIC consists of up to 20 members from the private and public sectors. The NWPIC is the local government body that oversees the area employment and training programs. The NWPIC consists of one County Commissioner from each county, except Kittson County, who appoints two County Commissioners to the Board.

Norman County did not provide any contributions to this organization in 2018.

Financial information can be obtained by contacting the NWPIC, 1301 Highway 1 East, Thief River Falls, Minnesota 56701.

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 appointees, each with an alternate, who are appointed annually by each respective County Board they represent. Each county also appoints a delegate and alternate to the Board of Directors. Norman County's responsibility does not extend beyond making these appointments.

Lake Agassiz Regional Library

The Lake Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1961, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties, as well as the Cities of Breckenridge, Crookston, Detroit Lakes, Mahnomen, and Moorhead. Control of the Library is vested

**NORMAN COUNTY
ADA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Lake Agassiz Regional Library (Continued)

in the Agassiz Regional Library Board of Trustees, with 23 members with staggered terms made up of the following: one member appointed by each Board of County 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.

In 2018, Norman County provided \$96,760 in the form of an appropriation.

Financial information can be obtained from the Lake Agassiz Regional Library Regional Office, 118 – 5th Street South, Moorhead, Minnesota 56560.

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

The Region Three – Northwest Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. 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 Sentencing to Service (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 Minnesota Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Norman County has no operational or financial control over the STS program and does not budget for a percentage of this program.

**NORMAN COUNTY
ADA, MINNESOTA**

5. 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 an 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 2018.

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 Board.

**NORMAN COUNTY
ADA, MINNESOTA**

5. 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 2018, Norman County did not contribute to the Community Health Board.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,418,331	\$ 3,418,331	\$ 3,334,922	\$ (83,409)
Special assessments	-	-	210,923	210,923
Licenses and permits	8,195	8,195	18,100	9,905
Intergovernmental	514,568	514,568	1,409,887	895,319
Charges for services	250,352	250,352	260,390	10,038
Gifts and contributions	2,500	2,500	764	(1,736)
Investment earnings	25,020	25,020	91,163	66,143
Miscellaneous	44,341	44,341	63,852	19,511
Total Revenues	\$ 4,263,307	\$ 4,263,307	\$ 5,390,001	\$ 1,126,694
Expenditures				
Current				
General government				
Commissioners	\$ 192,650	\$ 192,650	\$ 202,421	\$ (9,771)
Courts	39,750	39,750	31,517	8,233
Law library	8,946	8,946	9,173	(227)
County auditor-treasurer	254,485	254,485	230,765	23,720
County assessor	248,551	248,551	233,634	14,917
Elections	72,900	72,900	102,751	(29,851)
Chief financial officer	71,233	71,233	100,841	(29,608)
Human resources	45,825	45,825	38,241	7,584
Accounting and auditing	65,000	65,000	71,325	(6,325)
Data processing	73,000	73,000	72,546	454
Attorney	186,060	186,060	175,536	10,524
Victim assistance	56,000	56,000	55,333	667
Recorder	283,560	283,560	312,417	(28,857)
Planning and zoning	30,262	30,262	30,830	(568)
County buildings	50,000	50,000	48,302	1,698
Buildings and plant	164,086	164,086	156,659	7,427
Veterans service officer	56,582	56,582	60,950	(4,368)
Cemeteries	75	75	75	-
Unallocated – general government	119,720	119,720	375,905	(256,185)
Total general government	\$ 2,018,685	\$ 2,018,685	\$ 2,309,221	\$ (290,536)

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,019,645	\$ 1,019,645	\$ 1,047,560	\$ (27,915)
K-9	1,500	1,500	471	1,029
Coroner	18,050	18,050	16,408	1,642
Radio tower	500	500	-	500
Hazardous materials training	2,000	2,000	2,786	(786)
Safety coordinator	4,752	4,752	18,752	(14,000)
E-911 system	45,500	45,500	37,150	8,350
Community corrections	478,351	478,351	478,350	1
Civil defense	43,275	43,275	47,560	(4,285)
Police and fire	1,700	1,700	1,587	113
Other public safety	12,800	12,800	14,556	(1,756)
Total public safety	\$ 1,628,073	\$ 1,628,073	\$ 1,665,180	\$ (37,107)
Human services				
Senior citizen centers	\$ 1,850	\$ 1,850	\$ 1,850	\$ -
Retired senior volunteer program	1,000	1,000	1,000	-
Total human services	\$ 2,850	\$ 2,850	\$ 2,850	\$ -
Health				
Ambulance	\$ -	\$ -	\$ 209,727	\$ (209,727)
Wellness program	-	-	161	(161)
Total health	\$ -	\$ -	\$ 209,888	\$ (209,888)
Culture and recreation				
Historical society	\$ 12,650	\$ 12,650	\$ 12,650	\$ -
Agassiz trail project	60,000	60,000	260,532	(200,532)
Winter shows	800	800	800	-
County library	96,760	96,760	96,760	-
Celebrations	420	420	-	420
Total culture and recreation	\$ 170,630	\$ 170,630	\$ 370,742	\$ (200,112)

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Cooperative extension	\$ 138,468	\$ 138,468	\$ 133,402	\$ 5,066
Soil and water conservation	65,200	65,200	65,200	-
Agricultural society	12,150	12,150	35,150	(23,000)
Aquatic invasive species	-	-	13,242	(13,242)
Riparian protection aid	57,860	57,860	8,675	49,185
Forfeited tax	-	-	2,484	(2,484)
Weed control	200	200	258	(58)
Predator control	3,686	3,686	5,290	(1,604)
Water planning	3,499	3,499	55,285	(51,786)
Total conservation of natural resources	\$ 281,063	\$ 281,063	\$ 318,986	\$ (37,923)
Total Expenditures	\$ 4,101,301	\$ 4,101,301	\$ 4,876,867	\$ (775,566)
Excess of Revenues Over (Under) Expenditures	\$ 162,006	\$ 162,006	\$ 513,134	\$ 351,128
Other Financing Sources (Uses)				
Transfers out	(90,670)	(90,670)	(90,670)	-
Net Change in Fund Balance	\$ 71,336	\$ 71,336	\$ 422,464	\$ 351,128
Fund Balance – January 1	4,955,779	4,955,779	4,955,779	-
Fund Balance – December 31	\$ 5,027,115	\$ 5,027,115	\$ 5,378,243	\$ 351,128

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,962,513	\$ 1,962,513	\$ 1,918,138	\$ (44,375)
Intergovernmental	4,764,347	4,764,347	4,830,928	66,581
Charges for services	15,000	15,000	111,378	96,378
Investment earnings	-	-	3,304	3,304
Miscellaneous	45,000	45,000	70,286	25,286
Total Revenues	\$ 6,786,860	\$ 6,786,860	\$ 6,934,034	\$ 147,174
Expenditures				
Current				
Highways and streets				
Administration	\$ 419,600	\$ 419,600	\$ 412,977	\$ 6,623
Maintenance	2,379,250	2,379,250	2,266,878	112,372
Construction	3,412,850	3,412,850	2,570,112	842,738
Equipment and maintenance shop	575,160	575,160	622,466	(47,306)
Total highways and streets	\$ 6,786,860	\$ 6,786,860	\$ 5,872,433	\$ 914,427
Intergovernmental				
Highways and streets	-	-	425,525	(425,525)
Total Expenditures	\$ 6,786,860	\$ 6,786,860	\$ 6,297,958	\$ 488,902
Net Change in Fund Balance	\$ -	\$ -	\$ 636,076	\$ 636,076
Fund Balance – January 1	739,344	739,344	739,344	-
Increase (decrease) in inventories	-	-	97,566	97,566
Fund Balance – December 31	\$ 739,344	\$ 739,344	\$ 1,472,986	\$ 733,642

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 830,890	\$ 830,890	\$ 778,727	\$ (52,163)
Intergovernmental	1,589,731	1,589,731	1,562,112	(27,619)
Charges for services	159,735	159,735	322,412	162,677
Miscellaneous	38,268	38,268	24,179	(14,089)
	<u>38,268</u>	<u>38,268</u>	<u>24,179</u>	<u>(14,089)</u>
Total Revenues	<u>\$ 2,618,624</u>	<u>\$ 2,618,624</u>	<u>\$ 2,687,430</u>	<u>\$ 68,806</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 988,855	\$ 988,855	\$ 889,212	\$ 99,643
Social services	1,629,769	1,629,769	1,387,013	242,756
	<u>1,629,769</u>	<u>1,629,769</u>	<u>1,387,013</u>	<u>242,756</u>
Total Expenditures	<u>\$ 2,618,624</u>	<u>\$ 2,618,624</u>	<u>\$ 2,276,225</u>	<u>\$ 342,399</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 411,205	\$ 411,205
Fund Balance – January 1	<u>820,872</u>	<u>820,872</u>	<u>820,872</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 820,872</u></u>	<u><u>\$ 820,872</u></u>	<u><u>\$ 1,232,077</u></u>	<u><u>\$ 411,205</u></u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018**

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 32,859
Interest	10,565
Benefit payments	<u>(45,450)</u>
Net change in total OPEB liability	\$ (2,026)
Total OPEB Liability – Beginning	<u>309,833</u>
Total OPEB Liability – Ending	<u><u>\$ 307,807</u></u>
Covered-employee payroll	\$ 4,109,079
Total OPEB liability (asset) as a percentage of covered-employee payroll	7.49%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

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
2018	0.0525%	\$ 2,912,485	\$ 95,496	\$ 3,007,981	\$ 3,527,213	82.57%	79.53%
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, 2018**

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)
2018	\$ 268,597	\$ 268,597	\$ -	\$ 3,581,299	7.50%
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, 2018**

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
2018	0.041%	\$ 438,084	\$ 433,079	101.16%	88.84%
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, 2018**

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)
2018	\$ 70,639	\$ 70,639	\$ -	\$ 436,052	16.20%
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.

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

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 major fund had expenditures in excess of budget for the year ended December 31, 2018.

	Expenditures	Budget	Excess
General Fund	\$ 4,876,913	\$ 4,101,301	\$ 775,612

3. Other Postemployment Benefits Funding Status

In 2018, Norman County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

The following changes in actuarial assumptions occurred in 2018:

- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.

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:

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 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 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**NORMAN COUNTY
ADA, MINNESOTA**

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

General Employees Retirement Plan

2017 (Continued)

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

**NORMAN COUNTY
ADA, MINNESOTA**

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

Public Employees Police and Fire Plan

2018 (Continued)

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions

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 2.00 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.

**NORMAN COUNTY
ADA, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 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.

**NORMAN COUNTY
ADA, MINNESOTA**

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

Public Employees Police and Fire Plan

2016 (Continued)

- 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.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**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.

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Special Revenue (Exhibit C-1)	Ditch Debt Service	Total (Exhibit 3)
<u>Assets</u>			
Cash	\$ 990,593	\$ 130,634	\$ 1,121,227
Petty cash and change funds	100	-	100
Undistributed cash in agency funds	19,778	563	20,341
Taxes receivable – delinquent	957	-	957
Special assessments receivable			
Delinquent	502	2,485	2,987
Noncurrent	48,729	18,630	67,359
Accounts receivable	87,305	-	87,305
Due from other funds	1,266	-	1,266
Due from other governments	116,798	-	116,798
Advance to watershed	-	32,981	32,981
	\$ 1,266,028	\$ 185,293	\$ 1,451,321
Total Assets	\$ 1,266,028	\$ 185,293	\$ 1,451,321
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 31,619	\$ -	\$ 31,619
Salaries payable	16,650	-	16,650
Due to other funds	54,113	-	54,113
Due to other governments	59,285	-	59,285
Customer deposits	3,486	-	3,486
	\$ 165,153	\$ -	\$ 165,153
Total Liabilities	\$ 165,153	\$ -	\$ 165,153
Deferred Inflows of Resources			
Unavailable revenue	\$ 138,845	\$ 21,053	\$ 159,898
Prepaid property taxes	376	-	376
	\$ 139,221	\$ 21,053	\$ 160,274
Total Deferred Inflows of Resources	\$ 139,221	\$ 21,053	\$ 160,274

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT B-1
(Continued)**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Special Revenue (Exhibit C-1)	Ditch Debt Service	Total (Exhibit 3)
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)			
Fund Balances			
Nonspendable			
Advance to watershed	\$ -	\$ 32,981	\$ 32,981
Restricted for			
Debt service	-	131,259	131,259
Gravel pit postclosure	144,391	-	144,391
Ditch maintenance and construction	356,248	-	356,248
Assigned to			
County homes	120,756	-	120,756
Health	403,772	-	403,772
Unassigned	(63,513)	-	(63,513)
	\$ 961,654	\$ 164,240	\$ 1,125,894
Total Fund Balances	\$ 961,654	\$ 164,240	\$ 1,125,894
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,266,028	\$ 185,293	\$ 1,451,321

**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, 2018**

	Special Revenue (Exhibit C-2)	Ditch Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 105,699	\$ -	\$ 105,699
Special assessments	59,831	10,879	70,710
Licenses and permits	400	-	400
Intergovernmental	709,566	-	709,566
Charges for services	379,860	2,779	382,639
Miscellaneous	42,303	-	42,303
	\$ 1,297,659	\$ 13,658	\$ 1,311,317
Expenditures			
Current			
General government	\$ 19,296	\$ -	\$ 19,296
Sanitation	396,038	-	396,038
Health	842,943	-	842,943
Conservation of natural resources	68,061	-	68,061
Debt service			
Principal	-	13,000	13,000
Interest	-	7,876	7,876
	\$ 1,326,338	\$ 20,876	\$ 1,347,214
Excess of Revenues Over (Under) Expenditures	\$ (28,679)	\$ (7,218)	\$ (35,897)
Other Financing Sources (Uses)			
Transfers in	90,670	-	90,670
Net Change in Fund Balance	\$ 61,991	\$ (7,218)	\$ 54,773
Fund Balance – January 1	899,663	171,458	1,071,121
Fund Balance – December 31	\$ 961,654	\$ 164,240	\$ 1,125,894

**NORMAN COUNTY
ADA, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018**

	County Homes	Ditch
<u>Assets</u>		
Cash	\$ 125,539	\$ 358,755
Petty cash and change funds	-	-
Undistributed cash in agency funds	-	1,555
Taxes receivable – delinquent	-	-
Special assessments receivable		
Delinquent	-	502
Noncurrent	-	48,729
Accounts receivable	1,041	125
Due from other funds	-	-
Due from other governments	-	-
	\$ 126,580	\$ 409,666
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 1,581	\$ 4,271
Salaries payable	112	-
Due to other funds	645	147
Due to other governments	-	-
Customer deposits	3,486	-
	\$ 5,824	\$ 4,418
Deferred Inflows of Resources		
Unavailable revenue	\$ -	\$ 49,000
Prepaid property taxes	-	-
	\$ -	\$ 49,000
Fund Balances		
Restricted for		
Gravel pit postclosure	\$ -	\$ -
Ditch maintenance and construction	-	356,248
Assigned to		
County homes	120,756	-
Health	-	-
Unassigned	-	-
	\$ 120,756	\$ 356,248
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 126,580	\$ 409,666

EXHIBIT C-1

<u>Gravel Reserve Tax</u>	<u>Public Health</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-1)</u>
\$ 171,837	\$ 334,462	\$ -	\$ 990,593
-	100	-	100
-	-	18,223	19,778
-	-	957	957
-	-	-	502
-	-	-	48,729
14,835	26,969	44,335	87,305
-	393	873	1,266
-	114,054	2,744	116,798
<u>\$ 186,672</u>	<u>\$ 475,978</u>	<u>\$ 67,132</u>	<u>\$ 1,266,028</u>
\$ -	\$ 6,142	\$ 19,625	\$ 31,619
-	16,084	454	16,650
-	235	53,086	54,113
42,281	190	16,814	59,285
-	-	-	3,486
<u>\$ 42,281</u>	<u>\$ 22,651</u>	<u>\$ 89,979</u>	<u>\$ 165,153</u>
\$ -	\$ 49,555	\$ 40,290	\$ 138,845
-	-	376	376
<u>\$ -</u>	<u>\$ 49,555</u>	<u>\$ 40,666</u>	<u>\$ 139,221</u>
\$ 144,391	\$ -	\$ -	\$ 144,391
-	-	-	356,248
-	-	-	120,756
-	403,772	-	403,772
-	-	(63,513)	(63,513)
<u>\$ 144,391</u>	<u>\$ 403,772</u>	<u>\$ (63,513)</u>	<u>\$ 961,654</u>
<u>\$ 186,672</u>	<u>\$ 475,978</u>	<u>\$ 67,132</u>	<u>\$ 1,266,028</u>

**NORMAN COUNTY
ADA, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	County Homes	Ditch
Revenues		
Taxes	\$ -	\$ -
Special assessments	-	59,831
Licenses and permits	-	-
Intergovernmental	-	-
Charges for services	233	-
Miscellaneous	36,352	-
	\$ 36,585	\$ 59,831
Total Revenues		
	\$ 36,585	\$ 59,831
Expenditures		
Current		
General government	\$ 19,296	\$ -
Sanitation	-	-
Health	-	-
Conservation of natural resources	-	25,779
	\$ 19,296	\$ 25,779
Total Expenditures		
	\$ 19,296	\$ 25,779
Excess of Revenues Over (Under) Expenditures	\$ 17,289	\$ 34,052
Other Financing Sources (Uses)		
Transfers in	-	-
Net Change in Fund Balance	\$ 17,289	\$ 34,052
Fund Balance – January 1	103,467	322,196
Fund Balance – December 31	\$ 120,756	\$ 356,248

EXHIBIT C-2

<u>Gravel Reserve Tax</u>	<u>Public Health</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-2)</u>
\$ 57,204	\$ -	\$ 48,495	\$ 105,699
-	-	-	59,831
-	-	400	400
-	638,736	70,830	709,566
-	104,340	275,287	379,860
-	5,951	-	42,303
<u>\$ 57,204</u>	<u>\$ 749,027</u>	<u>\$ 395,012</u>	<u>\$ 1,297,659</u>
\$ -	\$ -	\$ -	\$ 19,296
-	-	396,038	396,038
-	842,943	-	842,943
<u>42,282</u>	<u>-</u>	<u>-</u>	<u>68,061</u>
<u>\$ 42,282</u>	<u>\$ 842,943</u>	<u>\$ 396,038</u>	<u>\$ 1,326,338</u>
\$ 14,922	\$ (93,916)	\$ (1,026)	\$ (28,679)
-	90,670	-	90,670
<u>\$ 14,922</u>	<u>\$ (3,246)</u>	<u>\$ (1,026)</u>	<u>\$ 61,991</u>
<u>129,469</u>	<u>407,018</u>	<u>(62,487)</u>	<u>899,663</u>
<u>\$ 144,391</u>	<u>\$ 403,772</u>	<u>\$ (63,513)</u>	<u>\$ 961,654</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY HOMES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ -	\$ -	\$ 233	\$ 233
Miscellaneous	33,000	33,000	36,352	3,352
Total Revenues	\$ 33,000	\$ 33,000	\$ 36,585	\$ 3,585
Expenditures				
Current				
General government				
Low-income housing	30,185	30,185	19,296	10,889
Net Change in Fund Balance	\$ 2,815	\$ 2,815	\$ 17,289	\$ 14,474
Fund Balance – January 1	103,467	103,467	103,467	-
Fund Balance – December 31	\$ 106,282	\$ 106,282	\$ 120,756	\$ 14,474

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 581,566	\$ 581,566	\$ 638,736	\$ 57,170
Charges for services	133,750	133,750	104,340	(29,410)
Miscellaneous	5,000	5,000	5,951	951
Total Revenues	\$ 720,316	\$ 720,316	\$ 749,027	\$ 28,711
Expenditures				
Current				
Public health	810,986	810,986	842,943	(31,957)
Excess of Revenues Over (Under) Expenditures	\$ (90,670)	\$ (90,670)	\$ (93,916)	\$ (3,246)
Other Financing Sources (Uses)				
Transfers in	90,618	90,618	90,670	52
Net Change in Fund Balance	\$ (52)	\$ (52)	\$ (3,246)	\$ (3,194)
Fund Balance – January 1	407,018	407,018	407,018	-
Fund Balance – December 31	\$ 406,966	\$ 406,966	\$ 403,772	\$ (3,194)

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-5

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 50,187	\$ 50,187	\$ 48,495	\$ (1,692)
Licenses and permits	300	300	400	100
Intergovernmental	71,063	71,063	70,830	(233)
Charges for services	280,000	280,000	275,287	(4,713)
Total Revenues	\$ 401,550	\$ 401,550	\$ 395,012	\$ (6,538)
Expenditures				
Current				
Sanitation				
Recycling	\$ 103,764	\$ 103,764	\$ 115,426	\$ (11,662)
Landfill	32,000	32,000	18,391	13,609
Fosston incinerator	244,114	244,114	260,756	(16,642)
Household hazardous waste	21,672	21,672	1,465	20,207
Total Expenditures	\$ 401,550	\$ 401,550	\$ 396,038	\$ 5,512
Net Change in Fund Balance	\$ -	\$ -	\$ (1,026)	\$ (1,026)
Fund Balance – January 1	(62,487)	(62,487)	(62,487)	-
Fund Balance – December 31	\$ (62,487)	\$ (62,487)	\$ (63,513)	\$ (1,026)

**NORMAN COUNTY
ADA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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).

Norman County Economic Development Authority – to account for the receipt and disbursement of funds for the Economic Development Authority.

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.

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CHILDREN'S COLLABORATIVE (SERVING NORMAN COUNTY FAMILIES)</u>				
<u>Assets</u>				
Cash	\$ 27,580	\$ 34,159	\$ 31,500	\$ 30,239
Due from other funds	5,214	5,299	5,214	5,299
Total Assets	\$ 32,794	\$ 39,458	\$ 36,714	\$ 35,538
<u>Liabilities</u>				
Due to other governments	\$ 32,794	\$ 39,458	\$ 36,714	\$ 35,538
 <u>NORMAN COUNTY ECONOMIC DEVELOPMENT AUTHORITY</u>				
<u>Assets</u>				
Cash	\$ -	\$ 16,300	\$ 12,871	\$ 3,429
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 13,281	\$ 12,871	\$ 410
Due to other governments	-	3,019	-	3,019
Total Liabilities	\$ -	\$ 16,300	\$ 12,871	\$ 3,429

**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, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash	\$ 14,087	\$ 377,106	\$ 384,111	\$ 7,082
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 31,241	\$ 31,241	\$ -
Due to other funds	425	212	425	212
Due to other governments	13,662	345,653	352,445	6,870
Total Liabilities	\$ 14,087	\$ 377,106	\$ 384,111	\$ 7,082
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash	\$ 223,274	\$ 5,513,125	\$ 5,562,722	\$ 173,677
<u>Liabilities</u>				
Due to other governments	\$ 71,506	\$ 4,921,114	\$ 4,851,854	\$ 140,766
Funds held in trust	151,768	592,011	710,868	32,911
Total Liabilities	\$ 223,274	\$ 5,513,125	\$ 5,562,722	\$ 173,677
 <u>WATERSHED</u>				
<u>Assets</u>				
Cash	\$ -	\$ 533,044	\$ 533,044	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 533,044	\$ 533,044	\$ -

**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, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash	\$ 264,941	\$ 6,473,734	\$ 6,524,248	\$ 214,427
Due from other funds	5,214	5,299	5,214	5,299
Total Assets	\$ 270,155	\$ 6,479,033	\$ 6,529,462	\$ 219,726
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 44,522	\$ 44,112	\$ 410
Due to other funds	425	212	425	212
Due to other governments	117,962	5,842,288	5,774,057	186,193
Funds held in trust	151,768	592,011	710,868	32,911
Total Liabilities	\$ 270,155	\$ 6,479,033	\$ 6,529,462	\$ 219,726

This page was left blank intentionally.

SCHEDULES

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2018**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits			
Cash on hand	N/A	N/A	\$ 4,500
Noninterest-bearing checking (3)	N/A	Continuous	1,074,131
Interest-bearing checking (5)	0.01%	Continuous	538,564
Money market (1)	0.75%	Continuous	3,601,439
Certificates of deposit (3)	0.70% to 1.29%	December 22, 2019	61,760
Brokerage certificates of deposit (13)	2.00% to 2.55%	February 13, 2019 to June 28, 2019	<u>3,250,000</u>
Total Deposits			<u>\$ 8,530,394</u>

**NORMAN COUNTY
ADA, MINNESOTA**

**BALANCE SHEET – BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2018**

	Assets						
	Cash	Undistributed Cash	Special Assessments Receivable		Accounts Receivable	Advance to Watershed	Total
			Delinquent	Noncurrent			
County Ditches							
5	\$ 7,981	\$ -	\$ 42	\$ 1,267	\$ -	\$ -	\$ 9,290
6	2,067	17	1	452	-	-	2,537
7	9,444	3	-	7,988	-	-	17,435
8	1,864	-	-	1,400	-	-	3,264
9	7,947	-	-	2,415	-	-	10,362
14	3,575	-	-	302	-	-	3,877
17	3,134	-	-	160	-	-	3,294
22	15,696	11	88	2,116	-	-	17,911
23	2,700	-	-	-	-	-	2,700
24	3,622	-	-	163	-	-	3,785
25	20,215	140	-	3,357	-	-	23,712
26	394	-	-	63	-	-	457
28 & 3	703	-	-	68	-	-	771
29	2,549	4	4	1,122	-	-	3,679
29 Lat. 1	4,730	-	1	-	-	-	4,731
31	4,125	-	-	-	-	-	4,125
33	34,668	74	1	-	-	-	34,743
34	35,559	-	-	505	-	-	36,064
36	4,256	-	-	166	-	-	4,422
39	613	-	-	154	-	-	767
40	6,488	-	-	559	-	-	7,047
41	3,661	-	-	288	-	-	3,949
42	27,865	899	-	7,241	-	-	36,005
46	1,841	67	2	303	-	-	2,213
47	14,849	106	141	2,403	-	-	17,499
49	5,970	14	104	511	-	-	6,599
62	4,564	8	60	282	-	-	4,914
65	9,118	-	-	1,021	-	-	10,139
69	12,568	-	-	771	-	-	13,339
73	23,651	-	-	1,963	-	-	25,614
75	3,571	32	15	738	-	-	4,356
Borup State Ditch	58	-	-	-	-	-	58
Judicial Ditches							
54 South	48,826	180	43	8,037	-	-	57,086
55	29,883	-	-	2,914	125	-	32,922
Watershed Ditches							
Project 43 – Perley	9,334	130	1,027	3,403	-	804	14,698
Project 44 – Hendrum	121,300	433	1,458	15,227	-	32,177	170,595
Total	\$ 489,389	\$ 2,118	\$ 2,987	\$ 67,359	\$ 125	\$ 32,981	\$ 594,959

EXHIBIT E-2

Liabilities and Deferred Inflows of Resources				Fund Balances				Total Liabilities, Deferred Inflows of Resources, and Fund Balances
Accounts Payable	Due to Other Funds	Unavailable Revenue	Total	Nonspendable Advance to Watershed	Restricted for Debt Service	Restricted for Ditch Maintenance and Construction	Total	
\$ -	\$ -	\$ 1,265	\$ 1,265	\$ -	\$ -	\$ 8,025	\$ 8,025	\$ 9,290
-	-	451	451	-	-	2,086	2,086	2,537
-	-	7,988	7,988	-	-	9,447	9,447	17,435
-	-	1,400	1,400	-	-	1,864	1,864	3,264
-	-	2,415	2,415	-	-	7,947	7,947	10,362
-	-	302	302	-	-	3,575	3,575	3,877
-	-	159	159	-	-	3,135	3,135	3,294
-	-	2,204	2,204	-	-	15,707	15,707	17,911
-	-	-	-	-	-	2,700	2,700	2,700
-	-	163	163	-	-	3,622	3,622	3,785
-	-	3,357	3,357	-	-	20,355	20,355	23,712
-	-	63	63	-	-	394	394	457
-	-	68	68	-	-	703	703	771
-	-	1,126	1,126	-	-	2,553	2,553	3,679
-	-	1	1	-	-	4,730	4,730	4,731
-	-	-	-	-	-	4,125	4,125	4,125
-	-	1	1	-	-	34,742	34,742	34,743
-	-	505	505	-	-	35,559	35,559	36,064
-	-	166	166	-	-	4,256	4,256	4,422
-	-	154	154	-	-	613	613	767
-	-	559	559	-	-	6,488	6,488	7,047
-	-	288	288	-	-	3,661	3,661	3,949
-	-	7,241	7,241	-	-	28,764	28,764	36,005
-	-	305	305	-	-	1,908	1,908	2,213
-	-	2,391	2,391	-	-	15,108	15,108	17,499
-	-	608	608	-	-	5,991	5,991	6,599
-	-	335	335	-	-	4,579	4,579	4,914
-	-	1,021	1,021	-	-	9,118	9,118	10,139
-	-	771	771	-	-	12,568	12,568	13,339
-	-	1,963	1,963	-	-	23,651	23,651	25,614
-	-	736	736	-	-	3,620	3,620	4,356
-	-	-	-	-	-	58	58	58
-	-	8,080	8,080	-	-	49,006	49,006	57,086
4,271	147	2,914	7,332	-	-	25,590	25,590	32,922
-	-	4,409	4,409	804	9,485	-	10,289	14,698
-	-	16,644	16,644	32,177	121,774	-	153,951	170,595
\$ 4,271	\$ 147	\$ 70,053	\$ 74,471	\$ 32,981	\$ 131,259	\$ 356,248	\$ 520,488	\$ 594,959

**NORMAN COUNTY
ADA, MINNESOTA**

**BALANCE SHEET – BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2018**

	<u>Assets</u>						
	<u>Cash</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable</u>		<u>Accounts Receivable</u>	<u>Advance to Watershed</u>	<u>Total</u>
			<u>Delinquent</u>	<u>Noncurrent</u>			
Presented as							
Ditch Special Revenue Fund	\$ 358,755	\$ 1,555	\$ 502	\$ 48,729	\$ 125	\$ -	\$ 409,666
Ditch Debt Service Fund	130,634	563	2,485	18,630	-	32,981	185,293
Total	<u>\$ 489,389</u>	<u>\$ 2,118</u>	<u>\$ 2,987</u>	<u>\$ 67,359</u>	<u>\$ 125</u>	<u>\$ 32,981</u>	<u>\$ 594,959</u>

EXHIBIT E-2
(Continued)

Liabilities and Deferred Inflows of Resources				Fund Balances				Total
Accounts Payable	Due to Other Funds	Unavailable Revenue	Total	Nonspendable Advance to Watershed	Restricted for Debt Service	Restricted for Ditch Maintenance and Construction	Total	Liabilities, Deferred Inflows of Resources, and Fund Balances
\$ 4,271	\$ 147	\$ 49,000	\$ 53,418	\$ -	\$ -	\$ 356,248	\$ 356,248	\$ 409,666
-	-	21,053	21,053	32,981	131,259	-	164,240	185,293
\$ 4,271	\$ 147	\$ 70,053	\$ 74,471	\$ 32,981	\$ 131,259	\$ 356,248	\$ 520,488	\$ 594,959

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Appropriations and Shared Revenue

State

Highway users tax	\$	4,494,920
County program aid		479,661
PERA rate reimbursement		23,107
Disparity reduction aid		15,682
Pension contribution		25,968
Police aid		60,176
Aquatic invasive species aid		13,242
Riparian protection aid		200,000
Out of home placement reimbursement aid		21,935
Market value credit		177,796
		177,796

Total appropriations and shared revenue **\$ 5,512,487**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	445,784
		445,784

Payments

Local

Payments in lieu of taxes	\$	54,729
Mahnomen County		81,026
		81,026

Total payments **\$ 135,755**

Grants

State

Minnesota Department/Board of		
Public Safety	\$	100,273
Transportation		195,204
Health		152,110
Natural Resources		51,961
Human Services		442,405
Veterans Affairs		7,500
Water and Soil Resources		49,750
Pollution Control Agency		75,229
Peace Officer Standards and Training Board		6,699
Secretary of State		30,000
		30,000

Total state **\$ 1,111,131**

**NORMAN COUNTY
ADA, MINNESOTA**

***EXHIBIT E-3
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 133,838
Justice	66,793
Transportation	165,185
Education	4,525
Health and Human Services	912,879
Homeland Security	24,116

Total federal \$ 1,307,336

Total state and federal grants \$ 2,418,467

Total Intergovernmental Revenue \$ 8,512,493

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	32573	\$ 41,420
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	<u>74,550</u>
Total U.S. Department of Agriculture			<u>\$ 115,970</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2018-NORM- 00146	<u>\$ 66,793</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction Cluster Recreational Trails Program	20.219	0036-16-1C	<u>\$ 142,012</u>
U.S. Department of Education			
Passed Through Polk-Norman-Mahnomen Community Health Board Special Education – Grants for Infants and Families	84.181	83869	<u>\$ 4,525</u>
U.S. Department of Health and Human Services			
Passed Through Polk-Norman-Mahnomen Community Health Board Public Health Emergency Preparedness	93.069	127907	\$ 43,863
Drug-Free Communities Support Program Grants TANF Cluster	93.276	5H79SP020911-03	50,873
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$86,709)	93.558	127473	21,116
Maternal, Infant, and Early Childhood Home Visiting Cluster Maternal, Infant, and Early Childhood Home Visiting Research Program	93.870	118491	72,197
Maternal and Child Health Services Block Grant to the States	93.994	86859	18,972

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT E-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 TANF Cluster	93.556	G-1701MNFPS	2,394
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$86,709)	93.558	1801MNTANF	65,593
Child Support Enforcement	93.563	1804MNCEST	78,297
Child Support Enforcement (Total Child Support Enforcement 93.563 \$99,954)	93.563	1804MNCSES	21,657
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	2,388
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFPRG	3,430
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	1,979
Foster Care – Title IV-E	93.658	1801MNFOST	17,053
Social Services Block Grant	93.667	G-1801MNSOSR	73,729
Chafee Foster Care Independence Program	93.674	G-1801MNCILP	3,500
Children's Health Insurance Program	93.767	1805MN5R21	80
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	418,207
Medical Assistance Program (Total Medical Assistance Program 93.778 \$419,622)	93.778	1805MN5MAP	1,415
Total U.S. Department of Health and Human Services			\$ 896,743
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2017- NORMANCO-2454	\$ 19,170
Total Federal Awards			\$ 1,245,213

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

Totals by Cluster			
Total expenditures for SNAP Cluster		\$	74,550
Total expenditures for Highway Planning and Construction Cluster			142,012
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			72,197
Total expenditures for TANF Cluster			86,709
Total expenditures for CCDF Cluster			2,388
Total expenditures for Medicaid Cluster			419,622

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

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. 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 ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,307,336
Grants received more than 60 days after year-end, deferred in 2018	
Public Health Emergency Preparedness (CFDA No. 93.069)	8,100
Drug-Free Communities Support Program Grants (CFDA No. 93.276)	10,287
Promoting Safe and Stable Families (CFDA No. 93.556)	888
Temporary Assistance for Needy Families (CFDA No. 93.558)	13,755
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	302
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	620
John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674)	700
Grants unavailable in 2017, recognized as revenue in 2018	
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)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,245,213</u>

This page was left blank intentionally.



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Norman County
Ada, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 12, 2019.

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. 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 2018-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 12, 2019

This page was left blank intentionally.



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

REPORT ON 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, 2018. 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.

Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Norman County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding numbers 2018-001 for Eligibility; 2018-002 for Procurement, Suspension, and Debarment; and 2018-003 for Reporting. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

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 Medical Assistance Program for the year ended December 31, 2018.

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

Report on Internal Control Over Compliance

Management of 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.

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

a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-002, and 2018-003, that we consider to be material weaknesses.

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

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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

June 12, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

This page was left blank intentionally.

**NORMAN COUNTY
ADA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 program:

- 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:

Medicaid Cluster

CFDA No. 93.778

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

**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 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.

**NORMAN COUNTY
ADA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

ITEMS ARISING THIS YEAR

Finding Number 2018-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. County supervisory case reviews are not being performed to provide reasonable

**NORMAN COUNTY
ADA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

assurance of compliance with grant requirements for eligibility. When performing case file reviews for eligibility, it was noted in some cases that not all documentation was available to support participant eligibility, and in other circumstances, information was not updated or was input into MAXIS incorrectly. The following exceptions were noted in nine of 40 case files tested:

- One instance in which redetermination was not completed within a 12-month period.
- One instance in which the amount input into MAXIS for a bank account was higher than the amount on the application and the verification obtained.
- Two instances in which multiple vehicles were listed on the application and input into MAXIS with no verification of valuation on file.
- One instance in which the vehicle input into MAXIS did not match the vehicle listed on the application and supporting title on file. It is not clear if there is one or two vehicles. No verification of valuation is on file.
- One instance in which a bank account was listed on the application as verified, but was not input into MAXIS.
- Two instances in which verified assets in a bank account were over the asset limit. One of the cases also had income that was incorrectly classified in MAXIS.
- One instance in which there were two vehicles input into MAXIS, with only one listed on the application with a matching title on file. It is not clear if there is one or two vehicles. No verification of valuation is on file. In addition, the case notes indicated income was verified, however, documentation of the income was not retained.

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Effect: The improper input of information into MAXIS increases the risk that participants will receive benefits when they are not eligible.

Cause: County program personnel entering case information into MAXIS did not ensure all required information was verified or updated properly.

Recommendation: We recommend the County implement additional procedures, including supervisory review of case files, to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and properly updated in MAXIS. In addition, consideration should be given to providing further training to program personnel.

View of Responsible Official: Concur

Finding Number 2018-002

Procurement, Suspension, and Debarment

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

Condition: For the five procurement transactions tested that were over the \$25,000 threshold, there was no verification performed by the County to determine whether vendors were debarred, suspended, or otherwise excluded.

Questioned Costs: None.

**NORMAN COUNTY
ADA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Context: Five of ten procurement transactions over \$25,000 were tested for compliance with federal regulations to determine whether vendors were debarred, suspended, or otherwise excluded.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*, except for micro-purchases, which was not.

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

Cause: The County was unaware of these requirements.

Recommendation: We recommend the County verify vendors are not debarred or suspended or that other exclusions apply. For all federally-funded procurement transactions over \$25,000, the County should document that it verified the vendor was not debarred or suspended or that other exclusions apply through the Minnesota Department of Administration's Suspended/Debarred Vendor Report and the Federal System for Award Management (SAM) site.

View of Responsible Official: Concur

Finding Number 2018-003

Reporting

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Supervisory review of reports should be documented and maintained.

**NORMAN COUNTY
ADA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

The DHS provides reporting requirements for reimbursements through the Medical Assistance Program in the form of bulletins and other communication. As part of the County's reporting requirements, the County submits the Income Maintenance DHS-2550 reports, the Social Services DHS-2556 reports, and the Local Collaborative Time Study (LCTS) Cost Schedules DHS-3220 reports on a quarterly basis.

Condition: For reports that were submitted for 2018, there were significant errors in reported amounts, resulting in incorrect grant reimbursement to the County. For the LCTS Cost Schedules DHS-3220 reports, there was no documentation of supervisory review.

Questioned Costs: The net effect of reporting errors of both revenues and expenditures is \$56,801.

Context: Upon communication by the external auditor of these differences, the County submitted revised DHS-2550 and DHS-2556 quarterly reports for 2018.

Effect: Errors on the DHS-2550, 2556, and 3220 reports can result in the County receiving either more or less federal funding than can be justified based on the actual underlying activity. The following is a list of errors identified in 2018 reports:

DHS-2550

- Accounts were missed, resulting in an understatement of revenues by \$45,579.
- Payroll expenditures were double recorded or miscoded, resulting in an overstatement of \$16,143 of payroll expenditures.
- Per diem payments and other miscellaneous and payroll payments were missed, resulting in understatement of expenditures by \$10,160.

DHS-2556

- Revenues of \$3,111 were classified incorrectly for reporting purposes.

DHS-3220

- Direct staff and administrative staff salary was overstated by \$5,239.

**NORMAN COUNTY
ADA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cause: Most of the overstatement on the DHS-2550 report occurred in quarter one because of missing contracted services reimbursements as offsets that totaled \$45,579. Many of the other overages were due to reporting salaries on one line when they were already included on another line. The spreadsheet used to calculate LCTS expenditures contained a formula error that was not caught by County staff, and no supervisory review was documented as completed for 2018 LCTS reports.

Recommendation: We recommend a supervisory review is conducted for all quarterly reports prior to submission. In addition, we recommend the quarterly DHS-2550, 2556, and 3220 reports be completed in accordance with the Minnesota Department of Human Services' guidance.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number 2018-004

Publication of Financial Statements

Criteria: The County is required by Minn. Stat. § 375.17 to annually publish its financial statements or a summary of the financial statements in a form prescribed by the State Auditor for one issue in a duly qualified legal newspaper of the County. If a summary of the financial statements is published, the format prescribed includes a list of recipients that were paid \$5,000 or more and the amount paid to each recipient during the year.

Condition: The publication of the Norman County Summary of Financial Statements for 2017 provides the number of recipients paid under \$5,000 and total amount paid for the year, and the number of recipients paid \$5,000 or more and total amount paid for the year. For those recipients paid more than \$5,000 during the year, neither the vendors nor the amount paid to each were included.

**NORMAN COUNTY
ADA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Context: Norman County publishes claims along with the County Board minutes in accordance with Minn. Stat. § 375.12. The County also publishes a summary of the financial statements; however, a list of recipients that were paid \$5,000 or more is not included in the publication.

Effect: Noncompliance with Minn. Stat. § 375.17.

Cause: The County was not aware of the requirement.

Recommendation: We recommend the County comply with Minn. Stat. § 375.17 and publish a list of recipients paid \$5,000 or more along with the amount paid to those recipients each year.

View of Responsible Official: Acknowledged

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

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, 2018, 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, 2018, the Solid Waste Special Revenue Fund had a deficit fund balance of \$63,513, which was an increase of \$1,026 over the deficit fund balance of \$62,487 at December 31, 2017.

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

**NORMAN COUNTY
ADA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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.

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 ITEMS RESOLVED

2017-001 Uniform Guidance Written Procurement Policies and Procedures
(CFDA No. 20.205)

1996-001 Ditch Fund Cash Deficits

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, 2018

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:

This will be an ongoing problem due to the fact that the number of county staff working in financial positions. County officials and management will need to be vigilant in their efforts to ensure internal controls are in place and procedures are being followed. The Auditor-Treasurer is working to put in place a policy regarding journal entries in 2019 so that an additional person is aware of the journal entries being made. We have also withdrawn the ability for some individuals to make journal entries, although they never had made any, they now are not able to, thus tightening some controls. I will make mention of the need for department heads to have a watchful eye with regard to segregation of duties at Dept. Head meetings.

Anticipated Completion Date:

Due to the limited number of staff in financial positions, I don't believe this will ever be completed. However, maintaining a watchful eye and continuing to implement oversight procedures when possible will assist us in managing the segregation of duties. Due to the limited number of staff, vacations, illnesses and training will cause those with recordkeeping responsibilities to assist with custody functions, and vice versa.

Finding Number: 2018-001
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA # 93.778)

Name of Contact Person Responsible for Corrective Action:

Peggy Nord

Corrective Action Planned:

Implement regular and ongoing random reviews of cases to determine that files and computer systems are updated timely and accurately with information needed to assure that eligibility determination is accurate.

Anticipated Completion Date:

6/30/2019

Finding Number: 2018-002
Finding Title: Procurement, Suspension, and Debarment
Program: Medical Assistance Program (CFDA # 93.778)

Name of Contact Person Responsible for Corrective Action:

Penny Grove, Fiscal Supervisor

Corrective Action Planned:

Procedures and tracking forms have been developed to review individuals and entities for suspension or debarment at initial contact and ongoing as required by utilization amounts, as per the procurement policy. Also, records will be kept of quotes attained for business engagements as identified in the procurement policy.

Anticipated Completion Date:

6/30/2019

Finding Number: 2018-003
Finding Title: Reporting
Program: Medical Assistance Program (CFDA # 93.778)

Name of Contact Person Responsible for Corrective Action:

Penny Grove, Fiscal Supervisor

Corrective Action Planned:

Reports submitted that had been in error were fixed as the issues were identified in the audit process, so those errors have been addressed. Ongoing reports will continue to be reviewed by Fiscal Supervisor prior to submission.

Anticipated Completion Date:

7/31/2019

Finding Number: 2018-004
Finding Title: Publication of Financial Statements

Name of Contact Person Responsible for Corrective Action:

Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned:

When publishing the financial statement for 2018 in the county newspaper we will include a list of the recipients who were paid \$5,000 or more in 2018, and the amount paid to each recipient during the year.

Anticipated Completion Date:

This should be completed at the time we publish the financial statement which will be after we receive the completed 2018 audit. I anticipate that this may be done some time in July 2019.

Finding Number: 2017-002

Finding Title: Solid Waste Special Revenue Fund Deficit Fund Balance

Name of Contact Person Responsible for Corrective Action:

Garry Johanson, Solid Waste Officer, David Stene, CFO, Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned:

The board has tasked Mr. Johanson and Mr. Stene with working through the Solid Waste budget to see why the fund is continually in the red. Hopefully at budget time some solutions will come forward to turn this fund around and get it working in the black on a continual basis. A/T Hanson will be watching the fund balance and if the board has not taken action earlier, at the second board meeting of December will propose a resolution to transfer funds to the Solid Waste fund to put it in the black at year end.

Anticipated Completion Date:

I anticipate that this will be taken care of by December 27, 2019, if not sooner.

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, 2018

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 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.

Summary of Corrective Action Previously Reported: 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 department 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.

Status: Partially Corrected. Due to the limited number of personnel within several county offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The Auditor-Treasurer's Office tries to segregate duties of personnel to ensure internal controls and procedures are followed by staff. However, there are times when this is impossible due to staffing situations, and particular functions at times of the year, i.e. tax collection, etc. We are in the process of implementing a policy regarding journal entries, where

the 3 people who are authorized to make journal entries need another person to sign off on that journal entry when they are being made. We also reduced the number of people who actually had authority to do a JE, but had no need for that ability. We continue to look for ways to strengthen internal controls.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-001

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: Highway Planning and Construction Cluster (CFDA No. 20.205)

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

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: 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.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2017-002

Finding Title: Solid Waste Special Revenue Fund Deficit Fund Balance

Summary of 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 of \$62,487.

Summary of Corrective Action Previously Reported: 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.

Status: Not Corrected. In 2018, I brought the ongoing deficit fund balance to the County Board's attention and requested that we pass a resolution to transfer funds from the General Fund to this fund, however; they did not want to act on it at that time. I also mentioned the deficit again later at the time of budgeting in order to alleviate this finding again in 2019, but an increase in funding was not made. Again towards the end of the year I brought this item to the board's attention, with no action taken. At the end of the year, I did make a transfer of funds hoping to have this fund with a positive balance at year end, however; since it was not board authorized, we had to reverse the action. I will try again in 2019 to watch this fund, as it has been in the negative in the first part of the year, but has achieved a positive balance following the May tax settlement; however, will probably fall into a negative balance within the next month or two. I will try to convince the board that it is necessary to transfer funds from the General Fund at year end to have a positive fund balance that can support the Solid Waste Fund and hopefully maintain a positive fund balance throughout the coming years.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X