

# STATE OF MINNESOTA

## Office of the State Auditor



**Julie Blaha**  
**State Auditor**

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**ROSEAU COUNTY**  
**ROSEAU, MINNESOTA**

YEAR ENDED DECEMBER 31, 2015

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

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

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

The State Auditor performs approximately 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.

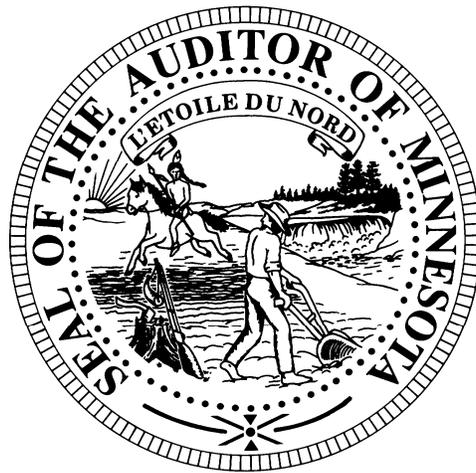
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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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](http://www.auditor.state.mn.us).

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**Year Ended December 31, 2015**



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

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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ROSEAU, MINNESOTA**

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ROSEAU, MINNESOTA**

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2015**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Glenda Phillipe	January 2019
2nd District	Jack J. Swanson <sup>1</sup>	January 2017
3rd District	Roger Falk <sup>2</sup>	January 2019
4th District	Todd Miller	January 2017
5th District	Mark Foldesi	January 2019
<b>Officials</b>		
<b>Elected</b>		
Attorney	Karen M. Foss	January 2019
Auditor	Martha A. Monsrud	January 2019
Recorder	Pamela S. Grand	January 2019
Sheriff	Steven J. Gust	January 2019
Treasurer	Diane Gregerson	January 2019
<b>Appointed</b>		
Assessor	Elizabeth Lund	Indefinite
Coordinator	Jeff Pelowski	Indefinite
Court Administrator	Teresa R. McDonnell	Indefinite
Environmental Officer	Jeff Pelowski	Indefinite
Highway Engineer	Brian M. Ketring	Indefinite
Veterans Service Officer	Martin Howes	Indefinite
Emergency Management	Kyle DeMolee	Indefinite
<b>Social Services Board</b>		
Chair	Roger Falk	July 2016
Vice Chair	Todd Miller	July 2016
Secretary	Colleen Lorenson	July 2016
Member	Glenda Phillipe	January 2019
Member	Mark Foldesi	January 2019
Member	Jack J. Swanson	January 2017
Member	Jared Gustafson	July 2016
Director	David Anderson	Indefinite

<sup>1</sup>Chair

<sup>2</sup>Vice Chair

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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

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

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

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Roseau County as of December 31, 2015, 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 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

#### ***Correction of Material Misstatement in Previously Issued Financial Statements***

As discussed in Note 1.E. to the financial statements, the previously issued 2014 financial statements have been restated to correct a misstatement. 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 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.

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

#### *Supplementary Information*

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, on our consideration of Roseau 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 Roseau 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 Roseau 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 Roseau 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

March 13, 2019

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT 1**

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

**Assets**

Cash and pooled investments	\$ 12,417,217
Taxes receivable - delinquent	355,668
Special assessments receivable	12,690
Accounts receivable	131,142
Accrued interest receivable	19,834
Due from other governments	3,941,583
Inventories	415,069
Capital assets	
Non-depreciable	4,536,528
Depreciable - net of accumulated depreciation	<u>66,567,123</u>
<b>Total Assets</b>	<b><u>\$ 88,396,854</u></b>

**Deferred Outflows of Resources**

Deferred pension outflows	<b><u>\$ 875,993</u></b>
---------------------------	--------------------------

**Liabilities**

Accounts payable	\$ 288,619
Salaries payable	232,504
Contracts payable	137,124
Due to other governments	260,792
Accrued interest payable	39,411
Long-term liabilities	
Due within one year	779,421
Due in more than one year	4,582,489
Net pension liability	5,157,132
Net other postemployment benefits obligation	<u>722,743</u>
<b>Total Liabilities</b>	<b><u>\$ 12,200,235</u></b>

**Deferred Inflows of Resources**

Deferred pension inflows	<b><u>\$ 642,290</u></b>
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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

***EXHIBIT 1  
(Continued)***

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

**Net Position**

Net investment in capital assets	\$ 66,639,845
Restricted for	
General government	429,998
Public safety	541,053
Highways and streets	2,207,521
Human services	56,576
Health	2,113
Sanitation	11,409
Conservation of natural resources	1,968,648
Economic development	54,346
Debt service	561,254
Held in trust for other purposes	5,514
Unrestricted	<u>3,952,045</u>
<b>Total Net Position</b>	<b><u><u>\$ 76,430,322</u></u></b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT 2**

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

		<b>Program Revenues</b>		
<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>	<b>Operating Grants and Contributions</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b><u>Functions/Programs</u></b>				
<b>Governmental activities</b>				
General government	\$ 3,025,607	\$ 309,864	\$ 196,755	\$ (2,518,988)
Public safety	3,114,742	228,049	291,604	(2,595,089)
Highways and streets	4,866,688	932,154	6,244,157	2,309,623
Sanitation	1,130,655	1,005,739	126,817	1,901
Human services	3,748,958	400,980	1,891,291	(1,456,687)
Health	17,381	-	-	(17,381)
Culture and recreation	272,371	-	84,271	(188,100)
Conservation of natural resources	1,994,994	734,614	39,424	(1,220,956)
Economic development	135,152	45,263	-	(89,889)
Interest	131,463	-	-	(131,463)
<b>Total Governmental Activities</b>	<b><u>\$ 18,438,011</u></b>	<b><u>\$ 3,656,663</u></b>	<b><u>\$ 8,874,319</u></b>	<b><u>\$ (5,907,029)</u></b>
 <b>General Revenues</b>				
Property taxes				\$ 6,664,676
Gravel taxes				21,300
Grants and contributions not restricted to specific programs				1,079,562
Payments in lieu of tax				989,052
Investment earnings				106,880
Miscellaneous				107,485
<b>Total general revenues</b>				<b><u>\$ 8,968,955</u></b>
<b>Change in net position</b>				<b>\$ 3,061,926</b>
<b>Net Position - Beginning, as restated (Note 1.E.)</b>				<b><u>73,368,396</u></b>
<b>Net Position - Ending</b>				<b><u>\$ 76,430,322</u></b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 6,837,116	\$ 528,873
Taxes receivable - delinquent	177,955	63,949
Special assessments - delinquent	-	-
Accounts receivable	1,197	-
Accrued interest receivable	19,834	-
Due from other funds	389,861	20,025
Due from other governments	73,132	3,216,470
Inventories	-	415,069
Advance to other funds	31,058	-
	<b>\$ 7,530,153</b>	<b>\$ 4,244,386</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 86,695	\$ 42,721
Salaries payable	103,793	57,389
Contracts payable	-	107,579
Due to other funds	2,884	-
Due to other governments	217,214	7,895
Advance from other funds	-	-
	<b>\$ 410,586</b>	<b>\$ 215,584</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	<b>\$ 148,301</b>	<b>\$ 2,955,415</b>

**EXHIBIT 3**

<u>Social Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,207,762	\$ -	\$ 557,997	\$ 1,285,469	\$ 12,417,217
87,542	-	25,200	1,022	355,668
-	12,690	-	-	12,690
-	-	-	129,945	131,142
-	-	-	-	19,834
-	-	-	-	409,886
270,689	381,292	-	-	3,941,583
-	-	-	-	415,069
-	-	-	-	31,058
<b><u>\$ 3,565,993</u></b>	<b><u>\$ 393,982</u></b>	<b><u>\$ 583,197</u></b>	<b><u>\$ 1,416,436</u></b>	<b><u>\$ 17,734,147</u></b>
\$ 97,212	\$ 16,268	\$ 750	\$ 44,973	\$ 288,619
61,277	-	-	10,045	232,504
-	29,545	-	-	137,124
-	402,227	-	4,775	409,886
35,683	-	-	-	260,792
-	15,558	-	15,500	31,058
<b><u>\$ 194,172</u></b>	<b><u>\$ 463,598</u></b>	<b><u>\$ 750</u></b>	<b><u>\$ 75,293</u></b>	<b><u>\$ 1,359,983</u></b>
<b><u>\$ 73,772</u></b>	<b><u>\$ 393,982</u></b>	<b><u>\$ 21,193</u></b>	<b><u>\$ 73,985</u></b>	<b><u>\$ 3,666,648</u></b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)		
<b>Fund Balances</b>		
Nonspendable		
Advances to other funds	\$ 31,058	\$ -
Inventories	-	415,069
Missing heirs	5,514	-
Restricted for		
Administrative citations	100	-
Prosecutorial purposes	5,505	-
Child protection	-	-
Conservation	442,367	-
Debt service	-	-
Ditch maintenance and construction	-	-
DWI-related enforcement	4,476	-
E-911	366,245	-
Economic development	-	-
Administrating the carrying of weapons	74,236	-
Juvenile restitution	27,314	-
Law library	51,001	-
Parenting education	2,113	-
Correctional services	12,081	-
Recorder's equipment	261,812	-
Recorder's technology	111,680	-
SCORE	-	-
Law enforcement	33,168	-
Investigating and securing evidence	5,000	-
Victim's assistance	18,433	-
Assigned to		
Public safety	-	-
Highways and streets	-	658,318
Human services	-	-
Sanitation	-	-
Unassigned	5,519,163	-
<b>Total Fund Balances</b>	<b>\$ 6,971,266</b>	<b>\$ 1,073,387</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,530,153</b>	<b>\$ 4,244,386</b>

**EXHIBIT 3**  
**(Continued)**

<u>Social Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 31,058
-	-	-	-	415,069
-	-	-	-	5,514
-	-	-	-	100
-	-	-	-	5,505
56,576	-	-	-	56,576
-	-	-	-	442,367
-	-	561,254	-	561,254
-	1,526,281	-	-	1,526,281
-	-	-	-	4,476
-	-	-	-	366,245
-	-	-	54,346	54,346
-	-	-	-	74,236
-	-	-	-	27,314
-	-	-	-	51,001
-	-	-	-	2,113
-	-	-	-	12,081
-	-	-	-	261,812
-	-	-	-	111,680
-	-	-	11,409	11,409
-	-	-	-	33,168
-	-	-	-	5,000
-	-	-	-	18,433
-	-	-	62,164	62,164
-	-	-	214,683	873,001
3,241,473	-	-	-	3,241,473
-	-	-	932,452	932,452
-	(1,989,879)	-	(7,896)	3,521,388
<u>\$ 3,298,049</u>	<u>\$ (463,598)</u>	<u>\$ 561,254</u>	<u>\$ 1,267,158</u>	<u>\$ 12,707,516</u>
<u>\$ 3,565,993</u>	<u>\$ 393,982</u>	<u>\$ 583,197</u>	<u>\$ 1,416,436</u>	<u>\$ 17,734,147</u>

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT 4**

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

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>12,707,516</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		71,103,651
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources - unavailable revenue in the governmental funds.		3,666,648
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		875,993
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (4,435,000)	
Net other postemployment benefits obligation	(722,743)	
Bond premiums	(28,806)	
Accrued interest payable	(39,411)	
Compensated absences	(898,104)	
Net pension liability	<u>(5,157,132)</u>	(11,281,196)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(642,290)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>76,430,322</u></b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 3,437,398	\$ 1,166,115
Special assessments	-	-
Licenses and permits	15,858	-
Intergovernmental	2,386,796	5,624,618
Charges for services	343,691	836,606
Fines and forfeits	8,353	-
Investment earnings	106,880	-
Miscellaneous	590,757	30,090
	<b>\$ 6,889,733</b>	<b>\$ 7,657,429</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 2,859,379	\$ -
Public safety	2,721,028	-
Highways and streets	-	7,090,350
Sanitation	-	-
Human services	-	-
Health	17,381	-
Culture and recreation	272,371	-
Conservation of natural resources	726,616	-
Economic development	135,152	-
<b>Intergovernmental</b>		
Highways and streets	-	655,133
<b>Debt service</b>		
Principal	-	-
Interest	-	-
	<b>\$ 6,731,927</b>	<b>\$ 7,745,483</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 157,806</b>	<b>\$ (88,054)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(27,505)	-
	<b>\$ (27,505)</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 130,301</b>	<b>\$ (88,054)</b>
<b>Fund Balance - January 1</b>	<b>6,840,965</b>	<b>1,081,401</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>80,040</b>
<b>Fund Balance - December 31</b>	<b>\$ 6,971,266</b>	<b>\$ 1,073,387</b>

**EXHIBIT 5**

<u>Social Services</u>	<u>Ditch</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 1,584,441	\$ -	\$ 460,569	\$ 49,162	\$ 6,697,685
-	447,176	-	-	447,176
-	-	-	-	15,858
1,964,624	23,452	21,312	281,372	10,302,174
322,948	30	-	1,003,372	2,506,647
-	-	-	-	8,353
-	-	-	-	106,880
78,032	-	6,150	34,995	740,024
<b>\$ 3,950,045</b>	<b>\$ 470,658</b>	<b>\$ 488,031</b>	<b>\$ 1,368,901</b>	<b>\$ 20,824,797</b>
\$ -	\$ -	\$ -	\$ -	\$ 2,859,379
-	-	-	20,600	2,741,628
-	-	-	115,612	7,205,962
-	-	-	1,084,185	1,084,185
3,636,085	-	-	-	3,636,085
-	-	-	-	17,381
-	-	-	-	272,371
-	1,021,036	-	-	1,747,652
-	-	-	-	135,152
-	-	-	-	655,133
-	-	4,470,000	-	4,470,000
-	1,089	188,425	1,246	190,760
<b>\$ 3,636,085</b>	<b>\$ 1,022,125</b>	<b>\$ 4,658,425</b>	<b>\$ 1,221,643</b>	<b>\$ 25,015,688</b>
<b>\$ 313,960</b>	<b>\$ (551,467)</b>	<b>\$ (4,170,394)</b>	<b>\$ 147,258</b>	<b>\$ (4,190,891)</b>
\$ -	\$ -	\$ -	\$ 27,505	\$ 27,505
-	-	-	-	(27,505)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 27,505</b>	<b>\$ -</b>
\$ 313,960	\$ (551,467)	\$ (4,170,394)	\$ 174,763	\$ (4,190,891)
2,984,089	87,869	4,731,648	1,092,395	16,818,367
-	-	-	-	80,040
<b>\$ 3,298,049</b>	<b>\$ (463,598)</b>	<b>\$ 561,254</b>	<b>\$ 1,267,158</b>	<b>\$ 12,707,516</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT 6**

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

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (4,190,891)**

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

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

Change in unavailable revenue (534,757)

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. In the statement of activities, the net book value of assets disposed of is expensed, while not reported in the fund statements.

Expenditures for general capital assets and infrastructure	\$ 4,989,986	
Net book value of assets sold	(8,620)	
Current year depreciation	<u>(2,497,675)</u>	2,483,691

Restatement of revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 964,886

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 effect of 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 4,470,000  
     General obligation bonds

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	\$ 75,447	
Change in compensated absences	(33,300)	
Change in net other postemployment benefits obligation	(84,346)	
Change in net pension liability, as restated	(167,352)	
Change in deferred pension outflows	658,037	
Change in deferred pension inflows, as restated	(642,290)	
Change in unamortized discount on general obligation bonds	(19,639)	
Change in unamortized premium on general obligation bonds	2,400	
Change in inventories	<u>80,040</u>	<u>(131,003)</u>

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 3,061,926**

**FIDUCIARY FUNDS**

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2015**

**Assets**

Cash and pooled investments	<b>\$ <u>537,177</u></b>
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**Liabilities**

Due to other governments	<b>\$ <u>537,177</u></b>
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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

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1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

Roseau County was established December 31, 1894, 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.

The Social Services Board governs the activities of the Social Services Department and consists of seven members: five County Commissioners and two lay members appointed by the Commissioners and approved by the Minnesota Department of Human Services.

Joint Ventures, Related Organization, and Jointly-Governed Organizations

The County participates in joint ventures, a related organization, and jointly-governed organizations, which are described in Notes 6.B., 6.C., and 6.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The Social Services Special Revenue Fund is used to account for economic assistance and community social services programs. Sources of revenues include property taxes, intergovernmental revenues, and charges for services.

The Ditch Special Revenue Fund is used to account for the operation and maintenance of County, judicial, and state drainage systems. Financing is provided by special assessments levied against benefited properties restricted for conservation of natural resources expenditures.

The Debt Service Fund is used to account for the financial resources accumulated and restricted for the payment of jail bonds, interest, and related costs.

Additionally, the County reports the following fund type:

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Roseau County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. The pooled investment income for 2015 was \$106,880.

Roseau County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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.

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 from/to other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources, unless the funds are otherwise restricted, committed, or assigned.

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

3. Special Assessments Receivable

Special assessments receivable consists of delinquent special assessments payable in the years 2004 through 2015 and noncurrent special assessments payable in 2016 and after. No allowance for special assessments are shown because such amounts are not expected to be material.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

4. Inventories

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed. Inventories, as reported in the fund financial statements, are offset by nonspendable fund balance to indicate that they do not constitute available resources.

5. Capital Assets

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

<u>Assets</u>	<u>Capitalization Threshold</u>
Land	\$ 1
Construction in progress	1
Infrastructure	50,000
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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Infrastructure	50 - 75
Buildings and improvements	30
Machinery, furniture, and equipment	3 - 12

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, sick leave, and compensatory time 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. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion of the liability consists of vacation and comp time earned within the year, or the balance, whatever is smaller. The compensated absences liability is liquidated by the General Fund and the Road and Bridge, Social Services, and Environmental Special Revenue Funds.

7. 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 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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types 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 an other financing source. 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.

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 (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 net pension liability is liquidated through the General Fund and the Road and Bridge, Social Services, and Environmental Special Revenue Funds.

9. Deferred Outflows/Inflows of Resources

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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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 (Continued)

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 two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

10. Classification of Net Position

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

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

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

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Roseau 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 legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Classifications of Fund Balances (Continued)

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

12. Minimum Fund Balance

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of zero dollars. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by future tax levies.

13. 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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

E. Restatement of Fund Balance and Net Position

1. Change in Accounting Principles

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

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

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedule.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources, as disclosed in Note 1.E.3.

2. Prior Period Adjustment

Restatement of Special Assessments Receivable and Net Position

The January 1, 2015, special assessments receivable balance was overstated by \$964,886. It was determined that \$964,886 of the receivable is unlikely to be collected and, therefore, should not be recognized as a receivable in the financial statements. The total effect to net position was \$964,886, as disclosed in Note 1.E.3.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Restatement of Fund Balance and Net Position (Continued)

3. Restatement of Net Position

	Governmental Activities
Net Position, January 1, 2015, as previously reported	\$ 79,105,106
Change in accounting principles	(4,771,824)
Correction of an error	
Adjustment for special assessments receivable	(964,886)
Net Position, January 1, 2015, as restated	\$ 73,368,396

4. Reclassification of Fund Type

Previously, the County presented a special revenue fund for forfeited tax sales. The Forfeited Tax Sale Special Revenue Fund does not meet the requirements of a special revenue fund under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, therefore, it was reclassified to be included with the General Fund. There was no beginning fund balance in the Forfeited Tax Sale Special Revenue Fund.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch Fund and Individual Ditch Fund Deficits

The Ditch Special Revenue Fund had a negative cash balance of \$389,861 at December 31, 2015. Seven of the 29 individual ditch systems had deficit cash balances totaling \$1,969,136, with the largest individual ditch cash balance deficit being \$1,781,984. These deficits will be eliminated by collection of amounts due from other governments.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Ditch Fund and Individual Ditch Fund Deficits (Continued)

Seven ditch systems incurred expenditures in excess of revenues and available resources. These fund balance deficits will be eliminated with future special assessment levies against benefited properties. The following shows the fund balances as of December 31, 2015:

Ditches with positive fund balance	\$	1,526,281
Ditches with negative fund balance		(1,989,879)
Total Fund Balances	\$	(463,598)

Unorganized Townships Special Revenue Fund

One of the 15 unorganized townships has incurred expenditures in excess of revenues and available resources. This deficit will be eliminated with future tax collections and forfeited land sales. The following shows the fund balances at December 31, 2015:

Townships with positive fund balances	\$	276,847
Townships with negative fund balances		(7,896)
Total Fund Balance	\$	268,951

B. Excess of Expenditures Over Budget

The following major Debt Service Fund and nonmajor Unorganized Townships Special Revenue Fund had significant expenditures in excess of budget for the year ended December 31, 2015:

	Expenditures	Final Budget	Excess
Debt Service Fund	\$ 4,658,425	\$ 446,274	\$ 4,212,151
Unorganized Townships Special Revenue Fund	137,458	91,742	45,716

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliation of the County’s total cash and investments to the basic financial statements follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 12,417,217
Statement of fiduciary net position	
Cash and pooled investments	
Agency funds	537,177
Total Cash and Investments	\$ 12,954,394
Deposits	\$ 11,687,366
Petty cash and change funds	5,600
Investments	1,261,428
Total Deposits, Cash on Hand, and Investments	\$ 12,954,394

a. Deposits

Roseau 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 County 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 that is not owned or controlled by the financial institution furnishing the collateral.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

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 current formal deposit policy for custodial credit risk. As of December 31, 2015, the County's deposits were not exposed to custodial credit risk.

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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 current formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

At December 31, 2015, the County had the following investments and maturities:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>
Federal Home Loan Mortgage Corporation	\$ 193,515	\$ -	\$ 193,515
Federal National Mortgage Association	558,875	-	558,875
Negotiable certificates of deposit	396,786	-	396,786
Money market accounts	7,922	7,922	-
Municipal bonds	<u>104,330</u>	<u>-</u>	<u>104,330</u>
Total Investments	<u>\$ 1,261,428</u>	<u>\$ 7,922</u>	<u>\$ 1,253,506</u>
	100%	1%	99%

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County does not have a current formal investment policy that addresses credit risk.

The County's exposure to credit risk as of December 31, 2015, is as follows:

	<u>Rating</u>	<u>Fair Value</u>
King County Washington Municipal Bonds	AAA	\$ 104,330
Federal National Mortgage Association	Aaa	\$ 203,000
Federal National Mortgage Association	Aaa	152,625
Federal National Mortgage Association	Aaa	<u>203,250</u>
Total Federal National Mortgage Association		<u>\$ 558,875</u>
Federal Home Loan Mortgage Corporation	AA+	<u>\$ 193,515</u>
Total		<u><u>\$ 856,720</u></u>

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 current formal investment policy on custodial credit risk. At December 31, 2015, \$356,720 of the County's investments are subject to custodial credit risk.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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. The County does not have a current formal investment policy on concentration of credit risk. At December 31, 2015, the County did not hold any investments that are subject to concentration of credit risk.

2. Receivables

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

	<u>Total Receivables</u>
Governmental Activities	
Taxes	\$ 355,668
Special assessments	12,690
Accounts	131,142
Accrued interest	19,834
Due from other governments	<u>3,941,583</u>
Total Governmental Activities	<u>\$ 4,460,917</u>

The County had no receivables scheduled to be collected beyond one year.

**ROSEAU COUNTY  
ROSEAU, 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, 2015, was as follows:

	Beginning Balance	Increase*	Decrease*	Ending Balance
Capital assets not depreciated				
Land	\$ 466,654	\$ 671,661	\$ -	\$ 1,138,315
Construction in progress	553,543	3,291,050	446,380	3,398,213
Total capital assets not depreciated	\$ 1,020,197	\$ 3,962,711	\$ 446,380	\$ 4,536,528
Capital assets depreciated				
Buildings and improvements	\$ 12,762,909	\$ 413,028	\$ -	\$ 13,175,937
Machinery, furniture, and equipment	7,461,983	506,723	130,356	7,838,350
Infrastructure	76,439,433	1,225,565	671,661	76,993,337
Total capital assets depreciated	\$ 96,664,325	\$ 2,145,316	\$ 802,017	\$ 98,007,624
Less: accumulated depreciation for				
Buildings and improvements	\$ 4,564,308	\$ 408,379	\$ -	\$ 4,972,687
Machinery, furniture, and equipment	3,286,238	571,298	121,736	3,735,800
Infrastructure	21,214,016	1,517,998	-	22,732,014
Total accumulated depreciation	\$ 29,064,562	\$ 2,497,675	\$ 121,736	\$ 31,440,501
Total capital assets depreciated, net	\$ 67,599,763	\$ (352,359)	\$ 680,281	\$ 66,567,123
Governmental Activities Capital Assets, Net	\$ 68,619,960	\$ 3,610,352	\$ 1,126,661	\$ 71,103,651

\*In the prior year, \$671,661 of right-of-way was included in infrastructure, a depreciable asset, when it should have been included in land, a non-depreciable asset. There was no depreciation being observed while it was under infrastructure.

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

Governmental Activities	
General government	\$ 137,775
Public safety	311,876
Highways and streets, including depreciation of infrastructure assets	1,925,056
Sanitation	61,990
Human services	60,978
Total Depreciation Expense - Governmental Activities	<u>\$ 2,497,675</u>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

4. Deferred Outflows of Resources

Deferred outflows of resources - deferred pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between projected and actual earnings on pension plan investments, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position. Deferred pension outflows for the year ended December 31, 2015, were \$875,993.

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

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

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	\$ 389,861
Road and Bridge Special Revenue Fund	General Fund	\$ 2,884
	Ditch Special Revenue Fund	12,366
	Unorganized Townships Special Revenue Fund	4,172
	Environmental Special Revenue Fund	603
Total due to Road and Bridge Special Revenue Fund		\$ 20,025
Total Due To/From Other Funds		\$ 409,886

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

The amount due to the General Fund from the Ditch Special Revenue Fund is to cover the cash deficit in that fund. The other outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue	\$ 15,558
General Fund	Unorganized Townships Special Revenue Fund	15,500
Total Advances From/To Other Funds		<u>\$ 31,058</u>

These advances provide cash flow for specific ditches and unorganized townships and will be paid back with future tax collections and operating revenues.

3. Interfund Transfers

Transfer to Environmental Special Revenue Fund from General Fund	<u>\$ 27,505</u>	Appropriations
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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 288,619
Salaries	232,504
Contracts payable	137,124
Due to other governments	260,792
Interest	<u>39,411</u>
Total Payables	<u>\$ 958,450</u>

2. Compensated Absences

Under the County's personnel policies and union contracts, employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 3 to 26 days per year. Sick leave accrual is 13 days per year. Leave may be accumulated to a maximum of 26 days of vacation and 90 days of sick leave under the County's employment policy.

Unused compensatory time, accumulated vacation, and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$769,468 at December 31, 2015, is available to employees in the event of illness-related absences and is not paid to them at termination.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Construction and Other Significant Commitments

The County has active construction projects and commitments as of December 31, 2015.

	Spent-to Date	Remaining Commitment
Governmental Activities		
Brushing and clearing of ditches	\$ 689,942	\$ 451,342
911 equipment	62,500	62,500
Total Governmental Activities	\$ 752,442	\$ 513,842

4. Long-Term Debt

Roseau County General Obligation Jail Refunding Bonds, Series 2012A, represent debt incurred to refund the General Obligation Jail Bonds of 2006. These bonds have an original issue amount of \$4,435,000. They carry a net interest rate of 1.998 percent and are due in semi-annual installments beginning February 2016 through February 2027. The proceeds from the refunding were used to pay the \$4,200,000 called principal amount of the General Obligation Jail Bonds of 2006 on the crossover date of February 1, 2015. As a result of the refunding, the County reduced its total debt service payments by \$303,816 and realized an economic gain of \$257,563. The balance due on these bonds is \$4,463,806, including bond premium, as of December 31, 2015.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

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

Year Ending December 31	General Obligation Jail Refunding Bonds, Series 2012A	
	Principal	Interest
2016	\$ 330,000	\$ 91,288
2017	335,000	84,637
2018	340,000	77,888
2019	345,000	71,037
2020	355,000	64,038
2021 - 2025	1,905,000	206,648
2026 - 2027	825,000	20,610
Subtotal	\$ 4,435,000	\$ 616,146
Bond (Discount) Premium	28,806	-
Total	\$ 4,463,806	\$ 616,146

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Increase	Reductions	Ending Balance	Due Within One Year
General Obligation Jail Bonds of 2006	\$ 4,470,000	\$ -	\$ 4,470,000	\$ -	\$ -
Less: Bond discount	19,639	-	19,639	-	-
General Obligation Jail Refunding Bonds, Series 2012A	4,435,000	-	-	4,435,000	330,000
Add: Bond premium	31,206	-	2,400	28,806	-
Compensated absences	864,804	788,661	755,361	898,104	449,421
Total Long-Term Liabilities	\$ 9,820,649	\$ 788,661	\$ 5,247,400	\$ 5,361,910	\$ 779,421

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Deferred Inflows of Resources - Unavailable Revenue

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	\$ 148,301	\$ -	\$ -	\$ -	\$ 148,301
Special Revenue					
Road and Bridge	53,818	-	2,843,249	58,348	2,955,415
Social Services	73,772	-	-	-	73,772
Ditch	-	12,690	285,969	95,323	393,982
Debt Service	21,193	-	-	-	21,193
Nonmajor governmental funds					
Environmental	-	72,963	-	-	72,963
Unorganized Townships	1,022	-	-	-	1,022
	<u>\$ 298,106</u>	<u>\$ 85,653</u>	<u>\$ 3,129,218</u>	<u>\$ 153,671</u>	<u>\$ 3,666,648</u>

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Roseau County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

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

General Employees Retirement Fund	
Coordinated Plan members	7.50%
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

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

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

General Employees Retirement Fund	\$ 365,273
Public Employees Police and Fire Fund	111,605
Public Employees Correctional Fund	36,626

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$4,280,761 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0826 percent. It was 0.0904 percent measured as of June 30, 2014. The County recognized pension expense of \$479,014 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 215,823
Difference between projected and actual investment earnings	405,240	-
Changes in proportion	-	274,804
Contributions paid to PERA subsequent to the measurement date	158,258	-
Total	\$ 563,498	\$ 490,627

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

The \$158,258 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ (62,232)
2017	(62,232)
2018	(62,232)
2019	101,309

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$840,813 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.074 percent. It was 0.067 percent measured as of June 30, 2014. The County recognized pension expense of \$157,492 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$6,660 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 136,352
Difference between projected and actual investment earnings	146,498	-
Changes in proportion	63,002	-
Contributions paid to PERA subsequent to the measurement date	55,097	-
Total	\$ 264,597	\$ 136,352

The \$55,097 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 21,955
2017	21,955
2018	21,955
2019	21,955
2020	(14,672)

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$35,558 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.23 percent. It was 0.26 percent measured as of June 30, 2014. The County recognized pension expense of \$37,807 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 13,614
Difference between projected and actual investment earnings	29,640	-
Changes in proportion	-	1,697
Contributions paid to PERA subsequent to the measurement date	18,258	-
Total	\$ 47,898	\$ 15,311

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

The \$18,258 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 2,306
2017	2,306
2018	2,306
2019	7,411

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended June 30, 2015, was \$674,313.

5. Actuarial Assumptions

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

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

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

The long-term expected rate of return on pension plan investments is 7.90 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.90 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 6,730,877	\$ 4,280,761	\$ 2,257,341
Public Employees Police and Fire Fund net pension liability	1,638,754	840,813	181,575
Public Employees Correctional Fund Net pension liability (asset)	247,632	35,558	(134,187)

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

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

9. Subsequent Changes

Subsequent to 2015, Roseau County's net pension liability for each plan increased substantially. The increase in the net position liability is offset by deferred outflows of resources, deferred inflows of resources, and pension expense.

B. Defined Contribution Plan

Four Commissioners of Roseau 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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,298	\$ 4,298
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

Roseau 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. The retiree health care plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Roseau County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2015, there were approximately 119 participants in the plan, including 6 retirees. The OPEB liability is liquidated through the General Fund and the Road and Bridge, Social Services, and Environmental Special Revenue Funds.

Annual OPEB Cost and Net OPEB Obligation

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	156,827
Interest on net OPEB obligation		25,536
Adjustment to ARC		(36,202)
Annual OPEB cost (expense)	\$	146,161
Contributions made during the year		(61,815)
Increase in net OPEB obligation	\$	84,346
Net OPEB Obligation - Beginning of Year		638,397
Net OPEB Obligation - End of Year	\$	722,743

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2013, 2014, and 2015, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	\$ 129,749	\$ 38,922	30%	\$ 542,220
December 31, 2014	146,279	50,102	34	638,397
December 31, 2015	146,161	61,815	42	722,743

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$1,228,743, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,228,743. The covered payroll (annual payroll of active employees covered by the plan) was \$5,663,718, and the ratio of the UAAL to the covered payroll was 21.7 percent.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

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

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Roseau County's implicit rate of return on the General Fund. The annual health care cost trend is 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized as a level dollar amount over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 22 years.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, 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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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5. Risk Management (Continued)

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 \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grantor 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 litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

B. Joint Ventures

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers  
Joint Powers Board

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59 and Minn. Stat. ch. 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to 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 14 representatives appointed by each Board of County Commissioners. Roseau County's responsibility does not extend beyond making this appointment.

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security grant program and other grant programs and awards. Member counties do not receive a financial benefit or burden as a result of membership. In 2015, Roseau County did not make a contribution to the Board.

Complete financial information can be obtained from:

Clay County Sheriff's Office  
915 Ninth Avenue North  
Moorhead, Minnesota 56560

Karlstad Mobile Relay Station

The Karlstad Mobile Relay Station was formed in 1973 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Kittson, Lake of the Woods, Marshall, and Roseau Counties. The purpose of the Relay Station is to provide access to radio communications equipment for member counties.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Karlstad Mobile Relay Station (Continued)

Control of the Karlstad Mobile Relay Station is vested in an advisory board, which is composed of one representative appointed by each County Board and the Kittson County Administrator or Deputy Auditor. In the event of dissolution of the Relay Station, the net position at the time shall be distributed to the respective member counties in proportion to the contributions made by each.

The Karlstad Mobile Relay Station had no long-term debt. Financing is provided by contributions from each member county representing an equal share of annual expense. Roseau County did not contribute to the Karlstad Mobile Relay Station in 2015.

Complete financial information can be obtained from:

Kittson County Administrator's Office  
P. O. Box 848  
Hallock, Minnesota 56728

Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating Board was established through a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of helping to formulate land use plans for the protection, sustainable use, and development of lands and natural resources. The joint powers members are Aitkin, Cook, Koochiching, Lake, Lake of the Woods, Pennington, Roseau, and St. Louis Counties. Three elected County Commissioners from St. Louis County and two from each of the other counties comprise the membership of the Board. St. Louis County handles all of the financial transactions for this organization through its Northern Counties Land Use Board Agency Fund.

Roseau County provided no funding to this organization during 2015.

Complete financial information can be obtained from:

Northern Counties Land Use Coordinating Board  
St. Louis County Courthouse  
100 North Fifth Avenue West, Suite 214  
Duluth, Minnesota 55802

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Minnesota Regional Radio Board

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

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

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

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

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

Complete financial information can be obtained from:

Northwest Minnesota Regional Radio Board  
c/o Greater Northwest EMS  
2301 Johanneson Avenue Northwest  
Suite 103  
Bemidji, Minnesota 56601

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February 1977, pursuant to Minn. Stat. §§ 471.59 and 123.582 (now Minn. Stat. § 123A.21). The NWSC is located in State Development Regions One and Two, which includes 12 counties covering a total of 14,853 square-miles. These are the most sparsely populated regions of the state, with only 11 persons per square-mile. The regions are known as “Pines to Prairie.” The NWSC provides services to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The NWSC’s purpose is to meet or exceed the needs of participating members by developing and delivering high quality, cost-effective services and programs that will support the activities of its members.

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one city representative, with a maximum of three at-large appointees and three ex-officio superintendents. Adequate rates are charged so that members do not experience additional benefit or burden. In 2015, Roseau County did not make a contribution to the NWSC.

Complete financial information can be obtained from:

Northwest Service Cooperative  
114 First Street West  
Thief River Falls, Minnesota 56701

Northwestern Counties Data Processing Security Association

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

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

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

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties. Roseau County did not contribute to the NCDPSA for the year ended December 31, 2015. Clearwater County, in an agent capacity, reports the cash transactions of the NCDPSA as an agency fund on its financial statements.

Complete financial information can be obtained from:

Clearwater County Auditor/Treasurer's Office  
213 Main Avenue North  
Bagley, Minnesota 56621

Northwestern Minnesota Household Hazardous Waste Management Group

Beltrami, Cass, Clearwater, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Red Lake, and Roseau Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of cooperatively managing, handling, and transporting household hazardous waste; providing public education on safe waste management; and providing for the disposition of non-recyclable household hazardous waste materials (the "Waste Management Group").

The governing body of the Waste Management Group is composed of one County Commissioner from each of the member counties. Responsibility for budgeted expenditures is shared, with the first 50 percent divided equally among the member counties and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution of the Waste Management Group, the net position is to be divided among the member counties in the same proportion as their respective financial responsibilities.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Minnesota Household Hazardous Waste Management Group (Continued)

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Roseau County paid an assessment of \$7,497 to the Waste Management Group in 2015. Clearwater County, in an agent capacity, reports the cash transactions of the Waste Management Group as an agency fund on its financial statements.

Complete financial information can be obtained from:

Waste Management Group  
P. O. Box 186  
Bagley, Minnesota 56621

Northwestern Minnesota Juvenile Center

The Northwestern Minnesota Juvenile Center was formed under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, effective August 1971, and includes Beltrami, Cass, Clearwater, Hubbard, Kittson, Lake of the Woods, Pennington, and Roseau Counties. The purpose of the Center is to provide rehabilitation and other services to juveniles under the jurisdiction of the court system. The offices of the Center are located in Bemidji, with satellite homes at various locations.

Control of the Center is vested in the Northwestern Minnesota Juvenile Center Joint Powers Board, which is composed of at least one member appointed by each participating county, as provided in the Center's bylaws. At present, there are 13 directors: Beltrami, Cass, Hubbard, Pennington, and Roseau Counties have two directors each; the other member counties have one director each. In the event of dissolution, the net position of the Center will be divided among the member counties in the same proportion as their respective financial responsibilities.

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Adequate rates are charged so that the member counties do not experience any additional financial benefit or burden. Roseau County made \$129,477 in payments to the Northwestern Minnesota Juvenile Center in 2015. Beltrami County, in an agent capacity, reports the cash transactions of the Northwestern Minnesota Juvenile Center as an agency fund on its financial statements.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Minnesota Juvenile Center (Continued)

Complete financial information can be obtained from:

Beltrami County Auditor/Treasurer's Office  
Beltrami County Courthouse  
P. O. Box 247  
Bemidji, Minnesota 56601

Pine to Prairie Drug and Violent Crime Task Force

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

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

Dissolution would occur when two-thirds of the members agree by resolution to terminate the agreement or when necessitated by law or funding status, at which time, the net position of the Task Force is 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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. 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.

Complete financial information can be obtained from:

City of Crookston  
321 West Robert Street  
Crookston, Minnesota 56716

Quin County Community Health Service

The Quin County Community Health Service was formed in 1978 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the Health Service is to develop and implement policies and procedures to promote efficiency and economy in the delivery of community health services.

Control of the Health Service is vested in the Quin County Board of Health, which is composed of one member appointed by each of the member counties (total of five members, as provided in the joint powers agreement). In the event of dissolution, the net position of the Health Service is to be divided among the member counties in the same proportion as their respective financial responsibilities as determined by county population.

The Health Service has no long-term debt. Financing is provided by state and federal grants, charges for services, and appropriations from the member counties when needed. Adequate rates are charged so that member counties do not experience any additional financial benefit or burden. Marshall County, in an agent capacity, reports the cash transactions of the Health Service as an agency fund on its financial statements.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Quin County Community Health Service (Continued)

Complete financial information can be obtained from:

Marshall County Auditor/Treasurer's Office  
208 East Colvin Avenue, Suite 13  
Warren, Minnesota 56762

Or

Quin County Community Health Service  
136 West Minnesota Avenue  
Newfolden, Minnesota 56738

Williams Mobile Relay Station

The Williams Mobile Relay Station was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Kittson, Marshall, Lake of the Woods, and Roseau Counties. The purpose of the Relay Station is to provide access to radio communications equipment for member counties.

Control of the Williams Mobile Relay Station is vested in an advisory board, which is composed of one representative appointed by each County Board and the Lake of the Woods County Auditor or Deputy Auditor. In the event of dissolution of the Relay Station, the net position at the time shall be distributed to the respective member counties in proportion to the contributions made by each.

The Williams Mobile Relay Station has no long-term debt. Financing is provided by contributions from each member county representing an equal share of annual expense. Roseau County did not make a contribution to the Williams Mobile Relay Station in 2015.

Complete financial information can be obtained from:

Lake of the Woods County Auditor's Office  
206 - 8th Avenue Southeast  
Baudette, Minnesota 56623

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

C. Related Organization

Warroad River Watershed District

The Warroad River Watershed District was formed pursuant to Minn. Stat. § 103D.201 *et seq.*, effective September 13, 1965, and includes land within Lake of the Woods and Roseau Counties. The purpose of the District is to conserve the natural resources of the state by land use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

Control of the District is vested in the Warroad River Watershed District Board of Managers, which is composed of five members appointed by the Roseau County Board for staggered terms of three years each. Roseau County's responsibility does not extend beyond making the appointments.

D. Jointly-Governed Organizations

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.

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

Complete financial information can be obtained from:

Northwest Regional Development Commission  
115 South Main  
Warren, Minnesota 56762

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Roseau County expended \$54,968 to the MCCC.

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, Mahnommen, 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. Roseau County's responsibility does not extend beyond making this appointment.

Northwest Minnesota Multi-County Housing and Redevelopment Authority

The Northwest Minnesota Multi-County Housing and Redevelopment Authority (HRA) was formed pursuant to Minn. Stat. § 469.004, effective September 1972, and includes Kittson, Marshall, Pennington, Polk, Red Lake, and Roseau Counties.

Control of the HRA is vested in the HRA Board, which is composed of six members with indefinite terms made up of one member appointed by each Board of County Commissioners. Roseau County's responsibility does not extend beyond making this appointment.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Northwest Regional Library

The Northwest Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Kittson, Marshall, Pennington, Red Lake, and Roseau Counties.

Control of the Library is vested in the Northwest Regional Library Board, which is composed of 16 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Roseau County appropriated \$97,500 to the Library for the year ended December 31, 2015.

Northwest Workforce Service Area

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

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council, which is composed of 18 members, with 1 representative from each of the 7 counties, 3 members at large, and 8 members representing local agencies. In the event of dissolution of the Northwest Workforce Service Area, unexpended funds will be disposed of in accordance with law.

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

Complete financial information can be obtained from:

Northwest Regional Development Commission  
115 South Main  
Warren, Minnesota 56762

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Roseau River Watershed District

The Roseau River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Beltrami, Kittson, Lake of the Woods, Marshall, and Roseau Counties. The purpose of the District is to conserve the natural resources of the state by land use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

Control of the District is vested in the Roseau River Watershed District Board of Managers, which is composed of five members having staggered terms of three years each, with four appointed by the Roseau County Board and one appointed by the Kittson County Board.

Two Rivers Watershed District

The Two Rivers Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective October 30, 1957, and includes land within Kittson and Roseau Counties. The purpose of the District is to conserve the natural resources of the state by land use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

Control of the District is vested in the Two Rivers Watershed District Board of Managers, which is composed by seven members having staggered terms of three years each, with five appointed by the Kittson County Board and two appointed by the Roseau County Board.

7. Subsequent Event

In the 2017 legislative session, the State of Minnesota approved a \$1,250,000 appropriation to be paid to Roseau County for ditch repairs related to a federal disaster, which were not reimbursed by FEMA.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-1*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,513,663	\$ 3,513,663	\$ 3,437,398	\$ (76,265)
Licenses and permits	9,840	9,840	15,858	6,018
Intergovernmental	1,842,792	1,842,792	2,386,796	544,004
Charges for services	381,950	381,950	343,691	(38,259)
Fines and forfeits	4,000	4,000	8,353	4,353
Investment earnings	100,000	100,000	106,880	6,880
Miscellaneous	197,673	197,673	590,757	393,084
<b>Total Revenues</b>	<b>\$ 6,049,918</b>	<b>\$ 6,049,918</b>	<b>\$ 6,889,733</b>	<b>\$ 839,815</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 180,062	\$ 180,062	\$ 178,912	\$ 1,150
Court services	56,500	56,500	39,720	16,780
Law library	14,000	14,000	10,756	3,244
County auditor	300,637	300,637	304,675	(4,038)
County treasurer	160,974	160,974	120,551	40,423
County assessor	360,172	360,172	303,570	56,602
Elections	25,153	25,153	17,354	7,799
Finance tax	43,000	43,000	89,533	(46,533)
Personnel	205,069	205,069	183,310	21,759
Information systems	362,865	362,865	357,580	5,285
County attorney	572,886	572,886	407,144	165,742
County recorder	281,008	281,008	308,696	(27,688)
Victim assistance	39,300	39,300	42,572	(3,272)
Buildings and grounds	371,849	371,849	279,875	91,974
Veterans service officer	68,267	68,267	73,030	(4,763)
Insurance	35,533	35,533	53,025	(17,492)
Other general government	119,400	119,400	89,076	30,324
<b>Total general government</b>	<b>\$ 3,196,675</b>	<b>\$ 3,196,675</b>	<b>\$ 2,859,379</b>	<b>\$ 337,296</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,085,675	\$ 1,085,675	\$ 1,119,853	\$ (34,178)
Boat and water safety	1,730	1,730	1,637	93
Coroner	40,000	40,000	34,590	5,410
County jail	1,084,392	1,084,392	1,155,938	(71,546)
Emergency services	68,668	68,668	57,981	10,687
Enhanced 911	42,900	42,900	152,904	(110,004)
Handgun permits	100	100	4,735	(4,635)
Juvenile justice	9,123	9,123	890	8,233
Operation Stonegarden	-	-	51,243	(51,243)
Probation and parole	65,000	65,000	66,539	(1,539)
Sex offender program	150,000	150,000	50,007	99,993
Snowmobile safety	4,122	4,122	795	3,327
Other public safety	26,000	26,000	23,916	2,084
<b>Total public safety</b>	<b>\$ 2,577,710</b>	<b>\$ 2,577,710</b>	<b>\$ 2,721,028</b>	<b>\$ (143,318)</b>
<b>Health</b>				
County medical travel	\$ 22,220	\$ 22,220	\$ 15,000	\$ 7,220
Other health	3,200	3,200	2,381	819
<b>Total health</b>	<b>\$ 25,420</b>	<b>\$ 25,420</b>	<b>\$ 17,381</b>	<b>\$ 8,039</b>
<b>Culture and recreation</b>				
Historical society	\$ -	\$ -	\$ 50,500	\$ (50,500)
Regional library	163,000	163,000	97,500	65,500
Snowmobile and ski trails	120,000	120,000	81,898	38,102
County television	40,323	40,323	39,773	550
Other culture and recreation	1,000	1,000	2,700	(1,700)
<b>Total culture and recreation</b>	<b>\$ 324,323</b>	<b>\$ 324,323</b>	<b>\$ 272,371</b>	<b>\$ 51,952</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 108,847	\$ 108,847	\$ 119,093	\$ (10,246)
Agricultural inspection	-	-	14,989	(14,989)
Agricultural society	80,000	80,000	15,000	65,000
Soil and water conservation	39,000	39,000	148,943	(109,943)
Consolidated conservation development	57,000	57,000	241,044	(184,044)
Global Information System	6,000	6,000	9,115	(3,115)
Joint Powers Natural Resource Board	1,000	1,000	1,000	-
Land Use Coordinating Board	-	-	2,000	(2,000)
Forfeited lands	-	-	175,354	(175,354)
Other conservation of natural resources	500	500	78	422
<b>Total conservation of natural resources</b>	<b>\$ 292,347</b>	<b>\$ 292,347</b>	<b>\$ 726,616</b>	<b>\$ (434,269)</b>
<b>Economic development</b>				
Economic development	\$ -	\$ -	\$ 8,656	\$ (8,656)
Housing rehabilitation	-	-	125,696	(125,696)
Red River Valley Development	800	800	800	-
<b>Total economic development</b>	<b>\$ 800</b>	<b>\$ 800</b>	<b>\$ 135,152</b>	<b>\$ (134,352)</b>
<b>Total Expenditures</b>	<b>\$ 6,417,275</b>	<b>\$ 6,417,275</b>	<b>\$ 6,731,927</b>	<b>\$ (314,652)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (367,357)</b>	<b>\$ (367,357)</b>	<b>\$ 157,806</b>	<b>\$ 525,163</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(26,000)	(26,000)	(27,505)	(1,505)
<b>Net Change in Fund Balance</b>	<b>\$ (393,357)</b>	<b>\$ (393,357)</b>	<b>\$ 130,301</b>	<b>\$ 523,658</b>
<b>Fund Balance - January 1</b>	<b>6,840,965</b>	<b>6,840,965</b>	<b>6,840,965</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 6,447,608</b>	<b>\$ 6,447,608</b>	<b>\$ 6,971,266</b>	<b>\$ 523,658</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-2*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,224,000	\$ 1,224,000	\$ 1,166,115	\$ (57,885)
Intergovernmental	6,896,432	6,896,432	5,624,618	(1,271,814)
Charges for services	677,500	677,500	836,606	159,106
Miscellaneous	-	-	30,090	30,090
<b>Total Revenues</b>	<b>\$ 8,797,932</b>	<b>\$ 8,797,932</b>	<b>\$ 7,657,429</b>	<b>\$ (1,140,503)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 465,651	\$ 465,651	\$ 456,539	\$ 9,112
Maintenance	1,913,516	1,913,516	1,651,961	261,555
Construction	5,179,164	5,179,164	3,339,816	1,839,348
Equipment maintenance and shop	1,366,127	1,366,127	1,630,172	(264,045)
Other highways and streets	26,000	26,000	11,862	14,138
<b>Total highways and streets</b>	<b>\$ 8,950,458</b>	<b>\$ 8,950,458</b>	<b>\$ 7,090,350</b>	<b>\$ 1,860,108</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	655,133	(655,133)
<b>Total Expenditures</b>	<b>\$ 8,950,458</b>	<b>\$ 8,950,458</b>	<b>\$ 7,745,483</b>	<b>\$ 1,204,975</b>
<b>Net Change in Fund Balance</b>	<b>\$ (152,526)</b>	<b>\$ (152,526)</b>	<b>\$ (88,054)</b>	<b>\$ 64,472</b>
<b>Fund Balance - January 1</b>	<b>1,081,401</b>	<b>1,081,401</b>	<b>1,081,401</b>	<b>-</b>
<b>Increase (decrease) for inventories</b>	<b>-</b>	<b>-</b>	<b>80,040</b>	<b>80,040</b>
<b>Fund Balance - December 31</b>	<b>\$ 928,875</b>	<b>\$ 928,875</b>	<b>\$ 1,073,387</b>	<b>\$ 144,512</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-3*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,630,000	\$ 1,630,000	\$ 1,584,441	\$ (45,559)
Intergovernmental	1,751,354	1,751,354	1,964,624	213,270
Charges for services	307,750	307,750	322,948	15,198
Miscellaneous	32,750	32,750	78,032	45,282
<b>Total Revenues</b>	<b><u>\$ 3,721,854</u></b>	<b><u>\$ 3,721,854</u></b>	<b><u>\$ 3,950,045</u></b>	<b><u>\$ 228,191</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,445,912	\$ 1,445,912	\$ 1,446,888	\$ (976)
Social services	2,382,773	2,382,773	2,189,197	193,576
<b>Total Expenditures</b>	<b><u>\$ 3,828,685</u></b>	<b><u>\$ 3,828,685</u></b>	<b><u>\$ 3,636,085</u></b>	<b><u>\$ 192,600</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (106,831)</u></b>	<b><u>\$ (106,831)</u></b>	<b><u>\$ 313,960</u></b>	<b><u>\$ 420,791</u></b>
<b>Fund Balance - January 1</b>	<b><u>2,984,089</u></b>	<b><u>2,984,089</u></b>	<b><u>2,984,089</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 2,877,258</u></u></b>	<b><u><u>\$ 2,877,258</u></u></b>	<b><u><u>\$ 3,298,049</u></u></b>	<b><u><u>\$ 420,791</u></u></b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-4*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 500,940	\$ 500,940	\$ 447,176	\$ (53,764)
Intergovernmental	-	-	23,452	23,452
Charges for services	-	-	30	30
<b>Total Revenues</b>	<b>\$ 500,940</b>	<b>\$ 500,940</b>	<b>\$ 470,658</b>	<b>\$ (30,282)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Administration	\$ 3,640	\$ 3,640	\$ 4,665	\$ (1,025)
Ditch maintenance and repair	442,038	442,038	1,016,371	(574,333)
<b>Total conservation of natural resources</b>	<b>\$ 445,678</b>	<b>\$ 445,678</b>	<b>\$ 1,021,036</b>	<b>\$ (575,358)</b>
<b>Debt service</b>				
Interest	-	-	1,089	(1,089)
<b>Total Expenditures</b>	<b>\$ 445,678</b>	<b>\$ 445,678</b>	<b>\$ 1,022,125</b>	<b>\$ (576,447)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 55,262</b>	<b>\$ 55,262</b>	<b>\$ (551,467)</b>	<b>\$ (606,729)</b>
<b>Fund Balance - January 1</b>	<b>87,869</b>	<b>87,869</b>	<b>87,869</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 143,131</b>	<b>\$ 143,131</b>	<b>\$ (463,598)</b>	<b>\$ (606,729)</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT A-5**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
January 1, 2008	\$ -	\$ 810,722	\$ 810,722	0.0%	\$ 5,415,401	15.0%
January 1, 2011	-	1,031,949	1,031,949	0.0	5,583,931	18.0
January 1, 2014	-	1,228,743	1,228,743	0.0	5,663,718	21.7

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-6*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.0826%	\$ 4,280,761	\$ 4,830,650	88.62%	78.19%

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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-7*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 365,273	\$ 365,273	-	\$ 4,870,301	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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-8*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.074%	\$ 840,813	\$ 680,028	123.64%	86.61%

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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-9*

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

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 111,605	\$ 111,605	-	\$ 688,924	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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-10*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.23%	\$ 35,558	\$ 410,923	8.65%	96.95%

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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT A-11*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND  
DECEMBER 31, 2015**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2015	\$ 36,626	\$ 36,626	-	\$ 418,582	8.75%

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.

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Rural Business Special Revenue Fund. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. 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 departmental level.

2. Excess of Expenditures Over Budget

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

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current			
General government			
County auditor	\$ 304,675	\$ 300,637	\$ (4,038)
Finance tax	89,533	43,000	(46,533)
Recorder	308,696	281,008	(27,688)
Victim assistance	42,572	39,300	(3,272)
Veterans service officer	73,030	68,267	(4,763)
Insurance	53,025	35,533	(17,492)
Public safety			
Sheriff	1,119,853	1,085,675	(34,178)
County jail	1,155,938	1,084,392	(71,546)
Enhanced 911	152,904	42,900	(110,004)
Handgun permits	4,735	100	(4,635)
Operation Stonegarden	51,243	-	(51,243)
Probation and parole	66,539	65,000	(1,539)

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

2. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund			
Current (Continued)			
Culture and recreation			
Historical society	50,500	-	(50,500)
Other culture and recreation	2,700	1,000	(1,700)
Conservation of natural resources			
Cooperative extension	119,093	108,847	(10,246)
Agriculture inspection	14,989	-	(14,989)
Soil and water conservation	148,943	39,000	(109,943)
Consolidated conservation development	241,044	57,000	(184,044)
Global Information System	9,115	6,000	(3,115)
Land Use Coordinating Board	2,000	-	(2,000)
Forfeited lands	175,354	-	(175,354)
Economic development			
Economic development	8,656	-	(8,656)
Housing rehabilitation	125,696	-	(125,696)
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Equipment maintenance and shop	1,630,172	1,366,127	(264,045)
Intergovernmental			
Highways and streets	655,133	-	(655,133)
Social Services Special Revenue Fund			
Current			
Human services			
Income maintenance	1,446,888	1,445,912	(976)
Ditch Special Revenue Fund			
Current			
Conservation of natural resources			
Administration	4,665	3,640	(1,025)
Ditch maintenance and repair	1,016,371	442,038	(574,333)
Debt service			
Interest	1,089	-	(1,089)

3. Other Postemployment Benefits

Funding Status

The County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31,

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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3. Other Postemployment Benefits

Funding Status (Continued)

2009. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero. See Note 4.C. to the financial statements for more information.

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

Significant Plan Provisions and Actuarial Assumption Changes

2015

The County obtained an actuarial valuation as of January 1, 2014. Since the actuarial valuation as of January 1, 2011, the following actuarial assumptions have changed:

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated to reflect the projection of 2000 rates to 2014 based on Scale BB.
- The discount rate was changed from 4.50 percent to 4.00 percent.
- The post-retirement medical subsidy is assumed to increase at half of the health care trend rates instead of the full health care trend rates. This change was made to better reflect actual plan experience.

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**SUPPLEMENTARY INFORMATION**

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**MAJOR FUND**

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT B-1*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 482,333	\$ 482,333	\$ 460,569	\$ (21,764)
Intergovernmental	2,379	2,379	21,312	18,933
Miscellaneous	-	-	6,150	6,150
<b>Total Revenues</b>	<b>\$ 484,712</b>	<b>\$ 484,712</b>	<b>\$ 488,031</b>	<b>\$ 3,319</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 260,000	\$ 260,000	\$ 4,470,000	\$ (4,210,000)
Interest	186,274	186,274	188,425	(2,151)
<b>Total Expenditures</b>	<b>\$ 446,274</b>	<b>\$ 446,274</b>	<b>\$ 4,658,425</b>	<b>\$ (4,212,151)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 38,438</b>	<b>\$ 38,438</b>	<b>\$ (4,170,394)</b>	<b>\$ (4,208,832)</b>
<b>Fund Balance - January 1</b>	<b>4,731,648</b>	<b>4,731,648</b>	<b>4,731,648</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,770,086</b>	<b>\$ 4,770,086</b>	<b>\$ 561,254</b>	<b>\$ (4,208,832)</b>

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Environmental Special Revenue Fund is used to account for and report financial transactions of the Environmental Office, a state grant for recycling projects, and the maintenance and operation of a transfer station where financing is provided by tipping fees restricted to environmental services.

The Rural Business Special Revenue Fund is used to account for and report financial transactions of a revolving loan fund for small and emerging private business enterprises. This fund was created in 2012 to provide financial assistance to third parties within the guidelines of a revolving loan fund plan administered by a loan committee. Financing is provided by grant funds restricted for economic development.

The Unorganized Townships Special Revenue Fund is used to account for and report financial transactions of 16 unorganized townships. Financing is provided by annual tax levies restricted to roads within unorganized townships.

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT C-1*

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

	<b>Environmental</b>	<b>Rural Business</b>	<b>Unorganized Townships</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 942,500	\$ 54,346	\$ 288,623	\$ 1,285,469
Taxes receivable - delinquent	-	-	1,022	1,022
Accounts receivable	129,945	-	-	129,945
	<b>\$ 1,072,445</b>	<b>\$ 54,346</b>	<b>\$ 289,645</b>	<b>\$ 1,416,436</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 44,973	\$ -	\$ -	\$ 44,973
Salaries payable	10,045	-	-	10,045
Due to other funds	603	-	4,172	4,775
Advance from other funds	-	-	15,500	15,500
	<b>\$ 55,621</b>	<b>\$ -</b>	<b>\$ 19,672</b>	<b>\$ 75,293</b>
 <b>Deferred Inflows of Resources</b>				
Unavailable revenues	<b>\$ 72,963</b>	<b>\$ -</b>	<b>\$ 1,022</b>	<b>\$ 73,985</b>
 <b>Fund Balances</b>				
Restricted				
SCORE	\$ 11,409	\$ -	\$ -	\$ 11,409
Economic development	-	54,346	-	54,346
Assigned				
Public safety	-	-	62,164	62,164
Highways and streets	-	-	214,683	214,683
Sanitation	932,452	-	-	932,452
Unassigned	-	-	(7,896)	(7,896)
	<b>\$ 943,861</b>	<b>\$ 54,346</b>	<b>\$ 268,951</b>	<b>\$ 1,267,158</b>
 <b>Total Fund Balances</b>	<b>\$ 943,861</b>	<b>\$ 54,346</b>	<b>\$ 268,951</b>	<b>\$ 1,267,158</b>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,072,445</b>	<b>\$ 54,346</b>	<b>\$ 289,645</b>	<b>\$ 1,416,436</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT C-2*

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

	<u>Environmental</u>	<u>Rural Business</u>	<u>Unorganized Townships</u>	<u>Total</u>
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 49,162	\$ 49,162
Intergovernmental	126,817	-	154,555	281,372
Charges for services	1,003,372	-	-	1,003,372
Miscellaneous	2,560	25,326	7,109	34,995
<b>Total Revenues</b>	<b>\$ 1,132,749</b>	<b>\$ 25,326</b>	<b>\$ 210,826</b>	<b>\$ 1,368,901</b>
<b>Expenditures</b>				
<b>Current</b>				
Public safety	\$ -	\$ -	\$ 20,600	\$ 20,600
Highways and streets	-	-	115,612	115,612
Sanitation	1,084,185	-	-	1,084,185
<b>Debt service</b>				
Interest	-	-	1,246	1,246
<b>Total Expenditures</b>	<b>\$ 1,084,185</b>	<b>\$ -</b>	<b>\$ 137,458</b>	<b>\$ 1,221,643</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 48,564</b>	<b>\$ 25,326</b>	<b>\$ 73,368</b>	<b>\$ 147,258</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	27,505	-	-	27,505
<b>Net Change in Fund Balance</b>	<b>\$ 76,069</b>	<b>\$ 25,326</b>	<b>\$ 73,368</b>	<b>\$ 174,763</b>
<b>Fund Balance - January 1</b>	<b>867,792</b>	<b>29,020</b>	<b>195,583</b>	<b>1,092,395</b>
<b>Fund Balance - December 31</b>	<b>\$ 943,861</b>	<b>\$ 54,346</b>	<b>\$ 268,951</b>	<b>\$ 1,267,158</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT C-3*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 128,297	\$ 128,297	\$ 126,817	\$ (1,480)
Charges for services	943,100	943,100	1,003,372	60,272
Miscellaneous	10,100	10,100	2,560	(7,540)
<b>Total Revenues</b>	<b>\$ 1,081,497</b>	<b>\$ 1,081,497</b>	<b>\$ 1,132,749</b>	<b>\$ 51,252</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Environmental officer	\$ 86,902	\$ 86,902	\$ 68,501	\$ 18,401
Recycling	119,171	119,171	113,944	5,227
Transfer station	930,809	930,809	901,740	29,069
<b>Total Expenditures</b>	<b>\$ 1,136,882</b>	<b>\$ 1,136,882</b>	<b>\$ 1,084,185</b>	<b>\$ 52,697</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (55,385)</b>	<b>\$ (55,385)</b>	<b>\$ 48,564</b>	<b>\$ 103,949</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	27,505	27,505	27,505	-
<b>Net Change in Fund Balance</b>	<b>\$ (27,880)</b>	<b>\$ (27,880)</b>	<b>\$ 76,069</b>	<b>\$ 103,949</b>
<b>Fund Balance - January 1</b>	<b>867,792</b>	<b>867,792</b>	<b>867,792</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 839,912</b>	<b>\$ 839,912</b>	<b>\$ 943,861</b>	<b>\$ 103,949</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
RURAL BUSINESS SPECIAL REVENUE FUND  
DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ -	\$ -	\$ 25,326	\$ 25,326
<b>Fund Balance - January 1</b>	<u>29,020</u>	<u>29,020</u>	<u>29,020</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 29,020</u>	<u>\$ 29,020</u>	<u>\$ 54,346</u>	<u>\$ 25,326</u>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT C-5*

**BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED TOWNSHIPS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 37,025	\$ 37,025	\$ 49,162	\$ 12,137
Intergovernmental	65,123	65,123	154,555	89,432
Miscellaneous	-	-	7,109	7,109
<b>Total Revenues</b>	<b>\$ 102,148</b>	<b>\$ 102,148</b>	<b>\$ 210,826</b>	<b>\$ 108,678</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Ambulance	\$ 20,600	\$ 20,600	\$ 20,600	\$ -
<b>Highways and streets</b>				
Administration	\$ 1,937	\$ 1,937	\$ 5,907	\$ (3,970)
Township roads	69,205	69,205	109,705	(40,500)
<b>Total highways and streets</b>	<b>\$ 71,142</b>	<b>\$ 71,142</b>	<b>\$ 115,612</b>	<b>\$ (44,470)</b>
<b>Debt service</b>				
Interest	\$ -	\$ -	\$ 1,246	\$ (1,246)
<b>Total Expenditures</b>	<b>\$ 91,742</b>	<b>\$ 91,742</b>	<b>\$ 137,458</b>	<b>\$ (45,716)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 10,406</b>	<b>\$ 10,406</b>	<b>\$ 73,368</b>	<b>\$ 62,962</b>
<b>Fund Balance - January 1</b>	<b>195,583</b>	<b>195,583</b>	<b>195,583</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 205,989</b>	<b>\$ 205,989</b>	<b>\$ 268,951</b>	<b>\$ 62,962</b>

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**FIDUCIARY FUNDS**

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**AGENCY FUNDS**

The State Revenue Agency Fund is used to account for the collection and payment of funds due to the State of Minnesota.

The Taxes and Penalties Agency Fund is used to account for the collection of taxes, penalties, and special assessments and their payment to the various County funds and taxing districts.

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

*EXHIBIT D-1*

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

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 23,035	\$ 312,971	\$ 303,357	\$ 32,649
<b><u>Liabilities</u></b>				
Due to other governments	\$ 23,035	\$ 312,971	\$ 303,357	\$ 32,649
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 411,270	\$ 19,228,598	\$ 19,135,340	\$ 504,528
<b><u>Liabilities</u></b>				
Due to other governments	\$ 411,270	\$ 19,228,598	\$ 19,135,340	\$ 504,528
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 434,305	\$ 19,541,569	\$ 19,438,697	\$ 537,177
<b><u>Liabilities</u></b>				
Due to other governments	\$ 434,305	\$ 19,541,569	\$ 19,438,697	\$ 537,177

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## **OTHER SCHEDULES**

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**BALANCE SHEET - BY UNORGANIZED TOWNSHIP  
UNORGANIZED TOWNSHIPS SPECIAL REVENUE FUND  
DECEMBER 31, 2015**

	<u>Assets</u>			<u>Due To Other Funds</u>
	<u>Cash</u>	<u>Taxes Receivable - Delinquent</u>	<u>Total</u>	
<b>Townships</b>				
159N-RG37W (Elkwood)	\$ 3,806	\$ -	\$ 3,806	\$ -
160N-RG37W	19,181	-	19,181	-
161N-RG35W (Oaks)	24,646	-	24,646	-
161N-RG36W (Clear River)	22,290	364	22,654	405
161N-RG37W (America)	35,415	12	35,427	247
162N-RG44W (Juneberry)	10,396	-	10,396	520
163N-RG38W (Norland)	50,334	537	50,871	585
163N-RG39W (Spruce Valley)	11,326	-	11,326	1,645
163N-RG40W (Jadis)	16,778	-	16,778	365
163N-RG43W	52,372	-	52,372	-
163N-RG44W (Blooming Valley)	204	53	257	300
164N-RG38W	7,083	-	7,083	-
164N-RG39W	14,581	-	14,581	77
164N-RG40W	4,970	56	5,026	28
164N-RG44W	15,241	-	15,241	-
<b>Total</b>	<b>\$ 288,623</b>	<b>\$ 1,022</b>	<b>\$ 289,645</b>	<b>\$ 4,172</b>

**EXHIBIT E-1**

<b>Liabilities</b>		<b>Deferred Inflows of Resources</b>	<b>Fund Balances</b>			<b>Total Liabilities, Deferred Inflows, of Resources and Fund Balances</b>
<b>Advance from Other Funds</b>	<b>Total</b>		<b>Assigned to Unorganized Townships</b>	<b>Unassigned</b>	<b>Total</b>	
\$ -	\$ -	\$ -	\$ 3,806	\$ -	\$ 3,806	\$ 3,806
-	-	-	19,181	-	19,181	19,181
-	-	-	24,646	-	24,646	24,646
-	405	364	21,885	-	21,885	22,654
-	247	12	35,168	-	35,168	35,427
-	520	-	9,876	-	9,876	10,396
-	585	537	49,749	-	49,749	50,871
7,700	9,345	-	1,981	-	1,981	11,326
-	365	-	16,413	-	16,413	16,778
-	-	-	52,372	-	52,372	52,372
7,800	8,100	53	-	(7,896)	(7,896)	257
-	-	-	7,083	-	7,083	7,083
-	77	-	14,504	-	14,504	14,581
-	28	56	4,942	-	4,942	5,026
-	-	-	15,241	-	15,241	15,241
<b>\$ 15,500</b>	<b>\$ 19,672</b>	<b>\$ 1,022</b>	<b>\$ 276,847</b>	<b>\$ (7,896)</b>	<b>\$ 268,951</b>	<b>\$ 289,645</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT E-2**

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

**Shared Revenue**

**State**

Highway users tax	\$	5,238,158
County program aid		779,542
PERA rate reimbursement		16,974
Disparity reduction aid		2,172
Police aid		87,067
Aquatic invasive species aid		38,992
Market value credit		241,924

**Total shared revenue** **\$ 6,404,829**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	491,385
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**Payments**

**Local**

Payments in lieu of taxes	\$	989,010
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**Grants**

**State**

Minnesota Department/Board of		
Corrections	\$	24,462
Public Safety		141,452
Transportation		238,245
Natural Resources		86,595
Human Services		460,639
Veterans Affairs		10,000
Water and Soil Resources		60,721
Pollution Control Agency		105,520
Peace Officer Standards and Training Board		4,531

**Total state** **\$ 1,132,165**

**Federal**

Department of		
Agriculture	\$	154,330
Justice		2,678
Transportation		123,265
Health and Human Services		923,857
Homeland Security		80,655

**Total federal** **\$ 1,284,785**

**Total state and federal grants** **\$ 2,416,950**

**Total Intergovernmental Revenue** **\$ 10,302,174**

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT E-3**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN10152514	<b>\$ 154,330</b>
<b>U.S. Department of Justice</b>			
Direct Bulletproof Vest Partnership Program	16.607		<b>\$ 2,678</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	99968	<b>\$ 123,265</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster Temporary Assistance for Needy Families	93.556	1401MNFPS	\$ 2,805
Child Support Enforcement	93.558	1502MNTANF	88,418
Refugee and Entrant Assistance - State Administered Programs CCDF Cluster	93.563	1504MN4005	307,177
Child Care and Development Block Grant	93.566	1501MNRCA	234
Community-Based Child Abuse Prevention Grants	93.575	G1501MNCCDF	2,117
Stephanie Tubbs Jones Child Welfare Services Program	93.590	1302MNFPG	1,056
Foster Care - Title IV-E	93.645	1401MNCWSS	1,848
Social Services Block Grant	93.658	1501MNFOS	36,016
Children's Health Insurance Program	93.667	1501MNSOSR	73,937
Medicaid Cluster Medical Assistance Program	93.767	1405MN5021	40
	93.778	1505MN5ADM	410,209
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 923,857</b>

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**EXHIBIT E-3  
(Continued)**

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

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared			
Disasters	97.036	135-99135-00	\$ 7,038
Emergency Management Performance Grants	97.042	A-EMPG-2014- ROSEAUCO-00074	17,285
Emergency Management Performance Grants	97.042	A-EMPG-2015- ROSEAUCO-00071	16,134
(Total Emergency Management Performance Grants 97.042 \$33,419)			
Homeland Security Grant Program	97.067	A-OSGP-2013- ROSEAUCO-00006	36,171
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 76,628</b>
<b>Total Federal Awards</b>			<b>\$ 1,280,758</b>

Roseau County did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

**Totals by Cluster**

Total expenditures for SNAP Cluster	\$ 154,330
Total expenditures for Highway Planning and Construction Cluster	123,265
Total expenditures for TANF Cluster	88,418
Total expenditures for CCDF Cluster	2,117
Total expenditures for Medicaid Cluster	410,209

**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Roseau County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Roseau County, it is not intended to and does not present the financial position or changes in net position of Roseau 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. Roseau County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,284,785
Grants received more than 60 days after year-end, deferred in 2015	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	469,727
Grants unavailable in 2014, recognized as revenue in 2015	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	<u>(473,754)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,280,758</u>

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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

#### Independent Auditor's Report

Board of County Commissioners  
Roseau County  
Roseau, 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 Roseau County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 13, 2019.

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

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

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

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 attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002 to be material weaknesses and items 1996-001, 2007-001, and 2015-003 through 2015-010 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Roseau 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 Roseau County has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Roseau 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 items 2006-002 and 2015-014 through 2015-018. 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 are management practices comments. We believe these recommendations to be of benefit to the County, and they are reported for that purpose.

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

Roseau 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.

We noted certain matters that we reported to management of Roseau County in a separate letter dated March 13, 2019.

## **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

March 13, 2019

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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JULIE BLAHA  
STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Roseau County  
Roseau, Minnesota

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

We have audited Roseau County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2015. Roseau 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 Roseau 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 Roseau County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

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

As described in the accompanying Schedule of Findings and Questioned Costs, Roseau County did not comply with requirements regarding CFDA No. 93.778 Medical Assistance Program as described in finding number 2015-011 for Uniform Guidance Written Procurement Policies and Procedures; finding number 2015-012 for Identification of Federal Awards; and finding number 2015-013 for Procurement, Suspension, and Debarment. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Roseau 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, 2015.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-011 through 2015-013 to be material weaknesses.

Roseau County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Roseau 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.

### **Purpose of This Report**

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

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

March 13, 2019

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**ROSEAU COUNTY  
ROSEAU, MINNESOTA**

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

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

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

The major federal program is:

Medicaid Cluster

CFDA No. 93.778

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

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-001

#### 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:** The limited number of personnel within several Roseau County offices results in a lack of segregation of accounting duties necessary to ensure adequate internal accounting control. The smaller offices that collect fees 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 Roseau County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

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

**Cause:** Due to limited economic resources, the County informed us that it is impractical to hire enough staff to achieve a desirable level of segregation of duties in every department.

**Recommendation:** We recommend Roseau 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

Documenting and Monitoring Internal Controls

**Criteria:** County management is responsible for developing and monitoring its internal controls. An essential element of monitoring controls includes documenting the County's accounting policies and procedures and performing a risk assessment of existing controls over significant functions of the accounting system used to produce financial information for members of the County Board, management, and for external financial reporting. Written policies and procedures should exist to ensure the County's practices are followed as intended by management. The risk assessment is intended to determine if the internal controls established by management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Significant functions to be addressed would include areas such as cash and investment activities; major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items); expenditure processing, including new vendor setup; and payroll.

**Condition:** The County has documented policies relating to the credit card/purchase card program, capital and general expenditures, travel, fund balance, and employment. The County also has an investment policy, but it does not accurately reflect current accounting standards or current statutes. Some policies are out of date, and the County lacks written policies and procedures over other significant functions. In addition, there are no formal risk assessment and monitoring procedures in place to determine if the internal controls established by County management are still effective or if changes are needed to maintain a sound internal control structure.

**Context:** While internal controls may be established, it is not uncommon in operations the size of Roseau County to fail to periodically review those controls. Monitoring of internal controls is necessary to ensure they are in place, appropriate, and operating effectively.

**Effect:** Without comprehensive accounting policies and procedures over all significant functions, and including risk assessment and monitoring procedures, there is an increased risk that the County's practices may not be followed as intended by management, employees may not understand the purpose of internal controls, and errors or irregularities may not be prevented or detected timely.

**Cause:** Due to limited time and resources, the County has not completed the process of documenting all significant policies and procedures and formalizing its risk assessment and monitoring process.

**Recommendation:** We recommend County management continue its efforts to document key internal controls in its significant accounting functions. The County should update policies and procedures, including its investment policy, to reflect current statutes and

conform with accounting standards. We further recommend that a formal plan be developed to assess and monitor the significant internal controls on a regular basis, no less than annually. The monitoring should be documented to show the results of the review, changes required, and who performed the work.

**View of Responsible Official:** Concur

#### ITEMS ARISING THIS YEAR

Finding Number 2015-001

#### Prior Period Adjustment

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

**Condition:** A prior period adjustment material to the governmental activities was identified during the audit. The net position reported for December 31, 2014, includes an amount for delinquent special assessment receivables and associated revenue on state-owned consolidated conservation lands dating back to 1996 that the County does not have a legal claim to receive. Additionally, there was a corresponding overstatement of receivables and deferred inflows of resources - unavailable revenue in the Ditch Special Revenue Fund during 2014, which was also corrected.

**Context:** Roseau County, along with six other counties, are seeking legislation for an appropriation from the state's General Fund for local assessments related to state-owned conservation land, but have not yet been successful in obtaining that appropriation.

**Effect:** The January 1, 2015, net position of the governmental activities decreased by \$964,866 due to reporting delinquent special assessments on state-owned consolidated conservation lands.

**Cause:** The County believed it should be reimbursed for expenditures disbursed for state-owned land; however, the County did not have a legal claim to support reporting a receivable in the financial statements.

**Recommendation:** We recommend the County only report receivables for which it has a legal claim in its financial statements.

**View of Responsible Official:** Acknowledged

Finding Number 2015-002

Audit Adjustments

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

**Condition:** Material audit adjustments were identified that resulted in significant changes to the County's financial statements. The County provided its originally prepared 2015 financial report as the County's official record, along with its general ledger and other supporting schedules used in the preparation of that report.

**Context:** The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** The following audit adjustments needed to be recorded for December 31, 2015:

- Contracts payable and expenses were increased by \$29,545 in the Ditch Special Revenue Fund for brushing and clearing of ditch systems performed in 2015 but not paid until 2016.
- Due from other governments and deferred inflows of resources - unavailable revenue were decreased by \$245,011 in the Ditch Special Revenue Fund to reduce amounts owed to the County from FEMA for disaster project #1982.
- In the General Fund, cash and pooled investments was decreased and due from other funds was increased by \$389,861 to record an interfund loan to the Ditch Special Revenue Fund. In the Ditch Special Revenue Fund, a cash overdraft liability of \$389,861 was decreased and due to other funds was increased.

**Cause:** This activity was overlooked by staff when financial statement information was prepared. Specifically:

- Portions of a brushing and clearing contract completed in 2015 was not identified by the County as payable for 2015.

- The receivable for the FEMA disaster was based on an estimate of expenditures for large projects rather than the actual expenditures for the projects, which came in substantially lower than the estimates.
- Roseau County pools its cash and investments, and each fund reports its equity in the pool as cash and pooled investments. The County was unaware that presenting a cash overdraft liability instead of an interfund loan creates an incorrect cash balance for the County as a whole.

**Recommendation:** We recommend County staff implement procedures over financial reporting that include review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with GAAP.

**View of Responsible Official:** Concur

Finding Number 2015-003

#### Fund Balance Reporting

**Criteria:** Governments are required to report amounts in the appropriate fund balance classifications, in accordance with Governmental Accounting Standards Board Statement 54 (GASB 54), by applying their accounting policies to determine whether restricted, committed, assigned, or unassigned resources have been spent. Resources identified to be used for specific purposes pursuant to constraints imposed by formal action of the County Board should be reported as committed fund balance.

**Condition:** The County reported committed fund balances for six categories in the General Fund for which County Board resolutions could not be located. The County also reported an assignment for cash flows in the General Fund; this is not a specific purpose and should be reported as unassigned. In addition, the County did not account for a restriction for child protection services in the Social Services Special Revenue Fund. In both the Ditch and Unorganized Townships Special Revenue Funds, fund balance was netted when instead the individual positive ditch or township balances should be reported as restricted or assigned, respectively, and the individual negative ditch or township balances should be reported as unassigned.

**Context:** The County has a fund balance policy that establishes specific guidelines for the County to use to reclassify fund balances into categories based primarily on the extent for which the County is bound to honor constraints on the specific purposes for which amounts can be spent. The policy also states the County Auditor shall annually prepare the status of fund balances in relation to the policy for presentation to the County Board in conjunction with the development of the annual budget.

**Effect:** Significant reclassifications of fund balance were required in the General Fund and in the Social Services, Ditch, and Unorganized Townships Special Revenue Funds to adjust restricted, committed, assigned, and unassigned fund balances. The most significant reclassifications to fund balance in the General Fund were to reduce committed by \$4,382,756 and assigned by \$1,119,064 and increase unassigned by \$5,501,820. In the Ditch Special Revenue Fund, both the restricted and the negative unassigned fund balance were increased by \$1,526,281.

**Cause:** Several classifications were carried over from designations of fund balance in pre-GASB 54 financial statements. The restriction for child protection and restriction for positive ditch balances were oversights.

**Recommendation:** We recommend the County develop procedures to ensure all fund balance classifications comply with GASB 54 requirements.

**View of Responsible Official:** Concur

Finding Number 2015-004

#### Inventory Records

**Criteria:** Recorded inventory amounts should reflect the proper value of inventory on hand.

**Condition:** During the year, the perpetual inventory system reflects gravel additions valued at the average price per unit of actual accumulated costs associated with stockpiling and maintaining gravel. The value of gravel removed in the inventory system is calculated based on an estimated flat rate of \$4 per unit. The County performs a geographic information system (GIS) measurement of gravel and adjusts the year-end quantity for each stockpile in the perpetual inventory system to reflect the measurement. Because of the different prices per unit used for additions and deletions, some gravel stockpiles are over-valued and some are under-valued. Several stockpiles had no remaining quantity at year-end, but still reflected a value.

**Context:** Although the valuation of each gravel stockpile is not accurate, the overall valuation of gravel is reasonable.

**Effect:** The inventory system does not reflect accurate valuations for individual gravel stockpiles.

**Cause:** The County Highway Accountant did not realize how the different prices used for additions and withdrawals were affecting the gravel valuations in the inventory system.

**Recommendation:** We recommend the County Highway Department develop procedures to ensure that gravel additions and withdrawals reflect the appropriate price per unit and adjust the values in the inventory system accordingly.

**View of Responsible Official:** Concur

Finding Number 2015-005

Segregation of Duties - Vendor Setup

**Criteria:** Internal controls should be designed to provide for adequate segregation of duties so that no one individual has the ability to both process disbursements and set up new vendors. If segregation of duties is limited due to staff size, procedures should be implemented to include someone independent of the vendor payment process to review, verify, and approve new vendors on a timely basis.

**Condition:** Eight of the 20 County staff with access to the Integrated Financial System had the ability to set up new vendors. Seven of these eight positions also had the ability to process disbursements.

**Context:** The County has the ability to implement controls and/or limit access to the vendor setup function.

**Effect:** Inadequate segregation of duties increases the risk that errors or irregularities will not be detected in a timely manner.

**Cause:** The County allows financial staff in the Auditor's Office and Social Services to establish new vendors for convenience. The County has no requirement or formal process to document review and approval of new vendors by someone independent of the vendor payment process.

**Recommendation:** We recommend the County re-evaluate whether segregation of duties between disbursements and vendor setup is possible and assign access rights as applicable. If this segregation is not feasible, we recommend that procedures be developed to have an employee independent of the vendor payment process review new vendors and changes to existing vendors in a timely manner.

**View of Responsible Official:** Acknowledged

Finding Number 2015-006

Financial Statement Disclosures

**Criteria:** Reporting in accordance with GAAP requires certain elements to be included in the financial report.

**Condition:** The following presentations and disclosures in the originally prepared 2015 financial report provided by the County for this audit were either not reported or were not reported correctly:

- Intergovernmental revenue was not properly reported in the Schedule of Intergovernmental Revenue. State-shared revenues were overstated by \$123,697; reimbursements for services were understated by \$73,268; state grants were understated by \$347,862; and federal grants were overstated by \$268,495.
- The investment note did not properly report the interest rate risk, credit risk, custodial credit risk, and concentration of credit risk.
- Long-term pension and other postemployment benefits liabilities were grouped with other long-term debt and not presented separately.
- The Forfeited Tax Sale Special Revenue Fund did not meet the criteria in GASB 54 to be reported as such.
- Solid waste fees in the amount of \$582,829, including receivables in the amount of \$77,959 were reported as special assessments. These fees are run through the tax system as a method of collection. The Minnesota County Financial Accounting and Reporting Standards (COFARS) provides that these fees be reported as charges for services.
- Right-of-way, a non-depreciable capital asset, was included in the amount reported as infrastructure, a depreciable capital asset.

**Context:** The financial report provided by the County for this audit was originally prepared/audited by another auditor.

**Effect:** The indicated presentations and disclosures in the previously issued financial report for the year ended December 31, 2015, are not in compliance with GAAP.

**Cause:** The County did not have an adequate review process in place to review the financial report before it was issued.

**Recommendation:** We recommend the County develop and document a process to review the financial report before the report is issued. Documentation of the review should be maintained on file.

**View of Responsible Official:** Acknowledged

Finding Number 2015-007

Departmental Checking Accounts

**Criteria:** Receipt and disbursement of funds should be centralized in the Treasurer's Office whenever possible to allow for better control over all County funds. County departments should deposit funds directly with the Treasurer, and disbursements should be issued through a centralized disbursement process in the County Treasurer's Office. Minnesota Statutes, sections 384.13 and 385.05 generally permit the payment of county funds on county checks signed by the Board Chair, the County Auditor, and the County Treasurer.

**Condition:** The Recorder, Sheriff, Jail, Attorney, and Highway Departments each have separate checking accounts that are not under the control of the County Treasurer and that are not reported in the County's financial statements.

**Context:** The balances in these accounts totaled \$35,591 at December 31, 2015.

**Effect:** There is an increased risk errors or irregularities in these accounts will not be detected in a timely manner.

**Cause:** These accounts have been active for many years and were opened for various reasons.

**Recommendation:** We recommend the County re-evaluate the need for departmental checking accounts and close any that are not necessary. All County checks need to comply with Minn. Stat. §§ 384.13 and 385.05.

**View of Responsible Official:** Acknowledged

Finding Number 2015-008

Journal Entries

**Criteria:** Management is responsible for establishing and maintaining internal controls and for the accuracy and completeness of all financial records and related information, including, but not limited to, the controls over initiating, authorizing, recording, and processing journal entries in the general ledger system.

**Condition:** There was no documented review and approval for journal entries entered into the general ledger system. In addition, 7 of 20 County staff with access to the Integrated Financial System had the ability to make journal entries.

**Context:** Journal entries have supporting documentation. The County has the ability to limit access to the journal entry function to the employee who actually makes journal entries.

**Effect:** There is an increased risk errors or irregularities will not be detected in a timely manner.

**Cause:** The County has not developed procedures for review and approval of journal entries, nor has the need for limiting access been evaluated.

**Recommendation:** We recommend a procedure be established to require review and approval of journal entries by someone other than the person making the journal entries. This person should obtain an understanding of the journal entry and its purpose before approval. The approval could be documented by signature on a journal entry form or a printed copy of the journal entry made. The County should also evaluate the need for access to the journal entry function and limit access rights as applicable.

**View of Responsible Official:** Concur

Finding Number 2015-009

#### Review of Bank Reconciliations

**Criteria:** Internal controls in place over operations should be designed to provide reasonable assurance material errors or irregularities will be prevented and detected in a timely manner.

**Condition:** There was no documented review and approval of bank reconciliations.

**Context:** An individual independent of the person preparing the bank reconciliations should be reviewing the reconciliations and documenting approval.

**Effect:** There is an increased risk errors or irregularities will not be detected in a timely manner.

**Cause:** The County has not developed procedures for review and approval of bank reconciliations.

**Recommendation:** We recommend a procedure be established to require review and documented approval of bank reconciliations by someone other than the person preparing the reconciliations.

**View of Responsible Official:** Concur

Finding Number 2015-010

Capital Asset Policy

**Criteria:** A comprehensive capital asset policy should be adopted which defines the County's accounting policies over capital assets, such as capitalization thresholds, useful lives, and depreciation methods.

**Condition:** Roseau County's capital and general expenditure policy provides definitions for the types of capital assets, identifies the capital asset thresholds, and requires capital assets to be tagged and inventoried; however, it does not address the useful lives of capital assets or the depreciation method adopted by the County.

**Context:** The County Auditor stated that they use the Office of the State Auditor's (OSA) Capital Asset Guide, Appendix C, for determining the useful life of their capital assets. This guide has ten different examples of capital asset tables that can be used as guidance. The OSA's Capital Asset Guide also describes several different depreciation methods. Board approval of a specific useful life table or depreciation method could not be located.

**Effect:** Without a comprehensive policy that includes guidance on the useful lives of assets and the depreciation method used for financial reporting purposes, depreciation may be calculated in an inconsistent manner.

**Cause:** The County relied on its previous auditors to complete the depreciation calculations.

**Recommendation:** We recommend Roseau County adopt a comprehensive capitalization policy that includes a depreciation schedule and the depreciation method to be used for financial reporting purposes. Depreciation calculations should be maintained by the County.

**View of Responsible Official:** Acknowledged

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

ITEMS ARISING THIS YEAR

Finding Number 2015-011

Uniform Guidance Written Procurement Policies and Procedures

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1505MN5ADM, 2015

**Pass-Through Agency:** Minnesota Department of Human Services

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

**Condition:** The County's written capital and general expenditure 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 suspension and debarment. The County did not enact the waiver offered by the Uniform Guidance for implementation of the new procurement standards.

**Questioned Costs:** Not applicable.

**Context:** This issue was discovered during the audit of the major federal program; however, it impacts federal programs entity-wide. Written policies that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements. The County did adopt procurement policies in December 2017; however, additional information related to the Uniform Guidance will need to be added.

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

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

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

**View of Responsible Official:** Acknowledged

Finding Number 2015-012

Identification of Federal Awards

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1505MN5ADM, 2015

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.510(b) states that the auditee must prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with § 200.502, *Basis for determining federal awards expended*.

**Condition:** The County did not properly identify the amount expended for the Medical Assistance Program.

**Questioned Costs:** Not applicable.

**Context:** The County provided a SEFA for 2015 that reported total federal expenditures for the Medical Assistance Program of \$680,974. After audit adjustments, the program expenditures were \$410,209, a decrease of \$270,765.

**Effect:** The inability to properly identify and track federal expenditures or to detect misstatements in the SEFA increases the likelihood that federal expenditures would not be fairly reported and that noncompliance with direct and material compliance requirements may occur.

**Cause:** The County indicated that there was a misunderstanding in how revenues related to payments from the state for the Medical Assistance Program should be recorded. These revenues are used as a basis for determining the program's expenditures. The County included activity that was reimbursement for services according to Minnesota Department of Human Services' guidance.

**Recommendation:** We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over identifying the program expenditures of federal awards for SEFA reporting.

**View of Responsible Official:** Acknowledged

Finding Number 2015-013

Procurement, Suspension, and Debarment

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778); Award No. 1505MN5ADM, 2015

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) states that the non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection, or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319; cost or price analysis provided in Title 2 U.S. *Code of Federal Regulations* § 200.319; verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, 200.318(h); and procurement by micro-purchases as provided in Title 2 U.S. *Code of Federal Regulations* § 200.320(a).

**Condition:** Of five procurement transactions over the micro-purchase threshold tested for compliance with federal regulations, three instances were noted where the history of procurement, including selection of the contract, was not documented. In three instances, there was no documentation of full and open competition. For the one instance over the simplified acquisition threshold of \$150,000, the County did not document if a cost or price analysis was performed. For both instances tested over \$25,000, there was no verification performed by the County to determine whether vendors were debarred, suspended, or otherwise excluded. Compliance with micro-purchase requirements could not be determined as the County was not aware that such purchases should be distributed equitably among qualified suppliers.

**Questioned Costs:** None

**Context:** Five of 35 procurement transactions by vendor over the micro-purchase threshold were tested for compliance with federal regulations, including two purchases over \$25,000.

The sample size was based on guidance from chapter 11 of the 2017 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 document the history of procurement transactions, including contract selection, full and open competition, and that a cost or price analysis was performed in accordance with federal regulations. The County should verify vendors are not debarred or suspended or that other exclusions apply. We also recommend the County distribute its micro-purchases amongst qualified suppliers to the extent practicable.

**View of Responsible Official:** Acknowledged

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MINNESOTA LEGAL COMPLIANCE

###### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2006-002

###### Individual Ditch System Cash Balance Deficits

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

**Condition:** Seven of the 29 individual ditch systems had deficit cash balances totaling \$1,969,136 at December 31, 2015, resulting in a net deficit cash balance in the amount of \$389,861 in the Ditch Special Revenue Fund.

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

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

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

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

**View of Responsible Official:** Concur

## ITEMS ARISING THIS YEAR

Finding Number 2015-014

### Forfeited Land Sale Distribution

**Criteria:** Under Minn. Stat. § 282.09, the County Auditor shall make an annual settlement of the net proceeds received in the Forfeited Tax Sale Fund on the settlement day determined in Minn. Stat. § 276.09 for the preceding calendar year. The settlement date is May 20.

**Condition:** Roseau County made a forfeited tax settlement for the 2015 net proceeds on August 4, 2016.

**Context:** The forfeited tax settlement was made 75 days past the settlement dated determined in Minn. Stat. § 276.09.

**Effect:** The County has not complied with Minn. Stat. § 282.09. Other taxing districts that are entitled to a portion of the forfeited tax settlement did not receive their money timely.

**Cause:** An oversight by the County.

**Recommendation:** We recommend Roseau County comply with provisions of Minn. Stat. § 282.09 on all future forfeited land sales.

**View of Responsible Official:** Concur

Finding Number 2015-015

### Collateral Assignments

**Criteria:** Minnesota Statutes section 118A.03 states that, “[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.” Finally, to be enforceable under federal law (12 U.S.C. § 1823(e)), this written assignment must be approved by the depository’s board of directors or loan committee and must be an official record of the depository.

**Condition:** Roseau County has deposits with three banks that have pledged collateral to the County that either do not have a written assignment, or the assignment does not contain the proper language required by Minn. Stat. § 118A.03, subd. 4. Roseau County could not provide documentation of a written

assignment for collateral pledged to secure deposits at Security State Bank. The agreement provided for collateral pledged to secure deposits at Citizens State Bank does not assign rights to collateral pending certain events or conditions and does not recite the language required by Minn. Stat. § 118A.03, subd. 4. The agreement provided for collateral pledged to secure deposits at Border State Bank fails to comply with Minnesota statutes because it defines “default” by the depository bank as failing to collateralize the deposits, or being “declared insolvent” or if a receiver is appointed. Minnesota Statutes, section 118A.03, subdivision 6, defines “default” to include “failure to make interest payments when due” and “failure to promptly deliver upon demand all money on deposit” as well as closure of the bank.

**Context:** Collateral assignments are required to ensure the County’s interests are properly protected. The collateral assignments must also be approved by the bank’s board of directors or loan committee in order to be enforceable. See 12 U.S.C. § 1823(e).

**Effect:** The depository pledge agreements, or lack thereof, with Security State Bank, Citizens State Bank, and Border State Bank do not conform to the requirements of Minn. Stat. § 118A.03.

**Cause:** The Roseau County Treasurer was not aware the assignments did not conform to the requirements of Minn. Stat. § 118A.03.

**Recommendation:** We recommend the County Treasurer obtain new collateral assignments from Security State Bank, Citizens State Bank, and Border State Bank. The new assignments should be reviewed to ensure they include the statutory language required by Minn. Stat. § 118A.03, and are approved by each bank’s board of directors or loan committee.

**View of Responsible Official:** Acknowledged

Finding Number 2015-016

#### Responsible Bidder

**Criteria:** Minnesota Statutes, section 16C.285 states that for each construction contract in excess of \$50,000, awarded pursuant to a lowest responsible bidder or best value process, the successful contractor must submit verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subd. 3.

**Condition:** For one of the three construction contracts tested, the County was unable to provide the signed responsible bidder certification form.

**Context:** The responsible bidder certification statute was new for 2015. Roseau County included the requirement in the specifications, but could not locate documentation that they received the affidavit from the contractor.

**Effect:** Noncompliance with Minn. Stat. § 16C.285.

**Cause:** A Highway Department employee stated that it probably was missed in error. The employee verified the requirement was included in the specifications.

**Recommendation:** We recommend the County obtain responsible bidder certification on all construction contracts over \$50,000 and bid through the lowest bidder or best value process.

**View of Responsible Official:** Concur

Finding Number 2015-017

#### Sheriff's Contingent Fund

**Criteria:** Minnesota Statutes, section 387.213 provides the authority to establish a sheriff's contingent fund. One-fourth of all money paid to the County for fines imposed for violations related to drugs, controlled substances, and liquor shall be credited to the contingent fund to be used for the purpose of investigating and securing evidence of violations relating to drugs, controlled substances, liquor violations, and driving while impaired violations. At the end of the fiscal year, any money in the fund in excess of \$5,000 shall be transferred into the General Fund.

**Condition:** Roseau County accounts for the Sheriff's contingent fund as a separate department in the General Fund. Each year, the County records a restricted fund balance to recognize the ending balance of the Sheriff's contingent fund. At December 31, 2015, the restricted fund balance exceeded the \$5,000 allowed by Minn. Stat. § 387.213.

**Context:** The originally reported December 31, 2015, restricted fund balance for the Sheriff's contingent fund was \$22,342. This balance is \$17,342 over the carryover balance allowed by statute. The County Auditor approved an audit adjustment to reclassify \$17,342 as unrestricted.

**Effect:** Noncompliance with Minn. Stat. § 387.213.

**Cause:** Roseau County was not aware that the Sheriff's contingent fund could only carry over a maximum balance of \$5,000 into the next fiscal year.

**Recommendation:** We recommend the County establish procedures to ensure that the balance in the Sheriff’s contingent fund be limited to a maximum of \$5,000 at the end of the fiscal year.

**View of Responsible Official:** Concur

Finding Number 2015-018

Out-of-State Travel Policy

**Criteria:** Counties are required by Minn. Stat. § 471.661 to “. . . have on record a policy that controls travel outside of the state of Minnesota for the applicable elected officials of the relevant unit of government.” The policy must be approved by a recorded vote and specify when travel outside of the state is appropriate, applicable expense limits, and procedures for approved travel.

**Condition:** The County does not have an out-of-state travel policy in accordance with Minn. Stat. § 471.661. On September 12, 2017, the Board approved an out-of-state-travel-policy; however, this policy is only for County Commissioners and not all elected officials. The policy only provides that the Board shall consider whether the travel is appropriate and set travel expense parameters at the time Board approval for out-of-state-travel is requested.

**Context:** The formal out-of-state travel policy should clarify the County Board’s position and provide uniform guidance to all elected officials. Out-of-state travel often involves expenses such as air travel, local transportation, and possibly different rates for certain areas of the country, so a detailed policy is important. The policy should include the following additional items:

- which expenses are reimbursable,
- which expenses are prohibited,
- who is authorized to approve out-of-state travel expenses, and
- what type of documentation is required to support expenses.

**Effect:** Noncompliance with Minn. Stat. § 471.661.

**Cause:** The County was not aware of the requirements of Minn. Stat. § 471.661.

**Recommendation:** We recommend the County Board update the formal out-of-state travel policy in accordance with Minn. Stat. § 471.661.

**View of Responsible Official:** Concur

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2002-001

County Ditch Deficit Fund Balances

**Criteria:** Each individual ditch system should be maintained with a positive balance to meet its financial obligations.

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

**Context:** Seven of the 29 individual ditch systems had deficit fund balances as of December 31, 2015, totaling \$1,989,879.

**Effect:** Ditch systems with deficit fund balances indicate that measures have not been taken to ensure they can meet financial obligations.

**Cause:** The County indicated that repairs on the ditch systems are made during the year, and assessments to cover the costs were not approved before year-end.

**Recommendation:** We recommend the County continue to monitor the balances of the ditch systems and eliminate the deficit fund balances by approving the necessary special assessments whenever practical.

**View of Responsible Official:** Concur

Finding Number 2002-002

Unorganized Township Deficit Fund Balance

**Criteria:** Each individual township should be maintained with a positive balance to meet its financial obligations.

**Condition:** As of December 31, 2015, the County had 1 of the 15 unorganized townships where liabilities and deferred inflows of resources exceeded assets, resulting in an individual deficit fund balance in the amount of \$7,896.

**Context:** At times, township road maintenance and repair are necessary whether or not a fund balance is currently available within a particular unorganized township.

**Effect:** Unorganized townships with deficit fund balances indicate that measures have not been taken to ensure they can meet financial obligations.

**Cause:** The County indicated that maintenance and repairs were made on a township road in excess of available fund balance reserves.

**Recommendation:** We recommend the County eliminate the individual unorganized township fund balance deficit by levying assessments pursuant to Minn. Stat. § 163.06.

**View of Responsible Official:** Concur

**REPRESENTATION OF ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Finding Number: 1996-001**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Elected and Management Officials.

Corrective Action Planned:

The management within Roseau County continues to search for opportunities to segregate duties to ensure adequate internal controls, whenever possible. Roseau County is well aware of the risk that limited staffing in some departments segregation of duties is not always possible without additional burden on our taxpayers.

Anticipated Completion Date:

Roseau County continues to review this issue and research any remedy and opportunity to rectify. This is an ongoing task with no completion date.

**Finding Number: 2007-001**

**Finding Title: Documenting and Monitoring Internal Controls**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

Roseau County will continue its efforts to document and monitor internal controls through Department Head meetings and Operations and Management meetings.

Anticipated Completion Date:

Ongoing. We will continue to remedy this situation at every opportunity.

**Finding Number: 2015-001**

**Finding Title: Prior Period Adjustment**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

With limited staff we have and will continue to rely upon the expertise of our independent auditors. We will review with greater scrutiny any unaudited financial information to reduce audit adjustments before releasing the information prior to submitting to the outside auditors and review more closely before being approved to release.

Anticipated Completion Date:

Commence in conjunction with the release of the OSA Audit and our most current audit report.

**Finding Number: 2015-002**

**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

With limited staff we have and will continue to rely upon the expertise of our independent auditors. We will review with greater scrutiny any unaudited financial information to reduce audit adjustments before releasing the information prior to submitting to the outside auditors and review more closely before being approved to release.

Anticipated Completion Date:

Commence in conjunction with the release of the OSA Audit and our most current audit report.

**Finding Number: 2015-003**  
**Finding Title: Fund Balance Reporting**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

The County requires the Board of Commissioners to establish by resolution any fund balances it wishes to commit. County staff will review closer to ensure all fund balance commitments and restrictions comply with GASB 54 requirements.

Anticipated Completion Date:

County management began these changes with our independent auditors and will continue to review on an annual basis.

**Finding Number: 2015-004**  
**Finding Title: Inventory Records**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

County management has been working with the MCIT system to track more efficiently our inventory.

Roseau County Highway Department will review the policy and procedures pertaining to roads and inventory.

Anticipated Completion Date:

This is an ongoing process and is reviewed each year.

**Finding Number: 2015-005**  
**Finding Title: Segregation of Duties - Vendor Setup**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

Roseau County has corrected this issue by limiting access with our IFS Financial System.

Anticipated Completion Date:

Completed.

**Finding Number: 2015-006**

**Finding Title: Financial Statement Disclosures**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

With limited staff we have and will continue to rely upon the expertise of our independent auditors. We will review with greater scrutiny any unaudited financial information to reduce audit adjustments before releasing the information prior to submitting to the outside auditors and review more closely before being approved to release.

Anticipated Completion Date:

Ongoing.

**Finding Number: 2015-007**

**Finding Title: Departmental Checking Accounts**

Name of Contact Person Responsible for Corrective Action:

Diane M. Gregerson, Roseau County Treasurer

Corrective Action Planned:

The County will meet with respective departments to re-evaluate the need for departmental checking accounts.

Anticipated Completion Date:

December 31, 2019

**Finding Number: 2015-008**  
**Finding Title: Journal Entries**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

All journal entries will be recorded, reviewed and approved by someone other than the person making the entry.

Anticipated Completion Date:

2019.

**Finding Number: 2015-009**  
**Finding Title: Review of Bank Reconciliations**

Name of Contact Person Responsible for Corrective Action:

Diane M. Gregerson, Roseau County Treasurer

Corrective Action Planned:

The County has established a procedure for preparing and approving bank reconciliations by separate individual employees.

Anticipated Completion Date:

October 31, 2018

**Finding Number: 2015-010**  
**Finding Title: Capital Asset Policy**

Name of Contact Person Responsible for Corrective Action:

Jeffrey Pelowski, Roseau County Coordinator

Corrective Action Planned:

The Roseau County Board of Commissioners will adopt the OSA's Capital Asset Policy, as we have repeatedly asked MCIT for guidance on this issue to no avail.

Anticipated Completion Date:

July 1, 2019

**Finding Number: 2015-011**

**Finding Title: Uniform Guidance Written Procurement Policies and Procedures  
Medicaid Cluster (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Kerri Byfuglien, Fiscal Supervisor Roseau County Social Services

Corrective Action Planned:

Procurement policies were adopted in December 2017 and will be reviewed and updated to reflect current changes in the Uniform Guidance requirements.

Anticipated Completion Date:

Ongoing

**Finding Number: 2015-012**

**Finding Title: Identification of Federal Awards  
Medicaid Cluster (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Kerri Byfuglien, Fiscal Supervisor Roseau County Social Services

Corrective Action Planned:

Review internal controls currently in place over identifying the program expenditures of federal awards for SEFA reporting.

Anticipated Completion Date:

Ongoing

**Finding Number: 2015-013**

**Finding Title: Procurement, Suspension, and Debarment  
Medicaid Cluster (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Kerri Byfuglien, Fiscal Supervisor Roseau County Social Services

Corrective Action Planned:

The County will verify that each vendor is not debarred, suspended or that other exclusions apply.

Anticipated Completion Date:

Ongoing

**Finding Number: 2006-002**

**Finding Title: Individual Ditch System Cash Balance Deficits**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

Roseau County Board of Commissioners, Roseau County Highway Department staff and County Auditor and staff will continue its current efforts in eliminating any and all Ditch deficit fund balances.

Anticipated Completion Date:

Ongoing.

**Finding Number: 2015-014**

**Finding Title: Forfeited Land Sale Distribution**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

This distribution was an oversight and will be monitored and reviewed annually.

Anticipated Completion Date:

Ongoing.

**Finding Number: 2015-015**

**Finding Title: Collateral Assignments**

Name of Contact Person Responsible for Corrective Action:

Diane M. Gregerson, Roseau County Treasurer

Corrective Action Planned:

The County's 3 financial institutions were made aware of the additional language required by state statute and have updated their written assignments to include required language. Future pledge agreements (January 2019 and forward) will include the language.

Anticipated Completion Date:

January 2019

**Finding Number: 2015-016**

**Finding Title: Responsible Bidder**

Name of Contact Person Responsible for Corrective Action:

Roseau County Highway Engineer

Corrective Action Planned:

The responsible bidder certification has been added to the checklist currently used by Roseau County for all bids.

Anticipated Completion Date:

Completed once the new statute requirement was brought to the attention of the Roseau County Highway Department.

**Finding Number: 2015-017**  
**Finding Title: Sheriff's Contingent Fund**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

County staff will review closer to ensure all fund balance commitments and restrictions comply with GASB 54 requirements.

Anticipated Completion Date:

Completed. Ongoing review will take place each year.

**Finding Number: 2015-018**  
**Finding Title: Out-of-State Travel Policy**

Name of Contact Person Responsible for Corrective Action:

Jeffrey Pelowski, Roseau County Coordinator

Corrective Action Planned:

Roseau County will review our current Out of State Travel Policy and bring it into compliance with MN Statute 471.661, if necessary.

Anticipated Completion Date:

July 1, 2019

**Finding Number: 2002-001**  
**Finding Title: County Ditch Deficit Fund Balances**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

Roseau County Board of Commissioners, Roseau County Highway Department staff and County Auditor and staff will continue its current efforts in eliminating any and all Ditch deficit fund balances.

Anticipated Completion Date:

Ongoing.

**Finding Number: 2002-002**

**Finding Title: Unorganized Township Deficit Fund Balance**

Name of Contact Person Responsible for Corrective Action:

Martha Monsrud, Roseau County Auditor

Corrective Action Planned:

Roseau County Board of Commissioners, Roseau County Highway Department staff and County Auditor and staff will continue its current efforts in eliminating any and all Unorganized Township deficit fund balances.

Anticipated Completion Date:

Ongoing

**REPRESENTATION OF ROSEAU COUNTY  
ROSEAU, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Finding Number: 1996-001**

**Finding Title: Segregation of Duties**

**Summary of Condition:** 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.

**Summary of Corrective Action Previously Reported:** We are aware of the lack of segregation of duties within the accounting function of Roseau County and have implemented security procedures to ensure adequate accounting controls to the best of our ability.

**Status:** Not Corrected. Resources are not available to hire additional staff.

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2007-001**

**Finding Title: Internal Controls**

**Summary of Condition:** Management must implement internal controls over financial reporting and safeguarding of assets, and continue to be aware of their responsibility and to maintain suitable skills, knowledge, and expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

**Summary of Corrective Action Previously Reported:** We are aware of the importance of internal controls and have implemented procedures to safeguard assets to the best of our ability.

**Status:** Not Corrected. We will review and update policies and monitor to the best of our ability.

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2006-002**

**Finding Title: Individual Ditch System Cash Balances Deficits**

**Summary of Condition:** At December 31, 2014, five of the 29 individual ditch systems had deficit cash balances totaling \$1,956,974, with the largest individual ditch cash balance deficit being \$1,787,089.

**Summary of Corrective Action Previously Reported:** Receipt of the FEMA reimbursement and delinquent ditch assessments will substantially improve the financial position of the ditch cash balances.

**Status:** Not Corrected. The Roseau County Board of Commissioners will continue to review and monitor the status of these ditches and will levy appropriately. We will also continue to work with FEMA and state legislators to recover these deficits.

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

**Finding Number: 2002-001**

**Finding Title: Ditch Special Revenue Fund Balance Deficits**

**Summary of Condition:** Six of the 29 active individual ditch systems had a deficit fund balance at December 31, 2014, of \$2,060,532, with the largest individual ditch fund balance deficit being \$1,791,191.

**Summary of Corrective Action Previously Reported:** The County Board will continue to monitor ditch fund balances and levy adequate funds to take care of unforeseen expenditures. Roseau County is continuing its pursuit of obtaining funds from the Minnesota Department of Natural Resources for unpaid (delinquent) ditch assessments.

**Status:** Not Corrected. Roseau County continues its pursuit of obtaining funds from the Minnesota Department of Natural Resources and with Minnesota State Legislators to recover these deficits.

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

**Finding Number: 2002-002**

**Finding Title: Unorganized Townships Special Revenue Fund Balance Deficits**

**Summary of Condition:** At December 31, 2014, one of the 15 individual unorganized townships' funds had a deficit fund balance of \$5,814.

**Summary of Corrective Action Previously Reported:** The County Board will continue to monitor unorganized townships' fund balances and will strive to eliminate deficits by levying adequate funds for maintaining roads in these townships.

**Status:** Not Corrected. The Roseau County Board of Commissioners will continue to monitor unorganized townships' fund balances and will strive to levy adequate funds.

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

Yes \_\_\_\_\_ No  X