

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WADENA COUNTY
WADENA, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

Year Ended December 31, 2013



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

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**WADENA COUNTY
WADENA, MINNESOTA**

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**WADENA COUNTY
WADENA, MINNESOTA**

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**WADENA COUNTY
WADENA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2013**

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

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wadena County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of and for the year ended December 31, 2013, 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 of 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 Wadena County as of December 31, 2013, 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 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wadena County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014, on our consideration of Wadena County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wadena County’s internal control over financial reporting and compliance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 10, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WADENA COUNTY
WADENA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(Unaudited)**

As management of Wadena County, we offer readers of the Wadena County financial statements this narrative overview and analysis of the financial activities of Wadena County for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of Wadena County exceeded its liabilities and deferred inflows of resources by \$53,291,422 at the close of 2013. Of this amount, \$10,410,506 (unrestricted net position) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- At the close of 2013, Wadena County's governmental funds reported combined ending fund balances of \$9,835,820, an increase of \$265,295 in comparison with the prior year. Of the total fund balance, \$8,579,489 is available for spending at the County's discretion and is noted as committed, assigned, and unassigned fund balance.
- At the close of 2013, the committed, assigned, and unassigned fund balance for the General Fund was \$2,759,859, or 36.7 percent, of total General Fund expenditures.
- Wadena County is currently free of any bonded indebtedness.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Level Financial Statements

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

Governmental Funds

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

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

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

Fiduciary Funds

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

Note to the Financial Statements

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Wadena County's assets exceeded liabilities and deferred inflows of resources by \$53,291,422 at the close of 2013. The largest portion of Wadena County's net position (77.1 percent) reflects its net investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

**Governmental Activities
Governmental Net Position**

	2013	2012
Current and other assets	\$ 15,354,539	\$ 13,882,560
Capital assets	41,103,821	36,998,339
Total Assets	\$ 56,458,360	\$ 50,880,899
Long-term liabilities outstanding	\$ 1,135,942	\$ 1,077,949
Other liabilities	1,244,532	1,140,629
Total Liabilities	\$ 2,380,474	\$ 2,218,578
Deferred inflows of resources		
Advance allotment	\$ 786,464	\$ -
Net Position		
Net investment in capital assets	\$ 41,103,821	\$ 36,998,339
Restricted	1,769,238	2,340,219
Held in trust for other purposes	7,857	7,857
Unrestricted	10,410,506	9,315,906
Total Net Position	\$ 53,291,422	\$ 48,662,321

The unrestricted net position amount of \$10,410,506 as of December 31, 2013, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wadena County's activities increased net position by \$4,629,101, or 9.51 percent, over the 2012 net position. The key elements of the increase in net position were an increase in the net investment in capital assets by \$4,105,482 and in unrestricted net position by \$1,094,600.

**Governmental Activities
Changes in Net Position**

	2013	2012
Revenues		
Program revenues		
Charges for services	\$ 2,815,331	\$ 2,957,766
Operating grants and contributions	8,805,543	7,156,017
Capital grants and contributions	478,732	186,193
General revenues		
Property taxes	7,827,619	7,764,577
Other taxes	7,027	162
Grants and contributions not restricted to specific programs	938,712	1,110,402
Other	146,786	362,525
Total Revenues	\$ 21,019,750	\$ 19,537,642

	<u>2013</u>	<u>2012</u>
Expenses		
General government	\$ 2,038,724	\$ 3,079,196
Public safety	1,893,754	2,062,730
Highways and streets	3,214,754	3,733,145
Sanitation	1,008,255	1,050,561
Human services	5,414,168	5,696,664
Health	1,041,092	947,843
Culture and recreation	1,585,535	196,398
Conservation of natural resources	194,367	197,107
	<hr/>	<hr/>
Total Expenses	\$ 16,390,649	\$ 16,963,644
	<hr/>	<hr/>
Increase in Net Position	\$ 4,629,101	\$ 2,573,998
	<hr/>	<hr/>
Net Position, January 1	48,662,321	46,088,323
	<hr/>	<hr/>
Net Position, December 31	\$ 53,291,422	\$ 48,662,321
	<hr/>	<hr/>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$9,835,820 an increase of \$265,295 in comparison with the prior year. The committed, assigned, and unassigned fund balance in the amount of \$8,579,489 is available for spending at the County's discretion. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Wadena County. At the end of the current fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$2,759,859, while total fund balance was \$3,617,461. As a measure of the General Fund's liquidity, it may be useful to compare committed, assigned, and unassigned fund balance to total fund expenditures. Committed, assigned, and unassigned fund balance represents 36.7 percent of total General Fund expenditures. In 2013, fund balance in the General Fund decreased by \$818,919. This decrease was due to excess expenditures over revenues of \$611,809 and by transfers out

of \$207,110 to the Public Health Nurse Special Revenue Fund. In 2012, the General Fund had excess revenues over expenditures of \$1,160,483. The \$1,772,292 increase in expenditures over revenues is due primarily to a decrease in miscellaneous revenue of \$112,813, a decrease in charges for services of \$15,635, a decrease in fines and forfeits of \$12,450, a decrease in investment earnings of \$3,627, an increase in culture and recreation expenditures of \$1,389,137 (Ag Society), and an increase in general government expenditures of \$645,740 offset by an increase in tax revenue of \$103,160 and an increase in intergovernmental revenue of \$310,750.

Fund balance in the Road and Bridge Special Revenue Fund increased \$262,129 due to excess revenues over expenditures of \$354,520, offset with a decrease in inventory of \$92,391. In 2012, the Road and Bridge Special Revenue Fund had excess expenditures over revenue of \$617,632. The \$972,152 increase in excess revenues over expenditures is due primarily to a \$1,491,514 increase in intergovernmental revenue, an increase in tax revenue of \$27,059, an increase in miscellaneous revenue of \$27,694, offset by an increase in highways and streets expenditures of \$574,115.

Fund balance in the Social Services Special Revenue Fund increased \$479,012 due to excess revenues over expenditures. In 2012, the Social Services Special Revenue Fund had excess revenues over expenditures of \$468,240. The \$10,772 improvement in excess revenues over expenditures is due primarily to an increase in tax revenue of \$34,671, an increase in miscellaneous revenue of \$155,373, a decrease in income maintenance expenditures of \$32,443, and a decrease in social services expenditures of \$103,620, offset by a decrease in intergovernmental revenues of \$315,335.

General Fund Budgetary Highlights

The difference between the General Fund original budget and the final amended budget was a net change of (\$149,973). The difference between the actual amounts and the final amended budget was a net difference of (\$668,946). The main budget to actual revenue variance was due to a decrease in property taxes, an increase in intergovernmental revenues (due to the unknown value of market value credits at the time of budgeting) and an increase in miscellaneous revenues. The main budget to actual expenditure variance was an increase in culture and recreation expenditures (Ag Society).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2013, was \$41,103,821 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net investment in capital assets for the current fiscal year increased 11.1 percent. The net increase was attributed to the County's investment in its infrastructure.

**Governmental Activities
Governmental Capital Assets**

	2013	2012
Land	\$ 604,959	\$ 604,959
Construction in progress	1,340,688	-
Infrastructure	35,485,883	33,467,555
Buildings and building improvements	2,224,240	1,503,871
Furniture, equipment, and machinery	1,448,051	1,421,954
Total	\$ 41,103,821	\$ 36,998,339

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

Long-Term Debt

At the end of the current fiscal year, Wadena County had no bonded indebtedness.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

- Wadena County’s unemployment rate was 7.0 percent at the end of 2013 compared to the statewide rate of 4.7 percent for the same time period.
- Wadena County is not subject to levy limits for 2015.
- Wadena County’s property tax delinquency was 3.38 percent at the end of 2013, which is down from the previous year’s delinquent rate of 3.62 percent.
- The most current information available indicated that in 2015, Wadena County will again be subject to the Homestead Market Value Exclusion which the legislature initiated in 2012 to replace the Homestead Market Value Credit which has shifted the county-received state revenue to the property taxpayer. Wadena County’s net tax capacity rate is 90.1360 percent in payable 2014. The Wadena County Commissioners approved a Preliminary Tax Levy of \$7,902,775 and a Final Payable 2014 Tax Levy of \$7,747,775 which represents a two percent decrease. The decrease of \$155,000 is due to the passage of 0.5 percent local option sales tax for road and bridge projects commencing on April 1, 2014.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Assets

Cash and pooled investments	\$ 10,733,796
Petty cash and change funds	2,590
Taxes receivable	432,051
Special assessments receivable	37,257
Accounts receivable	181,621
Accrued interest receivable	9,805
Due from other governments	2,149,064
Advances receivable	88,750
Inventories	176,972
Investment in joint venture	1,542,633
Capital assets	
Non-depreciable	1,945,647
Depreciable - net of accumulated depreciation	39,158,174
	\$ 56,458,360

Liabilities

Accounts payable	\$ 394,662
Salaries payable	406,787
Contracts payable	206,213
Due to other governments	236,370
Customer deposits	500
Long-term liabilities	
Due within one year	489,416
Due in more than one year	646,526
	\$ 2,380,474

Deferred Inflows of Resources

Advance allotment	\$ 786,464
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Net Position

Net investment in capital assets	\$ 41,103,821
Restricted for	
General government	509,819
Public safety	245,439
Highways and streets	813,061
Sanitation	57,324
Human services	94,108
Culture and recreation	149
Conservation of natural resources	49,338
Held in trust for other purposes	7,857
Unrestricted	10,410,506
	\$ 53,291,422

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 2,038,724	\$ 475,697	\$ 553,466	\$ -	\$ (1,009,561)
Public safety	1,893,754	59,184	277,150	-	(1,557,420)
Highways and streets	3,214,754	78,543	3,278,856	478,732	621,377
Sanitation	1,008,255	1,001,913	55,950	-	49,608
Human services	5,414,168	934,952	3,701,691	-	(777,525)
Health	1,041,092	247,270	845,689	-	51,867
Culture and recreation	1,585,535	17,639	91,123	-	(1,476,773)
Conservation of natural resources	194,367	133	1,618	-	(192,616)
Total Governmental Activities	\$ 16,390,649	\$ 2,815,331	\$ 8,805,543	\$ 478,732	\$ (4,291,043)
General Revenues					
Property taxes				\$ 7,827,619	
Other taxes				7,027	
Payments in lieu of tax				78,033	
Grants and contributions not restricted to specific programs				938,712	
Unrestricted investment earnings				68,753	
Total general revenues				\$ 8,920,144	
Change in Net Position				\$ 4,629,101	
Net Position - Beginning				48,662,321	
Net Position - Ending				\$ 53,291,422	

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 3,652,497	\$ 2,505,881	\$ 2,971,026	\$ 1,322,755	\$ 10,452,159
Petty cash and change funds	1,900	100	200	390	2,590
Undistributed cash in agency funds	200,829	29,776	37,641	13,391	281,637
Taxes receivable - delinquent	261,248	75,417	95,386	-	432,051
Special assessments receivable	-	-	-	37,257	37,257
Accounts receivable	4,777	3,832	77,878	95,134	181,621
Accrued interest receivable	9,747	-	-	58	9,805
Due from other funds	6,393	2,286	1,839	10,031	20,549
Due from other governments	240,100	1,000,571	350,930	548,480	2,140,081
Inventories	-	176,972	-	-	176,972
Advances to other funds	45,000	11,250	22,500	10,000	88,750
Total Assets	\$ 4,422,491	\$ 3,806,085	\$ 3,557,400	\$ 2,037,496	\$ 13,823,472
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 109,906	\$ 94,248	\$ 153,286	\$ 37,222	\$ 394,662
Salaries payable	156,680	62,577	123,947	63,583	406,787
Contracts payable	125,563	80,650	-	-	206,213
Due to other funds	3,659	891	3,026	3,990	11,566
Due to other governments	79,684	57,302	61,862	37,522	236,370
Customer deposits	-	500	-	-	500
Total Liabilities	\$ 475,492	\$ 296,168	\$ 342,121	\$ 142,317	\$ 1,256,098
Deferred Inflows of Resources					
Unavailable revenue	\$ 329,538	\$ 1,023,267	\$ 210,753	\$ 381,532	\$ 1,945,090
Advance allotment	-	786,464	-	-	786,464
Total Deferred Inflows of Resources	\$ 329,538	\$ 1,809,731	\$ 210,753	\$ 381,532	\$ 2,731,554

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)					
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 176,972	\$ -	\$ -	\$ 176,972
Advances to other funds	45,000	11,250	22,500	10,000	88,750
Restricted					
State-aid highway projects	-	26,575	-	-	26,575
Mental health initiative	-	-	92,977	-	92,977
Peer center	-	-	1,131	-	1,131
HAVA	46,512	-	-	-	46,512
Missing heirs	7,857	-	-	-	7,857
SSTS refunds	4,116	-	-	-	4,116
Low Income Septic	10,474	-	-	-	10,474
Enhanced 911	198,060	-	-	-	198,060
Shoreline grant	8,869	-	-	-	8,869
Compliance fund	143,406	-	-	-	143,406
Sheriff's forfeited property	8,845	-	-	-	8,845
Building	212,913	-	-	-	212,913
Attorney's forfeited property	22,613	-	-	-	22,613
ISTS	40,469	-	-	-	40,469
Emergency management	479	-	-	-	479
Gun permits	38,055	-	-	-	38,055
Parks survey	149	-	-	-	149
Recorder's equipment	69,785	-	-	-	69,785
SCORE	-	-	-	57,324	57,324
Committed					
Parks	34,569	-	-	-	34,569
Timber development	5,212	-	-	-	5,212
AS400	7,908	-	-	-	7,908
Sheriff's contingency	1,886	-	-	-	1,886
Assigned					
Human services	-	-	2,887,918	-	2,887,918
Road and bridge	-	1,485,389	-	-	1,485,389
MCIT	285,921	-	-	-	285,921
Plat books	15,028	-	-	-	15,028
GIS	32,636	-	-	-	32,636
Solid waste	-	-	-	820,846	820,846
Transit	-	-	-	183,250	183,250
Public health	-	-	-	442,227	442,227
Assessor	4,769	-	-	-	4,769
Canteen	14,637	-	-	-	14,637
County agent brochures	3,739	-	-	-	3,739
County agent	4,356	-	-	-	4,356
Unassigned	2,349,198	-	-	-	2,349,198
Total Fund Balances	\$ 3,617,461	\$ 1,700,186	\$ 3,004,526	\$ 1,513,647	\$ 9,835,820
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,422,491	\$ 3,806,085	\$ 3,557,400	\$ 2,037,496	\$ 13,823,472

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

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013**

Fund balances - total governmental funds (Exhibit 3)	\$ 9,835,820
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.	41,103,821
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.	1,542,633
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,945,090
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	\$ (834,082)
Net OPEB liability	(301,860)
	<u>(1,135,942)</u>
Net Position of Governmental Activities (Exhibit 1)	<u><u>\$ 53,291,422</u></u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 4,840,108	\$ 1,335,441	\$ 1,704,313	\$ 5,404	\$ 7,885,266
Special assessments	-	-	-	408,465	408,465
Licenses and permits	55,405	-	-	26,935	82,340
Intergovernmental	1,414,711	4,373,398	2,535,238	1,182,600	9,505,947
Charges for services	241,135	-	-	809,848	1,050,983
Fines and forfeits	19,646	-	-	-	19,646
Gifts and contributions	125	-	-	-	125
Investment earnings	67,686	-	-	644	68,330
Miscellaneous	275,642	76,843	1,350,702	66,315	1,769,502
Total Revenues	\$ 6,914,458	\$ 5,785,682	\$ 5,590,253	\$ 2,500,211	\$ 20,790,604
Expenditures					
Current					
General government	\$ 3,643,838	\$ -	\$ -	\$ -	\$ 3,643,838
Public safety	2,100,915	-	-	-	2,100,915
Highways and streets	-	5,249,685	-	-	5,249,685
Sanitation	-	-	-	959,608	959,608
Human services	-	-	5,111,241	380,079	5,491,320
Health	1,562	-	-	1,024,561	1,026,123
Culture and recreation	1,585,535	-	-	-	1,585,535
Conservation of natural resources	194,417	-	-	-	194,417
Intergovernmental					
Highways and streets	-	181,477	-	-	181,477
Total Expenditures	\$ 7,526,267	\$ 5,431,162	\$ 5,111,241	\$ 2,364,248	\$ 20,432,918
Excess of Revenues Over (Under) Expenditures	\$ (611,809)	\$ 354,520	\$ 479,012	\$ 135,963	\$ 357,686
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 207,110	\$ 207,110
Transfers out	(207,110)	-	-	-	(207,110)
Total Other Financing Sources (Uses)	\$ (207,110)	\$ -	\$ -	\$ 207,110	\$ -
Net Change in Fund Balance	\$ (818,919)	\$ 354,520	\$ 479,012	\$ 343,073	\$ 357,686
Fund Balance - January 1	4,436,380	1,438,057	2,525,514	1,170,574	9,570,525
Increase (decrease) in inventories	-	(92,391)	-	-	(92,391)
Fund Balance - December 31	\$ 3,617,461	\$ 1,700,186	\$ 3,004,526	\$ 1,513,647	\$ 9,835,820

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 357,686

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.

Deferred revenue - December 31	\$ 1,945,090	
Deferred revenue - January 1	<u>(2,093,005)</u>	(147,915)

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

Expenditures for general capital assets and infrastructure	\$ 5,685,941	
Current year depreciation	<u>(1,580,459)</u>	4,105,482

In the statement of net position, an asset is reported for the equity interest in joint ventures. The change in net position differs from the change in fund balance by the increases and decreases in the investment in joint venture. 464,232

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

Change in compensated absences	\$ (30,722)	
Change in inventories	(92,391)	
Net OPEB liability	<u>(27,271)</u>	<u>(150,384)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 4,629,101

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FIDUCIARY FUNDS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013**

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust	Agency Funds
	<hr/>	<hr/>	<hr/>
<u>Assets</u>			
Cash and pooled investments	\$ 123,715	\$ 296,296	\$ 216,162
Receivables			
Accounts	10,064	-	-
Interest	41	-	-
Due from other governments	6,455	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 140,275	\$ 296,296	\$ 216,162
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 8,726	\$ -
Due to other funds	8,983	-	-
Due to other governments	-	-	216,162
Advances from governmental funds	-	88,750	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 8,983	\$ 97,476	\$ 216,162
	<hr/>	<hr/>	<hr/>
<u>Net Position</u>			
Net position, held in trust for pool participants	\$ 131,292	\$ -	
Net position, held in trust for employees	-	198,820	
	<hr/>	<hr/>	
Total Net Position	\$ 131,292	\$ 198,820	
	<hr/>	<hr/>	

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust
	<hr/>	<hr/>
<u>Additions</u>		
Contributions from employers	\$ -	\$ 95,001
Contributions from participants	45,552	-
Investment earnings	-	-
Interest	526	-
	<hr/>	<hr/>
Total Additions	\$ 46,078	\$ 95,001
<u>Deductions</u>		
Benefit payments	\$ -	\$ 88,986
Pool participant withdrawals	47,543	-
	<hr/>	<hr/>
Total Deductions	\$ 47,543	\$ 88,986
Change in Net Position	\$ (1,465)	\$ 6,015
Net Position - Beginning of the Year	132,757	192,805
	<hr/>	<hr/>
Net Position - End of the Year	\$ 131,292	\$ 198,820
	<hr/> <hr/>	<hr/> <hr/>

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2013. 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.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, and amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.7. for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were not required as a result of adopting these changes in accounting principles.

A. Financial Reporting Entity

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

Joint Ventures

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

Additionally, the County reports the following fiduciary fund types:

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Wadena County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2013 were \$68,330

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. External Investment Pools

Included in total cash and pooled investments are the assets held for the Wadena County Family Service Collaborative in an external investment pool. For the purposes of financial reporting, the Family Service Collaborative's portion of the County's pool of cash and investments is reported as an investment trust fund. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight, and the fair value of the position in the pool is the same as the pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.

3. Receivables and Payables

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

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

No allowance has been made for uncollectible receivables.

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.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

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

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

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 government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than the capitalization threshold and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The County's capitalization thresholds for capital assets are as follows:

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

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

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

6. Compensated Absences

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

7. Deferred Outflows/Inflows of Resources

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

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

8. Classification of Net Position

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

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances

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

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

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

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances (Continued)

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

10. Minimum Fund Balance

Wadena County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than three months of operating expenditures. At December 31, 2013, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

11. Use of Estimates

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

**WADENA COUNTY
WADENA, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following individual funds had expenditures in excess of budget for the year ended December 31, 2013.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 7,526,267	\$ 6,346,570	\$ 1,179,697
Public Health Nurse Special Revenue Fund	1,024,561	976,326	48,235

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 10,733,796
Petty cash and change funds	2,590
Statement of fiduciary net position	
Cash and pooled investments	
Family Service Collaborative Investment Trust Fund	123,715
Health Reimbursement Employee Benefit Trust Fund	296,296
Agency funds	216,162
Total Cash and Investments	\$ 11,372,559
Deposits	
Checking	\$ 853,140
Money market savings	5,451,749
Certificates of deposit	5,055,000
MAGIC	10,080
Petty cash	2,590
Total Deposits, Cash on Hand, and Investments	\$ 11,372,559

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2013, \$6,902 of the County's deposits were exposed to custodial credit risk.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the year ended December 31, 2013, the County had no investments.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 432,051	\$ -
Special assessments	37,257	-
Accounts	181,621	-
Interest	9,805	-
Due from other governments	2,149,064	-
Advances receivable	88,750	-
Total Governmental Activities	\$ 2,898,548	\$ -

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 604,959	\$ -	\$ -	\$ 604,959
Construction in progress	-	1,340,688	-	1,340,688
Total capital assets not depreciated	\$ 604,959	\$ 1,340,688	\$ -	\$ 1,945,647
Capital assets depreciated				
Buildings	\$ 4,600,894	\$ 963,794	\$ -	\$ 5,564,688
Building improvements	241,449	-	-	241,449
Machinery, furniture, and equipment	4,373,257	405,302	44,434	4,734,125
Infrastructure	50,489,678	3,137,461	-	53,627,139
Total capital assets depreciated	\$ 59,705,278	\$ 4,506,557	\$ 44,434	\$ 64,167,401
Less: accumulated depreciation for				
Buildings	\$ 3,300,563	\$ 233,835	\$ -	\$ 3,534,398
Building improvements	37,909	9,590	-	47,499
Machinery, furniture, and equipment	2,951,303	379,205	44,434	3,286,074
Infrastructure	17,022,123	1,119,133	-	18,141,256
Total accumulated depreciation	\$ 23,311,898	\$ 1,741,763	\$ 44,434	\$ 25,009,227
Total capital assets depreciated, net	\$ 36,393,380	\$ 2,764,794	\$ -	\$ 39,158,174
Governmental Activities Capital Assets, Net	\$ 36,998,339	\$ 4,105,482	\$ -	\$ 41,103,821

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

Governmental Activities	
General government	\$ 54,949
Public safety	61,107
Highways and streets, including depreciation of infrastructure assets	1,374,616
Sanitation	46,642
Human services	40,630
Health	2,515
Total Depreciation Expense - Governmental Activities	\$ 1,580,459

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 891
	Social Services	2,518
	Other governmental funds	2,972
	Family Service Collaborative	
	Investment Trust	12
Total due to General Fund		\$ 6,393
Road and Bridge	General	\$ 2,151
	Other governmental funds	135
Total due to Road and Bridge Fund		\$ 2,286
Social Services	General	\$ 86
	Other governmental funds	883
	Family Service Collaborative	
	Investment Trust	870
Total due to Social Services Fund		\$ 1,839
Other governmental funds	General	\$ 1,422
	Social Services	508
	Family Service Collaborative	
	Investment Trust	8,101
Total due to other governmental funds		\$ 10,031
Total Due To/From Other Funds		\$ 20,549

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

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Health Reimbursement Employee Benefit Trust	\$ 45,000
Road and Bridge	Health Reimbursement Employee Benefit Trust	11,250
Social Services	Health Reimbursement Employee Benefit Trust	22,500
Other governmental funds	Health Reimbursement Employee Benefit Trust	10,000
Total Advances To/From Other Funds		<u>\$ 88,750</u>

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfers to other governmental funds from General Fund	<u>\$ 207,110</u>	Provide funds for County levy
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**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

		Governmental Activities
Accounts	\$	394,662
Salaries		406,787
Contracts payable		206,213
Due to other governments		236,370
Total Payables	\$	1,244,032

2. Construction Commitment

The government has an active construction project as of December 31, 2013.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Courthouse roof and windows project	\$ 526,730	\$ 86,227

3. Health Reimbursement Account

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

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Health Reimbursement Account (Continued)

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

As of December 31, 2013, 32 employees had health reimbursement accounts. The County advanced \$88,750 to the Health Reimbursement Employee Benefit Trust Fund as of December 31, 2013.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Net OPEB liability	\$ 274,589	\$ 118,199	\$ 90,928	\$ 301,860	\$ -
Compensated absences	803,360	448,916	418,194	834,082	489,416
Total Long-Term Liabilities	<u>\$ 1,077,949</u>	<u>\$ 567,115</u>	<u>\$ 509,122</u>	<u>\$ 1,135,942</u>	<u>\$ 489,416</u>

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan

Plan Description (Continued)

average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent 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, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2013:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2013	2012	2011
General Employees Retirement Fund	\$ 400,005	\$ 388,702	\$ 382,273
Public Employees Police and Fire Fund	75,880	67,342	64,384
Public Employees Correctional Fund	39,893	38,691	38,237

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,107	\$ 3,107
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Wadena County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2011, there were 154 participants in the plan, including 8 retirees and 2 spouses.

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	122,960
Interest on net OPEB obligation		12,357
Adjustment to ARC		<u>(17,118)</u>
Annual OPEB cost (expense)	\$	118,199
Contributions made		<u>(90,928)</u>
Increase in net OPEB obligation	\$	27,271
Net OPEB Obligation - Beginning of Year		<u>274,589</u>
Net OPEB Obligation - End of Year	\$	<u><u>301,860</u></u>

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2011, 2012, and 2013, were as follows:

<u>Fiscal Year-End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2011	\$ 120,185	\$ 57,470	47.8%	\$ 234,226
December 31, 2012	119,061	78,698	66.1	274,589
December 31, 2013	118,199	90,928	76.9	301,860

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$875,558, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$875,558. The covered payroll (annual payroll of active employees covered by the plan) was \$6,057,882, and the ratio of the UAAL to the covered payroll was 14.5 percent.

Actuarial Methods and Assumptions

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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

In the January 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Wadena County's implicit rate of return on the General Fund. The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 24 years.

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$470,000 per claim in 2013 and \$480,000 per claim in 2014. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**WADENA COUNTY
WADENA, MINNESOTA**

5. Risk Management (Continued)

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

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Todd-Wadena Community Corrections

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Todd-Wadena Community Corrections (Continued)

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

Separate financial information can be obtained from:

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

Northwestern Counties Data Processing Security Association

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

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

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

Separate financial information can be obtained from:

Clearwater County Auditor
213 North Main Avenue
Bagley, Minnesota 56621

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Wadena County provided \$1,000 to this organization in 2013.

Separate financial information can be obtained from:

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

Wadena County Family Service Collaborative

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Wadena County Family Service Collaborative (Continued)

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

Financing is provided by state grants and appropriations from its members. Wadena County, in an agent capacity, reports the cash transactions of the Wadena County Family Service Collaborative as an investment trust fund on the County's financial statements. During 2013, the County contributed \$1,000 to the Collaborative.

Morrison-Todd-Wadena Community Health Services Board

The County Boards of Cass, Morrison, Todd, and Wadena Counties formed a Board of Health in 1977, via a joint powers agreement, for purposes of maintaining an integrated system of community health services under Minn. Stat. ch. 145. On January 1, 2006, Cass County withdrew from the Board of Health, and Morrison County became the new fiscal agent. The full Board of Health is composed of five County Commissioners in each of the three counties. The Board appoints an executive committee of two County Commissioners from each of the three counties. An advisory committee of three representatives from each of the single county advisory committees makes recommendations to the Board of Health throughout the year. An administrative task force of the three public health directors meets on a monthly basis.

The three counties share responsibility to provide secretarial and financial services and to carry out the administrative requirements of the Board of Health. The three public health directors rotate the administrator position each year. During 2013, the County contributed \$1,650 to the Health Services Board. Separate financial information is not available.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. As of December 31, 2010, Cass, Freeborn, and Crow Wing Counties withdrew from the Joint Powers. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2013, was \$1,542,633. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues.

Complete financial statements for the SCHA can be obtained from:

South Country Health Alliance
Brian V. Hicks, SCHA Chief Fiscal Officer
2300 Park Drive, Suite 100
Owatonna, Minnesota 55060

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Emergency Medical Services Region

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

Complete financial information can be obtained from:

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

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

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

Central Minnesota Emergency Services Board

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

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

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

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

Complete financial information can be obtained from:

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

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Prairie Lakes Municipal Solid Waste Authority

The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board was established in 2010, under the authority conferred upon the member parties by Minn. Stat. § 471.59 and chs. 115A and 400, and includes the Counties of Becker, Otter Tail, Todd, and Wadena.

The purpose of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is to jointly exercise powers common to each participating party dealing with the ownership and operation of the Perham Resource Recovery Facility, as well as cooperation with efforts in other solid waste management activities that affect the operations of the Perham Resource Recovery Facility. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is composed of one Commissioner each from Becker, Todd, and Wadena Counties and two members from Otter Tail County. Each party may appoint alternate Board members and shall represent one vote on the Board.

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

Financial information can be obtained from:

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

**WADENA COUNTY
WADENA, MINNESOTA**

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

C. Jointly-Governed Organizations

Minnesota Counties Computer Cooperative

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

Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the CHIC during 2013.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

The Region Four – West Central Minnesota Homeland Security Emergency Management Organization (WCRHSEM) 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 WCRHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Wadena County's responsibility does not extend beyond making this appointment.

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed on January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board consisting of one County Commissioner and one lay person. Wadena County appropriated \$82,494 to the Library for the year ended December 31, 2013.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Kitchigami Regional Library (Continued)

Separate financial information can be obtained from:

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

Minnesota Criminal Justice Data Communications Network

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

REQUIRED SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,029,445	\$ 5,029,445	\$ 4,840,108	\$ (189,337)
Licenses and permits	47,540	47,540	55,405	7,865
Intergovernmental	851,359	859,388	1,414,711	555,323
Charges for services	240,126	240,126	241,135	1,009
Fines and forfeits	15,000	15,000	19,646	4,646
Gifts and contributions	-	-	125	125
Investment earnings	65,600	65,600	67,686	2,086
Miscellaneous	160,108	160,108	275,642	115,534
Total Revenues	\$ 6,409,178	\$ 6,417,207	\$ 6,914,458	\$ 497,251
Expenditures				
Current				
General government				
Commissioners	\$ 146,800	\$ 143,033	\$ 150,711	\$ (7,678)
MCIT dividends	-	-	77,465	(77,465)
Court administrator	5,000	5,000	-	5,000
Law library	20,000	20,000	24,868	(4,868)
County coordinator	35,000	35,000	19,840	15,160
County auditor/treasurer	605,305	580,343	558,399	21,944
Data processing	358,213	363,849	303,556	60,293
Central services	105,300	105,300	104,350	950
Elections	3,550	3,550	146	3,404
Voter registration	250	250	311	(61)
HAVA grant - elections	-	-	5,342	(5,342)
County attorney	295,360	297,713	271,046	26,667
Court appointed attorney	47,600	47,600	73,484	(25,884)
County recorder	878,505	884,485	377,156	507,329
County assessor	363,800	392,245	359,842	32,403
Planning and zoning	142,770	143,837	148,106	(4,269)
GIS and GPS	78,225	80,120	92,299	(12,179)
Building and plant	562,825	570,467	985,214	(414,747)
Veteran services	56,215	62,349	75,402	(13,053)
Other general government	-	-	16,301	(16,301)
Total general government	\$ 3,704,718	\$ 3,735,141	\$ 3,643,838	\$ 91,303

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
911 enhancement	\$ 30,303	\$ 30,303	\$ 66,350	\$ (36,047)
County sheriff	1,501,215	1,630,770	1,568,866	61,904
Boat and water safety enforcement	6,044	4,930	4,179	751
Coroner	26,550	26,550	11,044	15,506
Snowmobile safety/safety officer	8,108	8,108	5,960	2,148
Forfeiture funds - sheriff	-	-	5,082	(5,082)
ATV grant	5,356	5,356	5,787	(431)
Disaster - 2010	-	-	9,711	(9,711)
Safe and sober	-	-	2,983	(2,983)
Jail/800 mgh radio	256,055	256,055	190,000	66,055
Corrections	151,229	151,229	151,229	-
Civil defense/emergency services	78,170	78,339	79,724	(1,385)
Total public safety	\$ 2,063,030	\$ 2,191,640	\$ 2,100,915	\$ 90,725
Health				
Wellness program	\$ -	\$ -	\$ 1,562	\$ (1,562)
Culture and recreation				
County parks	\$ 38,141	\$ 35,460	\$ 39,602	\$ (4,142)
Ag society	28,000	28,000	1,365,720	(1,337,720)
Snowmobile grants	65,000	65,000	91,123	(26,123)
Humane society	3,461	3,461	2,596	865
Kitchigami library	82,494	82,494	82,494	-
Historical society	4,000	4,000	4,000	-
Total culture and recreation	\$ 221,096	\$ 218,415	\$ 1,585,535	\$ (1,367,120)
Conservation of natural resources				
Soil and water conservation	\$ 50,011	\$ 50,011	\$ 50,876	\$ (865)
County extension	127,713	129,363	122,271	7,092
Ag inspector	15,000	15,000	15,000	-
Tree planting	7,000	7,000	6,270	730
Total conservation of natural resources	\$ 199,724	\$ 201,374	\$ 194,417	\$ 6,957
Total Expenditures	\$ 6,188,568	\$ 6,346,570	\$ 7,526,267	\$ (1,179,697)

**WADENA COUNTY
WADENA, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under)				
Expenditures	\$ 220,610	\$ 70,637	\$ (611,809)	\$ (682,446)
Other Financing Sources (Uses)				
Transfers out	(220,610)	(220,610)	(207,110)	13,500
Net Change in Fund Balance	\$ -	\$ (149,973)	\$ (818,919)	\$ (668,946)
Fund Balance - January 1	<u>4,436,380</u>	<u>4,436,380</u>	<u>4,436,380</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 4,436,380</u>	<u>\$ 4,286,407</u>	<u>\$ 3,617,461</u>	<u>\$ (668,946)</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,393,292	\$ 1,393,292	\$ 1,335,441	\$ (57,851)
Intergovernmental	4,553,032	4,553,032	4,373,398	(179,634)
Miscellaneous	35,000	35,000	76,843	41,843
Total Revenues	\$ 5,981,324	\$ 5,981,324	\$ 5,785,682	\$ (195,642)
Expenditures				
Current				
Highways and streets				
Administration	\$ 331,099	\$ 328,996	\$ 318,495	\$ 10,501
Maintenance	1,442,890	1,470,605	1,504,648	(34,043)
Construction	3,763,454	3,765,323	3,152,692	612,631
Equipment maintenance and shop	263,881	263,814	273,850	(10,036)
Total highways and streets	\$ 5,801,324	\$ 5,828,738	\$ 5,249,685	\$ 579,053
Intergovernmental				
Highways and streets	180,000	180,000	181,477	(1,477)
Total Expenditures	\$ 5,981,324	\$ 6,008,738	\$ 5,431,162	\$ 577,576
Net Change in Fund Balance	\$ -	\$ (27,414)	\$ 354,520	\$ 381,934
Fund Balance - January 1	1,438,057	1,438,057	1,438,057	-
Increase (decrease) in inventories	-	-	(92,391)	(92,391)
Fund Balance - December 31	\$ 1,438,057	\$ 1,410,643	\$ 1,700,186	\$ 289,543

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,726,038	\$ 1,726,038	\$ 1,704,313	\$ (21,725)
Intergovernmental	2,831,607	2,831,607	2,535,238	(296,369)
Miscellaneous	1,041,611	1,041,611	1,350,702	309,091
Total Revenues	\$ 5,599,256	\$ 5,599,256	\$ 5,590,253	\$ (9,003)
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,586,190	\$ 1,586,190	\$ 1,629,826	\$ (43,636)
Social services	4,020,733	4,020,733	3,481,415	539,318
Total Expenditures	\$ 5,606,923	\$ 5,606,923	\$ 5,111,241	\$ 495,682
Net Change in Fund Balance	\$ (7,667)	\$ (7,667)	\$ 479,012	\$ 486,679
Fund Balance - January 1	2,525,514	2,525,514	2,525,514	-
Fund Balance - December 31	\$ 2,517,847	\$ 2,517,847	\$ 3,004,526	\$ 486,679

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013**

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

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Budget

For the year ended December 31, 2013, the General Fund had expenditures in excess of budget of \$1,179,697.

3. Other Postemployment Benefits Funded Status

Wadena County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2008. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets to pay the accrued liability for postemployment benefits is zero. Currently, two actuarial valuations are available. As the information becomes available, future reports will provide additional trend analysis to meet the three valuation funding status requirement. See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2013**

	<u>Public Health Nurse</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>				
Cash and pooled investments	\$ 354,591	\$ 145,401	\$ 822,763	\$ 1,322,755
Petty cash and change funds	40	100	250	390
Undistributed cash in agency funds	-	-	13,391	13,391
Special assessments receivable	-	-	37,257	37,257
Accounts receivable	19,611	3,386	72,137	95,134
Accrued interest receivable	-	58	-	58
Due from other funds	9,469	536	26	10,031
Due from other governments	247,877	82,417	218,186	548,480
Advance to other funds	3,750	3,750	2,500	10,000
Total Assets	\$ 635,338	\$ 235,648	\$ 1,166,510	\$ 2,037,496
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 20,302	\$ 3,542	\$ 13,378	\$ 37,222
Salaries payable	45,461	11,837	6,285	63,583
Due to other funds	1,479	951	1,560	3,990
Due to other governments	775	6	36,741	37,522
Total Liabilities	\$ 68,017	\$ 16,336	\$ 57,964	\$ 142,317
Deferred Inflows of Resources				
Unavailable revenue	\$ 121,344	\$ 32,312	\$ 227,876	\$ 381,532
Fund Balances				
Nonspendable				
Advances to other funds	\$ 3,750	\$ 3,750	\$ 2,500	\$ 10,000
Restricted				
SCORE	-	-	57,324	57,324
Assigned				
Solid waste	-	-	820,846	820,846
Transit	-	183,250	-	183,250
Public health	442,227	-	-	442,227
Total Fund Balances	\$ 445,977	\$ 187,000	\$ 880,670	\$ 1,513,647
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 635,338	\$ 235,648	\$ 1,166,510	\$ 2,037,496

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Public Health Nurse</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total (Exhibit 5)</u>
Revenues				
Taxes	\$ -	\$ -	\$ 5,404	\$ 5,404
Special assessments	-	-	408,465	408,465
Licenses and permits	26,785	-	150	26,935
Intergovernmental	748,566	378,084	55,950	1,182,600
Charges for services	156,693	63,231	589,924	809,848
Investment earnings	-	644	-	644
Miscellaneous	45,049	14,894	6,372	66,315
Total Revenues	\$ 977,093	\$ 456,853	\$ 1,066,265	\$ 2,500,211
Expenditures				
Current				
Sanitation	\$ -	\$ -	\$ 959,608	\$ 959,608
Human services	-	380,079	-	380,079
Health	1,024,561	-	-	1,024,561
Total Expenditures	\$ 1,024,561	\$ 380,079	\$ 959,608	\$ 2,364,248
Excess of Revenues Over (Under) Expenditures	\$ (47,468)	\$ 76,774	\$ 106,657	\$ 135,963
Other Financing Sources (Uses)				
Transfers in	207,110	-	-	207,110
Net Change in Fund Balance	\$ 159,642	\$ 76,774	\$ 106,657	\$ 343,073
Fund Balance - January 1	286,335	110,226	774,013	1,170,574
Fund Balance - December 31	\$ 445,977	\$ 187,000	\$ 880,670	\$ 1,513,647

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-1

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 23,500	\$ 23,500	\$ 26,785	\$ 3,285
Intergovernmental	467,943	467,943	748,566	280,623
Charges for services	177,566	177,566	156,693	(20,873)
Miscellaneous	77,786	77,786	45,049	(32,737)
Total Revenues	\$ 746,795	\$ 746,795	\$ 977,093	\$ 230,298
Expenditures				
Current				
Health				
Nursing service	953,905	976,326	1,024,561	(48,235)
Excess of Revenues Over (Under)				
Expenditures	\$ (207,110)	\$ (229,531)	\$ (47,468)	\$ 182,063
Other Financing Sources (Uses)				
Transfers in	207,110	207,110	207,110	-
Net Change in Fund Balance	\$ -	\$ (22,421)	\$ 159,642	\$ 182,063
Fund Balance - January 1	286,335	286,335	286,335	-
Fund Balance - December 31	\$ 286,335	\$ 263,914	\$ 445,977	\$ 182,063

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-2

**BUDGETARY COMPARISON SCHEDULE
TRANSIT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 289,400	\$ 289,400	\$ 378,084	\$ 88,684
Charges for services	64,000	64,000	63,231	(769)
Investment earnings	-	-	644	644
Miscellaneous	57,900	57,900	14,894	(43,006)
Total Revenues	\$ 411,300	\$ 411,300	\$ 456,853	\$ 45,553
Expenditures				
Current				
Human services				
Transportation	462,000	462,000	380,079	81,921
Net Change in Fund Balance	\$ (50,700)	\$ (50,700)	\$ 76,774	\$ 127,474
Fund Balance - January 1	110,226	110,226	110,226	-
Fund Balance - December 31	\$ 59,526	\$ 59,526	\$ 187,000	\$ 127,474

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 15,000	\$ 15,000	\$ 5,404	\$ (9,596)
Special assessments	410,000	410,000	408,465	(1,535)
Licenses and permits	350	350	150	(200)
Intergovernmental	56,000	56,000	55,950	(50)
Charges for services	784,000	784,000	589,924	(194,076)
Miscellaneous	-	-	6,372	6,372
Total Revenues	\$ 1,265,350	\$ 1,265,350	\$ 1,066,265	\$ (199,085)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 967,380	\$ 980,744	\$ 795,856	\$ 184,888
Recycling	117,470	117,470	163,752	(46,282)
Total Expenditures	\$ 1,084,850	\$ 1,098,214	\$ 959,608	\$ 138,606
Net Change in Fund Balance	\$ 180,500	\$ 167,136	\$ 106,657	\$ (60,479)
Fund Balance - January 1	774,013	774,013	774,013	-
Fund Balance - December 31	\$ 954,513	\$ 941,149	\$ 880,670	\$ (60,479)

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**WADENA COUNTY
WADENA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GOVERNMENTAL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 12,084	\$ 67,804	\$ 61,426	\$ 18,462
<u>Liabilities</u>				
Due to other governments	\$ 12,084	\$ 67,804	\$ 61,426	\$ 18,462
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 304,118	\$ 16,836,078	\$ 16,942,496	\$ 197,700
<u>Liabilities</u>				
Due to other governments	\$ 304,118	\$ 16,836,078	\$ 16,942,496	\$ 197,700
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 316,202	\$ 16,903,882	\$ 17,003,922	\$ 216,162
<u>Liabilities</u>				
Due to other governments	\$ 316,202	\$ 16,903,882	\$ 17,003,922	\$ 216,162

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OTHER SCHEDULES

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Cash on hand and departmental checking	N/A	N/A	Continuous	\$ 2,590
Checking accounts	Three	0.00 to 0.15	Continuous	853,140
Money market savings	Eight	0.10 to 0.40	Continuous	5,451,749
MAGIC	One	0.04	Continuous	10,080
Certificates of deposit	Nineteen	0.70 to 1.65	March 11, 2014 to December 26, 2018	<u>5,055,000</u>
Total Deposits and Investments				<u>\$ 11,372,559</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Shared Revenue

State

Highway users tax	\$ 3,795,317
County program aid	693,327
PERA rate reimbursement	20,825
Disparity reduction aid	53,186
Police aid	54,892
Enhanced 911	86,151
Market value credit	178,505
	178,505

Total shared revenue **\$ 4,882,203**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 433,484
	433,484

Payments

Local

Local contributions	\$ 59,549
Payments in lieu of taxes	78,033
	78,033

Total payments **\$ 137,582**

Grants

State

Minnesota Department/Board of	
Public Safety	\$ 104,101
Transportation	621,277
Health	171,936
Natural Resources	110,357
Human Services	765,755
Water and Soil Resources	1,618
Veterans Affairs	12,298
Pollution Control Agency	55,950
Peace Officer Standards and Training Board	3,418
	3,418

Total state **\$ 1,846,710**

Federal

Department of/Agency	
Agriculture	\$ 222,821
Transportation	172,745
Health and Human Services	1,482,398
Homeland Security	328,004
	328,004

Total federal **\$ 2,205,968**

Total state and federal grants **\$ 4,052,678**

Total Intergovernmental Revenue **\$ 9,505,947**

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT E-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Morrison-Todd-Wadena Community Health Services Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 149,701
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>112,439</u>
Total U.S. Department of Agriculture		<u>\$ 262,140</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	\$ 21,161
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	7,379
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	165,499
Formula Grants for Rural Areas	20.509	<u>154,713</u>
Total U.S. Department of Transportation		<u>\$ 348,752</u>
U.S. Department of Health and Human Services		
Passed Through Central Minnesota Council on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 7,728
Passed Through Community Health Information Collaborative of Duluth Immunization Cooperative Agreements	93.268	6,953
Direct Drug-Free Communities Support Program Grants	93.276	103,404
Passed Through Isanti County Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	912

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT E-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	11,039
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$266,090)	93.558	219,929
Child Support Enforcement	93.563	250,194
Refugee and Entrant Assistance - State-Administered Programs	93.566	297
Child Care and Development Block Grant	93.575	5,286
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5,520
Foster Care Title IV-E	93.658	38,800
Social Services Block Grant	93.667	116,999
Chafee Foster Care Independence Program	93.674	95
Children's Health Insurance Program	93.767	58
Medical Assistance Program (Total Medical Assistance Program 93.778 \$583,683)	93.778	537,871
Passed Through Morrison-Todd-Wadena Community Health Services Board		
Public Health Emergency Preparedness	93.069	44,367
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	60,408
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	97,143
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$266,090)	93.558	46,161
Maternal and Child Health Services Block Grant to the States	93.994	21,785
Medical Assistance Program (Total Medical Assistance Program 93.778 \$583,683)	93.778	45,812
Total U.S. Department of Health and Human Services		\$ 1,620,761
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 386,032
Emergency Management Performance Grants	97.042	15,701
Total U.S. Department of Homeland Security		\$ 401,733
Total Federal Awards		\$ 2,633,386

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wadena County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wadena County, it is not intended to and does not present the financial position or changes in net position of Wadena County.

3. Summary of Significant Accounting Policies

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	2,205,968
Grants received more than 60 days after year-end, deferred in 2013		
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)		39,319
Highway Planning and Construction (CFDA #20.205)		165,499
Formula Grants for Rural Areas (CFDA # 20.509)		28,064
State and Community Highway Safety (CFDA #20.600)		7,332
Immunization Cooperative Agreements (CFDA #93.268)		1,126
Centers for Disease Control and Prevention - Investigations and Technical Assistance (CFDA #93.283)		311
Temporary Assistance for Needy Families (CFDA #93.558)		25,753
Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers (CFDA #93.044)		3,360
Public Health Emergency Preparedness (CFDA #93.069)		2,760
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA #93.505)		11,082
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds (CFDA #93.531)		5,009
Child Care and Development Block Grant (CFDA #93.575)		490
Foster Care - Title IV-E (CFDA #93.658)		5,389
Medical Assistance Program (CFDA #93.778)		89,678
Maternal and Child Health Services Block Grant to the States (CFDA #93.994)		5,447
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		219,542
Grants deferred in 2012, recognized as revenue in 2013		
Foster Care - Title IV-E (CFDA #93.658)		(83)
Social Services Block Grant (CFDA #93.667)		(11,183)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		(145,813)
Formula Grants for Rural Areas (CFDA #20.509)		(24,888)
Temporary Assistance for Needy Families (CFDA #93.558)		(594)
Child Care and Development Block Grant (CFDA #93.575)		(182)
Expenditures per Schedule of Expenditures of Federal Awards	\$	2,633,386

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2013.

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**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Child Support Enforcement	CFDA #93.563
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA #97.036

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1998-001

Departmental Segregation of Duties

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

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

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

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

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

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

Client's Response:

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

ITEM ARISING THIS YEAR

Finding 2013-001

Audit Adjustments

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

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

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

Effect: The following audit adjustments needed to be recorded for December 31, 2013:

- Audit adjustments were necessary in the General Fund to properly report state and federal disaster assistance for the reconstruction and repair of damaged facilities from the 2010 tornado. Adjustments were made to reclassify federal revenue posted to a state revenue account in the amount of \$240,168; to reclassify state revenue posted to a federal revenue account in the amount of \$73,235 and to reflect an additional due from other governments in the amount of \$195,761 with an offsetting adjustment to deferred inflows of resources in the amount of \$99,581 for receivables not collected within the revenue recognition period. The net effect of the adjustments reduced state revenue by \$142,888 and increased federal revenue by \$239,068. An additional adjustment was made in the General Fund to reclassify fund balance committed for the fairgrounds in the amount of \$448,647 to unassigned fund balance.

- Audit adjustments were necessary in the Road and Bridge Special Revenue Fund to properly report an advance on the state aid regular construction allotment. The adjustment resulted in a reduction in receivables of \$33,890, an increase in the advance allotment of \$786,464, and a reduction of revenue of \$820,354.
- An audit adjustment was necessary in the Solid Waste Special Revenue Fund to properly report state and federal funding for disaster assistance for the reconstruction and repair of damaged facilities from the 2010 tornado. The adjustment was made to reflect an additional due from other governments in the amount of \$194,233 with an offsetting adjustment to deferred inflows of resources for receivables not collected within the revenue recognition period.
- An audit adjustment was necessary in the governmental activities of the government-wide financial statements to properly report capital assets. Infrastructure assets were reduced by \$3,659,146 to correct errors resulting from certain infrastructure assets being included as additions in 2012 as well as in 2013, along with reclassifying certain projects that were uncompleted at December 31, 2013. Construction in progress was increased by \$918,589 for uncompleted highway projects and the courthouse window and roof project. Highways and streets expenses were decreased by \$2,866,120, and general government expenses were increased by \$125,563.

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

Cause: Staff posting the state and federal receipts were not informed of the type of revenue received. The County was aware that it would have receivables for the disaster projects at year-end but had not calculated and recorded the amount in the general ledger. An entry was not made to remove the amount posted to the general ledger as committed for the fairgrounds when the projects were being completed. When preparing the supporting documentation on state aid highway projects, the advance was not considered. When preparing additions for the infrastructure, some projects that were nearly complete in 2012 were added for 2012 and then added again when fully complete in 2013.

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

Client's Response:

Wadena County staff has corrected the audit adjustment issues detailed in this finding.

Wadena County staff informed the auditors that entries for state and federal disaster assistance for the reconstruction and repair of damaged facilities from the 2010 tornado were not booked. Additionally, the auditors were included in the meeting with the Highway and Solid Waste Departments which ultimately determined the correct deferred amounts.

With regard to the proper reporting of an advance on state aid regular construction allotment in the Road and Bridge Special Revenue Fund, awareness of and staff communication concerning any advance payments, together with periodic review of and inquiry about all unusual payments, including advance payments, have been implemented.

Implementation of the County's current internal controls alerted staff to the capital and infrastructure asset issues. Procedures were changed, and each road project is now booked with a road number.

In 2014, Wadena County staff has corrected, overall, the above mentioned issues. Review of and implementation of the internal controls currently in place brought awareness to them. Moving forward, increased communication among staff, including risk assessment committee meetings, will be a priority.

PREVIOUSLY REPORTED ITEMS RESOLVED

Board-Approved Budget (2011-001)

During our previous audit, we noted that the detailed budget spreadsheet presented to the County Board for approval included amounts for the Transit Special Revenue Fund in the total budget amount; however, this spreadsheet did not have any line item amounts for the Transit Special Revenue Fund, so the detail did not add to the total budget amount. Additionally, we noted that an adjustment was made to the General Fund budget without presenting the change to the County Board for approval, and an adjustment to the General Fund budget was approved by the County Board but not entered into the financial system.

Resolution

For 2013, the detailed budget spreadsheet was accurate and provided the necessary detail to document that the approved budget agrees with the published budget as well as the budget posted to the Integrated Financial System. All amendments to the budget agree with the approval documented in the official Board Minutes.

Network/Application Password Controls (2012-001)

In 2012, Wadena County updated to a new version of the Integrated Financial System - Platform Independent (IFS-PI) application software. This is a web-based application and may be run on a server or a mainframe system. For an employee of Wadena County to access the IFS-PI application, the user must be signed on to the County network and have a current sign-on for the IFS application. The sign-on differs from the sign-on for the IBM I Series system, so the mainframe security settings do not apply to the application. Wadena County had not updated the network controls for the change to a web-based application to ensure password controls are working as intended.

Resolution

Wadena County has reviewed and made changes to its password policies for the County network to ensure password controls are working as intended.

Timeliness of Preparation of Financial Statements (2012-002)

Certain information needed for financial reporting was not prepared by County staff in advance of the previous audit. Although County staff attempted to provide information as timely as possible during the previous audit, there were delays in obtaining information requested.

Resolution

The information needed for financial reporting was prepared by County staff well in advance of the original schedule. This allowed for completion of the Wadena County audit earlier than originally planned.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM RESOLVED

Eligibility Testing (2012-003)

During our prior year testing of input controls of eligibility information for the Medical Assistance Program (CFDA No. 93.778) into the state maintained MAXIS system, we noted one case file where the most recent bank account balance was not properly updated in MAXIS due to a data entry error, one case file that did not have verification of citizenship on file, and one case file that did not have documentation to substantiate eligibility was re-determined every 12 months.

Resolution

During our testing of input controls of the eligibility information in 2013, we found all case files contained the documentation necessary to determine eligibility and that the case file documentation matched the information entered into the state MAXIS system.



REBECCA OTTO
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
Wadena County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Wadena County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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.

Wadena County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 10, 2014

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

Independent Auditor's Report

Board of County Commissioners
Wadena County

Report on Compliance for Each Major Federal Program

We have audited Wadena County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. Wadena County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wadena County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wadena County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Wadena County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 10, 2014

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR