

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WADENA COUNTY
WADENA, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

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, 2009



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

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**WADENA COUNTY
WADENA, MINNESOTA**

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WADENA, MINNESOTA**

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**WADENA COUNTY
WADENA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2009

Office	Name	District	Term Expires
Elected			
Commissioners			
Board Member	Lane Waldahl	District 1	January 2011
Board Member	Ralph Miller	District 2	January 2013
Vice Chair	William Stearns	District 3	January 2011
Board Member	Rodney Bounds	District 4	January 2013
Chair	David Schermerhorn	District 5	January 2011
Attorney	Kyra Ladd		January 2011
Auditor/Treasurer	Charleen West		January 2011
County Recorder	Soledad Henriksen		January 2011
Registrar of Titles	Soledad Henriksen		January 2011
County Sheriff	Michael D. Carr		January 2011
Appointed			
Assessor	Lee Brekke		December 2012
County Engineer	Vacant*		
Coroner	Tim B. Schmitt, M.D.		Indefinite
Community Corrections Officer	Kathryn Langer		Indefinite
Social Services Director	Paul Sailer		Indefinite
Veterans Services Officer	David Anderson		April 2010

*Former County Engineer Joel Ulring resigned on October 24, 2009. Ryan Odden was appointed County Engineer effective April 1, 2010.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wadena County

We have audited the accompanying 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, 2009, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Wadena County's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 and for the year ended December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Wadena County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, 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* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WADENA COUNTY
WADENA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(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, 2009. 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 by \$38,283,831 at the close of 2009. Of this amount, \$3,906,851 (unrestricted net assets) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- At the close of 2009, Wadena County's governmental funds reported combined ending fund balances of \$4,798,821, an increase of \$1,386,167 in comparison with the prior year. Of the total fund balance, \$2,740,657 is available for spending at the County's discretion and is noted as unreserved fund balance.
- At the close of 2009, unreserved fund balance for the General Fund was \$474,088, or 9.2 percent, of total General Fund expenditures.
- Wadena County currently does not have any bonded indebtedness.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to 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 assets presents information on all of Wadena County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Wadena County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures 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, conservation of natural resources, and economic development.

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

Fund Level Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. 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 seven 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 four 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 assets and a statement of changes in fiduciary net assets. 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 statements have been provided as required supplementary information for the County's major funds. Wadena County also budgets for the Public Health Nurse Special Revenue Fund and the Solid Waste Special Revenue Fund, which are nonmajor funds, as supplementary information. The Forfeited Tax Sale and Transit Special Revenue Funds are not budgeted for.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Wadena County's assets exceeded liabilities by \$38,283,831 at the close of 2009. The largest portion of Wadena County's net assets (86 percent) reflects its investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

Governmental Net Assets

	2009	2008
Current and other assets	\$ 7,528,555	\$ 6,895,094
Capital assets	32,956,541	30,370,968
Total Assets	\$ 40,485,096	\$ 37,266,062
Long-term liabilities outstanding	\$ 955,780	\$ 837,664
Other liabilities	1,245,485	1,386,750
Total Liabilities	\$ 2,201,265	\$ 2,224,414
Net Assets		
Invested in capital assets	\$ 32,956,541	\$ 30,370,968
Restricted	1,420,439	1,923,616
Unrestricted	3,906,851	2,747,064
Total Net Assets	\$ 38,283,831	\$ 35,041,648

The unrestricted net asset amount of \$3,906,851 as of December 31, 2009, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wadena County's activities increased net assets by \$3,242,183, or 9.3 percent, over the 2008 net assets. The key element of the increase in net assets was the increase in invested in capital assets by \$2,585,573 for general government, public safety, highways and streets, and sanitation, with the majority of the increase due to road improvements.

Changes in Net Assets

	2009	2008
Revenues		
Program revenues		
Charges for services	\$ 2,262,499	\$ 2,224,080
Operating grants and contributions	7,250,518	7,257,608
Capital grants and contributions	1,046,274	944,280
General revenues		
Property taxes	6,652,909	6,355,732
Other taxes	40,605	38,432
Grants and contributions not restricted to specific programs	1,803,588	1,645,910
Other	121,616	230,513
Total Revenues	\$ 19,178,009	\$ 18,696,555

	<u>2009</u>	<u>2008</u>
Expenditures		
General government	\$ 2,806,803	\$ 3,093,272
Public safety	2,117,873	2,122,020
Highways and streets	2,581,119	3,158,991
Sanitation	1,074,468	961,398
Human services	5,721,518	6,473,913
Health	1,227,975	1,167,682
Culture and recreation	192,013	222,190
Conservation of natural resources	209,604	213,780
Economic development	4,453	70,685
	<u>15,935,826</u>	<u>17,483,931</u>
Total Expenditures	\$ 15,935,826	\$ 17,483,931
Increase in Net Assets	\$ 3,242,183	\$ 1,212,624
Net Assets - January 1	<u>35,041,648</u>	<u>33,829,024</u>
Net Assets - December 31	<u>\$ 38,283,831</u>	<u>\$ 35,041,648</u>

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, unreserved 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 \$4,798,821, an increase of \$1,386,167 in comparison with the prior year. The unreserved fund balance in the amount of \$2,740,657 is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of Wadena County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$474,088, while total fund balance was \$1,825,764. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 9.2 percent of total General Fund expenditures. In 2009, fund balance in the General Fund

increased by \$414,732. This increase was due to excess revenues over expenditures of \$568,809 offset by net transfers out of \$154,077. The difference between 2008 revenues over expenditures compared to 2009 revenues over expenditures reflected an improvement of \$566,741, which is due to 2009 activity reflecting increased taxes of \$247,328, a decrease in general government expenditures of \$329,549, a decrease in public safety expenditures of \$54,720, offset by a decrease in miscellaneous revenue of \$74,409.

The Road and Bridge Special Revenue Fund's fund balance increased \$501,209, due to excess revenues over expenditures of \$547,797, offset by a decrease in inventory of \$46,588. The difference between 2008 revenues over expenditures compared to 2009 revenues over expenditures reflected an improvement of \$408,807, which is due to an increase in intergovernmental revenue of \$721,683 (municipal construction), a decrease in economic development expenditures of \$56,757 (depot project), offset by increased highways and streets expenditures of \$341,912 and a decrease in tax revenue of \$19,528.

The Social Services Special Revenue Fund's fund balance increased \$553,610, due to excess expenditures over revenues, which compares with 2008 expenditures exceeding revenues of \$585,552. The difference between 2008 expenditures over revenues compared to 2009 expenditures over revenues reflected an improvement of \$1,139,162, which is due to an increase in tax revenue of \$43,067, increased intergovernmental revenue of \$50,767, reduced income maintenance expenditures of \$103,421, reduced social services expenditures of \$331,068, and reduced intergovernmental expenditures of \$587,489 (payment to South Country Health Alliance in 2008).

General Fund Budgetary Highlights

The difference between the General Fund original budget and the final amended budget was \$170,901. The difference between the actual amounts and the final amended budget was \$273,151. The main revenue variance was due to fewer actual revenues for property taxes, offset by more actual intergovernmental revenues. The main expenditure variance was due to fewer actual expenditures for general government, offset by more actual public safety expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2009, was \$32,956,541 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets for the current fiscal year increased 8.5 percent. The net increase was attributed to the County's investment in its infrastructure.

Governmental Capital Assets

	<u>2009</u>	<u>2008</u>
Land and construction in progress	\$ 3,587,709	\$ 570,515
Infrastructure	26,510,721	27,006,717
Buildings	1,415,441	1,535,250
Building improvements	138,579	-
Machinery, furniture, and equipment	<u>1,304,091</u>	<u>1,258,486</u>
Total	<u>\$ 32,956,541</u>	<u>\$ 30,370,968</u>

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

Long-Term Debt

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Wadena County's unemployment rate was 9.0 percent at the end of 2009. As of July 2010, Wadena County's unemployment rate increased to 10.7 percent, which was the same as the statewide rate for the same time period.
- Wadena County is subject to levy limits for 2011 and 2012.
- Wadena County's property tax delinquency was 4.35 percent at the end of 2009, which is up from the previous year's delinquent rate of 4.21 percent.
- Wadena County was subject to state unallotments of County program aid in 2009 amounting to \$100,295; the state authorized counties to use special levies to levy property taxes to replace the known 2008 and 2009 unallotments, which the Board of County Commissioners approved to include in its final 2010 tax levy. The County is subject to an additional \$203,629 unallotment of County program aid as well as a \$158,550 reduction in market value credits in December 2010; a reduction in 2011 County program aid in the amount of \$162,875 has also been certified. The state has authorized a special levy for the unallotment or reduction of property tax aids and credits for the 2011 tax levy, which the Board of County Commissioners will consider when setting the County's preliminary and final 2011 tax levy.

- Wadena County was hit by an F4 tornado on June 17, 2010, which resulted in an estimated cost to the County of \$1.5 million. It is anticipated that these expenditures will be offset by insurance and FEMA funds, with the County being responsible for the remaining ten percent of the expenditures. The June 17 disaster also caused an estimated loss in property value of \$14 million. Wadena County is working with Homeland Security and the Minnesota Department of Revenue to obtain authorization to participate in the Tax Relief Disaster Abatement and Credit Program. Wadena County will be obtaining firmer dollar amounts of expenditures soon, at which time, a certificate of indebtedness may have to be considered for short-term cash flow purposes.
- Wadena County is unaware, at this time, whether the South Country Health Alliance will be in operation in 2011.

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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Assets

Cash and pooled investments	\$	5,084,575
Petty cash and change funds		3,440
Taxes receivable		
Current		266,694
Prior		140,697
Special assessments receivable		
Current		20,742
Prior		15,884
Accounts receivable		145,182
Accrued interest receivable		6,280
Due from other governments		1,418,240
Advances receivable		118,750
Inventories		134,035
Investment in joint venture		174,036
Capital assets		
Non-depreciable		3,587,709
Depreciable - net of accumulated depreciation		29,368,832
		\$ 40,485,096

Liabilities

Accounts payable	\$	273,765
Salaries payable		240,940
Contracts payable		258,655
Due to other governments		279,320
Customer deposits		1,000
Unearned revenue		191,805
Long-term liabilities		
Due within one year		520,025
Due in more than one year		435,755
		\$ 2,201,265

Net Assets

Invested in capital assets	\$	32,956,541
Restricted for		
General government		705,383
Public safety		129,508
Highways and streets		516,033
Culture and recreation		18,153
Conservation of natural resources		51,362
Unrestricted		3,906,851
		\$ 38,283,831

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</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	\$ 2,806,803	\$ 361,182	\$ 108,738	\$ -	\$ (2,336,883)
Public safety	2,117,873	104,040	193,013	-	(1,820,820)
Highways and streets	2,581,119	53,032	2,460,358	1,046,274	978,545
Sanitation	1,074,468	488,755	407,568	-	(178,145)
Human services	5,721,518	912,307	3,147,124	-	(1,662,087)
Health	1,227,975	320,285	797,859	-	(109,831)
Culture and recreation	192,013	17,564	69,620	-	(104,829)
Conservation of natural resources	209,604	5,334	66,238	-	(138,032)
Economic development	4,453	-	-	-	(4,453)
Total Governmental Activities	<u>\$ 15,935,826</u>	<u>\$ 2,262,499</u>	<u>\$ 7,250,518</u>	<u>\$ 1,046,274</u>	<u>\$ (5,376,535)</u>
 General Revenues					
Property taxes				\$ 6,652,909	
Mineral taxes				100	
Other taxes				83	
Payments in lieu of tax				40,422	
Grants and contributions not restricted to specific programs				1,803,588	
Unrestricted investment earnings				57,955	
Miscellaneous				63,661	
Total general revenues				<u>\$ 8,618,718</u>	
Change in Net Assets					<u>\$ 3,242,183</u>
Net Assets - Beginning					<u>35,041,648</u>
Net Assets - Ending					<u>\$ 38,283,831</u>

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, 2009**

	<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	\$ 1,495,633	\$ 1,644,800	\$ 1,337,643	\$ 400,767	\$ 4,878,843
Petty cash and change funds	2,750	100	200	390	3,440
Undistributed cash in agency funds	114,213	33,365	39,755	18,399	205,732
Taxes receivable					
Current	151,461	52,316	62,917	-	266,694
Prior	76,561	29,479	34,657	-	140,697
Special assessments receivable					
Current	-	-	-	20,742	20,742
Prior	-	-	-	15,884	15,884
Accounts receivable	3,412	637	55,723	85,410	145,182
Accrued interest receivable	6,220	-	-	60	6,280
Due from other funds	6,345	4,708	10,979	7,594	29,626
Due from other governments	59,829	660,767	479,292	212,339	1,412,227
Inventories	-	134,035	-	-	134,035
Advances to other funds	432,250	12,500	36,250	410,610	891,610
Total Assets	<u>\$ 2,348,674</u>	<u>\$ 2,572,707</u>	<u>\$ 2,057,416</u>	<u>\$ 1,172,195</u>	<u>\$ 8,150,992</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 85,758	\$ 37,634	\$ 99,537	\$ 50,836	\$ 273,765
Salaries payable	122,746	27,265	35,575	55,354	240,940
Compensated absences	-	40,000	58,000	-	98,000
Contracts payable	-	258,655	-	-	258,655
Due to other funds	14,572	1,789	25,468	5,625	47,454
Due to other governments	53,985	10,738	151,437	39,319	255,479
Advances from other funds	-	-	771,860	1,000	772,860
Customer deposits	-	1,000	-	-	1,000
Deferred revenue - unavailable	220,144	687,104	179,292	125,673	1,212,213
Deferred revenue - unearned	25,705	103,339	-	62,761	191,805
Total Liabilities	<u>\$ 522,910</u>	<u>\$ 1,167,524</u>	<u>\$ 1,321,169</u>	<u>\$ 340,568</u>	<u>\$ 3,352,171</u>

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities and Fund Balances</u>					
(Continued)					
Fund Balances					
Reserved for					
Advances to other funds	\$ 432,250	\$ 12,500	\$ 36,250	\$ 410,610	\$ 891,610
Inventories	-	134,035	-	-	134,035
Utility deposits	-	500	-	-	500
Emergency management	479	-	-	-	479
SCORE	-	-	-	57,324	57,324
State-aid highway projects	-	55,269	-	-	55,269
Missing heirs	15,020	-	-	-	15,020
Law library	2,110	-	-	-	2,110
Recorder's equipment	96,872	-	-	-	96,872
Sheriff's contingency	5,000	-	-	-	5,000
Enhanced 911	89,879	-	-	-	89,879
Compliance fund	114,869	-	-	-	114,869
Sheriff's forfeited property	8,445	-	-	-	8,445
Attorney's forfeited property	26,147	-	-	-	26,147
Clean water	25,705	-	-	-	25,705
Gun permits	13,656	-	-	-	13,656
Help America Vote Act	61,649	-	-	-	61,649
Individual Sewage Treatment Systems	26,102	-	-	-	26,102
Parks	18,153	-	-	-	18,153
Shoreline grant	7,350	-	-	-	7,350
Timber development	4,254	-	-	-	4,254
Building fund	403,736	-	-	-	403,736
Unreserved					
Designated for future expenditures	119,156	-	-	-	119,156
Designated for cash flows	354,932	200,000	528,584	-	1,083,516
Designated for capital equipment	-	98,458	-	-	98,458
Designated for mental health initiative	-	-	169,282	-	169,282
Designated for peer center	-	-	2,131	-	2,131
Designated for gravel stockpile	-	68,609	-	-	68,609
Designated for County road construction	-	150,000	-	-	150,000
Undesignated	-	685,812	-	-	685,812
Unreserved, reported in nonmajor Special revenue funds	-	-	-	363,693	363,693
Total Fund Balances	\$ 1,825,764	\$ 1,405,183	\$ 736,247	\$ 831,627	\$ 4,798,821
Total Liabilities and Fund Balances	\$ 2,348,674	\$ 2,572,707	\$ 2,057,416	\$ 1,172,195	\$ 8,150,992

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 ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Fund balances - total governmental funds (Exhibit 3)	\$ 4,798,821
Amounts reported for governmental activities in the statement of net assets 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.	32,956,541
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.	174,036
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,212,213
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	\$ (736,372)
Net OPEB liability	(121,408)
	<u>(857,780)</u>
Net Assets of Governmental Activities (Exhibit 1)	<u><u>\$ 38,283,831</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, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 3,749,143	\$ 1,273,117	\$ 1,530,231	\$ 13,277	\$ 6,565,768
Special assessments	-	-	-	407,368	407,368
Licenses and permits	37,823	-	-	24,227	62,050
Intergovernmental	1,353,325	4,514,484	3,377,245	1,162,138	10,407,192
Charges for services	282,632	-	-	762,076	1,044,708
Fines and forfeits	53,299	-	-	-	53,299
Gifts and contributions	9,681	-	-	-	9,681
Investment earnings	58,108	-	-	597	58,705
Miscellaneous	175,353	53,690	841,356	88,114	1,158,513
Total Revenues	\$ 5,719,364	\$ 5,841,291	\$ 5,748,832	\$ 2,457,797	\$ 19,767,284
Expenditures					
Current					
General government	\$ 2,682,190	\$ -	\$ -	\$ -	\$ 2,682,190
Public safety	2,067,709	-	-	-	2,067,709
Highways and streets	-	5,144,640	-	-	5,144,640
Sanitation	-	-	-	1,068,331	1,068,331
Human services	-	-	5,195,222	399,448	5,594,670
Health	-	-	-	1,227,237	1,227,237
Culture and recreation	192,013	-	-	-	192,013
Conservation of natural resources	208,643	-	-	242	208,885
Economic development	-	4,453	-	-	4,453
Intergovernmental	-	144,401	-	-	144,401
Total Expenditures	\$ 5,150,555	\$ 5,293,494	\$ 5,195,222	\$ 2,695,258	\$ 18,334,529
Excess of Revenues Over (Under)					
Expenditures	\$ 568,809	\$ 547,797	\$ 553,610	\$ (237,461)	\$ 1,432,755
Other Financing Sources (Uses)					
Transfers in	\$ 3,969	\$ -	\$ -	\$ 158,046	\$ 162,015
Transfers out	(158,046)	-	-	(3,969)	(162,015)
Total Other Financing Sources (Uses)	\$ (154,077)	\$ -	\$ -	\$ 154,077	\$ -
Net Change in Fund Balance	\$ 414,732	\$ 547,797	\$ 553,610	\$ (83,384)	\$ 1,432,755
Fund Balance - January 1	1,411,032	903,974	182,637	915,011	3,412,654
Increase (decrease) in reserved for inventories	-	(46,588)	-	-	(46,588)
Fund Balance - December 31	\$ 1,825,764	\$ 1,405,183	\$ 736,247	\$ 831,627	\$ 4,798,821

**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, 2009**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,432,755

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	\$ 1,212,213	
Deferred revenue - January 1	<u>(1,737,291)</u>	(525,078)

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 assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 3,862,261	
Current year depreciation	<u>(1,276,688)</u>	2,585,573

In the statement of net assets, an asset is reported for the equity interest in joint ventures. The change in net assets differs from the change in fund balance by the increases and decreases in the investment in joint venture. (159,245)

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	\$ 6,122	
Change in inventories	(46,588)	
Net OPEB liability	<u>(51,356)</u>	<u>(91,822)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,242,183

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FIDUCIARY FUNDS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust	Agency Funds
<u>Assets</u>			
Cash and pooled investments	\$ 125,147	\$ 278,089	\$ 178,094
Receivables			
Interest	111	-	-
Due from other funds	16,963	6,878	-
Due from other governments	428	-	-
	\$ 142,649	\$ 284,967	\$ 178,094
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 6,173	\$ -
Due to other funds	6,013	-	-
Due to other governments	-	-	178,094
Deferred revenue - unavailable	428	-	-
Advances from governmental funds	-	118,750	-
	\$ 6,441	\$ 124,923	\$ 178,094
<u>Net Assets</u>			
Net assets, held in trust for pool participants	\$ 136,208	\$ -	
Net assets, held in trust for employees	-	160,044	
	\$ 136,208	\$ 160,044	

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust
	<hr/>	<hr/>
<u>Additions</u>		
Contributions from employers	\$ -	\$ 130,208
Contributions from participants	55,781	-
Investment earnings		
Interest	1,323	-
	<hr/>	<hr/>
Total Additions	\$ 57,104	\$ 130,208
<u>Deductions</u>		
Benefit payments	\$ -	\$ 87,095
Pool participant withdrawals	48,284	-
	<hr/>	<hr/>
Total Deductions	\$ 48,284	\$ 87,095
Change in Net Assets	\$ 8,820	\$ 43,113
Net Assets - Beginning of the Year	127,388	116,931
	<hr/>	<hr/>
Net Assets - End of the Year	\$ 136,208	\$ 160,044
	<hr/> <hr/>	<hr/> <hr/>

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

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 a jointly-governed organization as described in Notes 6.B. and 6.C., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government. 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.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. 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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

Additionally, the County reports the following fund types:

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

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.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 general 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, and Net Assets 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, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$60,028.

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. External Investment Pools (Continued)

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

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 fund balance reserve account 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.

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.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

6. Capital Assets

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

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.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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

7. Compensated Absences

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

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered available to liquidate liabilities of the current period.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. 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.

2. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Budget

The following individual fund had expenditures in excess of budget for the year ended December 31, 2009.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Solid Waste Special Revenue Fund	\$ 1,068,331	\$ 994,552	\$ 73,779

B. Deficit Fund Equity

The Forfeited Tax Sale Special Revenue Fund had a deficit fund balance of \$420 at December 31, 2009. The deficit will be cleared with the future sale of properties.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments follow:

Governmental activities	
Cash and pooled investments	\$ 5,084,575
Petty cash and change funds	3,440
Fiduciary funds	
Cash and pooled investments	
Investment trust fund	125,147
Employee benefit trust fund	278,089
Agency funds	<u>178,094</u>
 Total Cash and Investments	 \$ <u>5,669,345</u>

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2009, the County's deposits were not 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, 2009, 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, 2009, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 407,391	\$ -
Special assessments	36,626	-
Accounts	145,182	-
Interest	6,280	-
Due from other governments	1,418,240	-
Advances receivable	118,750	-
Total Governmental Activities	\$ 2,132,469	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 570,515	\$ -	\$ -	\$ 570,515
Construction in progress	-	3,017,194	-	3,017,194
Total capital assets not depreciated	\$ 570,515	\$ 3,017,194	\$ -	\$ 3,587,709
Capital assets depreciated				
Buildings	\$ 4,596,787	\$ -	\$ -	\$ 4,596,787
Building improvements	-	142,132	-	142,132
Machinery, furniture, and equipment	3,686,399	375,796	243,984	3,818,211
Infrastructure	40,312,682	327,139	-	40,639,821
Total capital assets depreciated	\$ 48,595,868	\$ 845,067	\$ 243,984	\$ 49,196,951

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 3,061,537	\$ 119,809	\$ -	\$ 3,181,346
Building improvements	-	3,553	-	3,553
Machinery, furniture, and equipment	2,427,913	330,191	243,984	2,514,120
Infrastructure	13,305,965	823,135	-	14,129,100
	<u>\$ 18,795,415</u>	<u>\$ 1,276,688</u>	<u>\$ 243,984</u>	<u>\$ 19,828,119</u>
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 29,800,453	\$ (431,621)	\$ -	\$ 29,368,832
Governmental Activities				
Capital Assets, Net	\$ 30,370,968	\$ 2,585,573	\$ -	\$ 32,956,541

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

Governmental Activities	
General government	\$ 98,249
Public safety	71,843
Highways and streets, including depreciation of infrastructure assets	1,054,757
Sanitation	30,428
Human services	18,896
Health	2,515
	<u>\$ 1,276,688</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,276,688</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 174
	Social Services	6,081
	Other governmental funds	77
	Investment Trust	13
		<u>13</u>
Total due to General Fund		<u>\$ 6,345</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Road and Bridge	General	\$ 1,203
	Other governmental funds	3,505
Total due to Road and Bridge Fund		\$ 4,708
Social Services	General	\$ 9,156
	Other governmental funds	1,001
	Investment Trust	822
Total due to Social Services Fund		\$ 10,979
Other governmental funds	General	\$ 983
	Road and Bridge	52
	Social Services	1,381
	Investment Trust	5,178
Total due to other governmental funds		\$ 7,594
Investment Trust	Social Services	\$ 16,963
Employee Benefit Trust	General	\$ 3,230
	Road and Bridge	1,563
	Social Services	1,043
	Other governmental funds	1,042
Total due to Employee Benefit Trust Fund		\$ 6,878
Total Due To/From Other Funds		\$ 53,467

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be repaid within the year.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Social Services Other governmental funds Employee Benefit Trust	\$ 375,000 1,000 56,250
Total advances to General Fund		\$ 432,250
Road and Bridge	Employee Benefit Trust	\$ 12,500
Social Services	Employee Benefit Trust	\$ 36,250
Other governmental funds	Social Services Employee Benefit Trust	\$ 396,860 13,750
Total advances to other governmental funds		\$ 410,610
Total Advances To/From Other Funds		\$ 891,610

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 advances will be repaid within the plan year, which ends December 31, 2009. Advances were also made to the Social Services Special Revenue Fund from the General Fund and Solid Waste Special Revenue Fund for partial payment of the County's membership fee to the South Country Health Alliance. Another advance was made to the Forfeited Tax Special Revenue Fund for cash flows to cover expenses until parcels of land are sold.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfers to other governmental funds from General Fund	\$ 158,046	Provide funds for County levy
Transfer to General Fund from other governmental Funds	3,969	For parcel of County land sold
Total Transfers	\$ 162,015	

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	Governmental Activities
Accounts	\$ 273,765
Salaries	240,940
Contracts payable	258,655
Due to other governments	279,320
Total Payables	\$ 1,052,680

2. Deferred Revenues

Deferred revenues as of December 31, 2009, for the County's governmental funds are as follows:

	Deferred Unavailable	Deferred Unearned
Governmental Funds		
Taxes	\$ 360,269	\$ -
Intergovernmental revenue	754,251	191,805
Charges for services	18,964	-
Other	78,729	-
Total Governmental Funds	\$ 1,212,213	\$ 191,805

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 as an 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, 2009, 60 employees had health reimbursement accounts. The County advanced \$118,750 to the Employee Benefit Trust Fund as of December 31, 2009.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net OPEB liability	\$ 70,052	\$ 51,356	\$ -	\$ 121,408	\$ -
Compensated absences	767,612	495,662	428,902	834,372	520,025
Total Long-Term Liabilities	<u>\$ 837,664</u>	<u>\$ 547,018</u>	<u>\$ 428,902</u>	<u>\$ 955,780</u>	<u>\$ 520,025</u>

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

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 Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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.

Public 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. 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.

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 and vest after three years of credited service. The 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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. 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 successive 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.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all Public 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 Public 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 Public 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.

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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 358,943	\$ 344,231	\$ 307,924
Public Employees Police and Fire Fund	59,981	51,789	41,346
Public Employees Correctional Fund	36,232	37,048	34,921

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

B. Defined Contribution Plan

Three 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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,980	\$ 2,980
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.

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 2009, there were 143 participants in the plan, including 7 retirees.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

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 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	\$	103,659
Interest on net OPEB obligation		3,152
Adjustment to ARC		(4,207)

Annual OPEB cost (expense)	\$	102,604
Contributions made		(51,248)

Increase in net OPEB obligation	\$	51,356
Net OPEB Obligation - Beginning of Year		70,052

Net OPEB Obligation - End of Year	\$	121,408

The County's annual OPEB cost for December 31, 2009, was \$102,604. The percentage of annual OPEB cost contributed to the plan was 49.9 percent, and the net OPEB obligation for 2009 was \$121,408. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and 2009 was as follows:

<u>Fiscal Year-End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 103,659	\$ 33,607	32.4%	\$ 70,052
December 31, 2009	102,604	51,248	49.9	121,408

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$744,542, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$744,542. The covered payroll (annual payroll of active employees covered by the plan) was \$5,568,072, and the ratio of the UAAL to the covered payroll was 13.4 percent.

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

Actuarial Methods and Assumptions

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

**WADENA COUNTY
WADENA, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2008, 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 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 8 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, 2009, was 28 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), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County has entered into a joint powers agreement with other Minnesota municipalities to form the North Central Service Cooperative (NCSC) to establish, procure, and administer group employee benefits. 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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**WADENA COUNTY
WADENA, MINNESOTA**

5. Risk Management (Continued)

The NCSC 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 NCSC 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 grants 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 is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

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.

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.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Todd-Wadena Community Corrections (Continued)

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, Mahnomon, 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 assets 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 the Clearwater County Auditor, 213 North Main Avenue, Bagley, Minnesota 56621.

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, Todd, and Wadena 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 seven-county area.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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. However, if only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

The Task Force is reported as an agency fund in Douglas County's financial statements. Financing and equipment will be provided by the full-time and associate member agencies.

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.

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 2009, the County contributed \$1,600 to the Collaborative.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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 2009, the County did not contribute to the Health Services Board. Separate financial information is not available.

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 became members. 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 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 services, 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 member counties.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Country Health Alliance (Continued)

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, 2009, was \$174,036. Wadena County's share of the SCHA's net loss was \$159,245. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as human services.

Complete financial statements for the SCHA may be obtained from its fiscal agent at 630 Florence Avenue, P. O. Box 890, Owatonna, Minnesota 55060-0890.

C. Jointly Governed Organization

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.

7. Subsequent Event

Natural Disaster

On June 17, 2010, Wadena County was hit by a tornado resulting in estimated cost to the County of approximately \$1,500,000. It is anticipated that most of this expense will be recovered from insurance and federal disaster grants. This tornado caused an estimated loss in property valuation of \$14,000,000. The County is working with Homeland Security and the Minnesota Department of Revenue to obtain authorization to participate in the Tax Relief Disaster Abatement and Credit Program.

REQUIRED SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,366,353	\$ 4,366,353	\$ 3,749,143	\$ (617,210)
Licenses and permits	33,080	33,080	37,823	4,743
Intergovernmental	825,966	825,966	1,353,325	527,359
Charges for services	252,901	252,901	282,632	29,731
Fines and forfeits	20,500	20,500	53,299	32,799
Gifts and contributions	-	-	9,681	9,681
Investment earnings	116,000	116,000	58,108	(57,892)
Miscellaneous	231,398	201,398	175,353	(26,045)
	<u>\$ 5,846,198</u>	<u>\$ 5,816,198</u>	<u>\$ 5,719,364</u>	<u>\$ (96,834)</u>
Total Revenues				
Expenditures				
Current				
General government				
Commissioners	\$ 136,720	\$ 136,720	\$ 132,514	\$ 4,206
Courts	9,300	9,300	2,100	7,200
Coordinator	90,000	20,000	2,876	17,124
County auditor/treasurer	541,700	539,950	574,840	(34,890)
County assessor	359,749	353,749	343,987	9,762
Data processing	342,996	308,396	276,221	32,175
Central services	74,300	144,300	84,998	59,302
Information services	300	300	444	(144)
Machine room	1,000	1,000	5,342	(4,342)
Attorney	270,331	270,331	251,185	19,146
Law library	27,500	27,500	20,590	6,910
Contracted legal services	107,825	67,825	48,454	19,371
Recorder	228,650	226,150	165,334	60,816
Planning and zoning	93,966	92,416	111,756	(19,340)
Geographic information system and global positioning system	35,219	35,219	32,567	2,652
County buildings	157,500	157,500	100,910	56,590
Buildings and plant	462,393	423,293	356,082	67,211
Veterans service officer	48,560	48,060	51,709	(3,649)
Other general government	300	300	300	-
Unallocated	265,406	238,031	119,981	118,050
	<u>\$ 3,253,715</u>	<u>\$ 3,100,340</u>	<u>\$ 2,682,190</u>	<u>\$ 418,150</u>
Total general government				

**WADENA COUNTY
WADENA, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,377,263	\$ 1,372,263	\$ 1,417,482	\$ (45,219)
Boat and water safety	2,736	2,736	5,290	(2,554)
Sheriff's forfeiture	400	400	16,505	(16,105)
Coroner	27,180	27,180	34,201	(7,021)
ATV grant	4,605	4,605	9,365	(4,760)
E-911 system	25,079	25,079	106,164	(81,085)
Law enforcement center	319,057	319,057	230,785	88,272
Community corrections	166,880	151,229	151,229	-
Civil defense	111,155	111,155	88,784	22,371
Snowmobile safety enforcement	2,601	2,601	3,845	(1,244)
County safety program	4,644	4,644	4,059	585
Total public safety	\$ 2,041,600	\$ 2,020,949	\$ 2,067,709	\$ (46,760)
Culture and recreation				
Historical society	\$ 5,000	\$ 4,000	\$ 4,000	\$ -
Parks	35,886	35,886	31,526	4,360
Humane society	750	600	1,350	(750)
Regional library	90,587	90,587	90,587	-
Snowmobile trails	60,000	60,000	64,550	(4,550)
Total culture and recreation	\$ 192,223	\$ 191,073	\$ 192,013	\$ (940)
Conservation of natural resources				
County extension	\$ 104,200	\$ 104,275	\$ 104,075	\$ 200
Soil and water conservation	60,366	48,894	48,340	554
Agricultural inspection	15,000	15,000	15,075	(75)
Agricultural society/County fair	35,000	28,000	28,794	(794)
Tree planting	8,040	8,040	12,359	(4,319)
Total conservation of natural resources	\$ 222,606	\$ 204,209	\$ 208,643	\$ (4,434)
Total Expenditures	\$ 5,710,144	\$ 5,516,571	\$ 5,150,555	\$ 366,016

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$ 136,054	\$ 299,627	\$ 568,809	\$ 269,182
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 3,969	\$ 3,969
Transfers out	(165,374)	(158,046)	(158,046)	-
Total Other Financing Sources (Uses)	\$ (165,374)	\$ (158,046)	\$ (154,077)	\$ 3,969
Net Change in Fund Balance	\$ (29,320)	\$ 141,581	\$ 414,732	\$ 273,151
Fund Balance - January 1	1,411,032	1,411,032	1,411,032	-
Fund Balance - December 31	\$ 1,381,712	\$ 1,552,613	\$ 1,825,764	\$ 273,151

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,459,300	\$ 1,459,300	\$ 1,273,117	\$ (186,183)
Intergovernmental	5,135,000	4,975,860	4,514,484	(461,376)
Miscellaneous	20,000	20,000	53,690	33,690
Total Revenues	\$ 6,614,300	\$ 6,455,160	\$ 5,841,291	\$ (613,869)
Expenditures				
Current				
Highways and streets				
Administration	\$ 399,252	\$ 329,935	\$ 301,397	\$ 28,538
Maintenance	1,496,702	1,347,499	1,107,122	240,377
Construction	4,432,845	4,432,845	3,520,454	912,391
Equipment maintenance and shop	154,996	199,996	215,667	(15,671)
Total highways and streets	\$ 6,483,795	\$ 6,310,275	\$ 5,144,640	\$ 1,165,635
Economic development				
Community development	-	-	4,453	(4,453)
Intergovernmental				
Highways and streets	130,000	144,400	144,401	(1)
Total Expenditures	\$ 6,613,795	\$ 6,454,675	\$ 5,293,494	\$ 1,161,181
Net Change in Fund Balance	\$ 505	\$ 485	\$ 547,797	\$ 547,312
Fund Balance - January 1	903,974	903,974	903,974	-
Increase (decrease) in reserved for inventories	-	-	(46,588)	(46,588)
Fund Balance - December 31	\$ 904,479	\$ 904,459	\$ 1,405,183	\$ 500,724

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,741,838	\$ 1,741,838	\$ 1,530,231	\$ (211,607)
Intergovernmental	2,941,245	2,971,245	3,377,245	406,000
Miscellaneous	831,716	874,716	841,356	(33,360)
Total Revenues	\$ 5,514,799	\$ 5,587,799	\$ 5,748,832	\$ 161,033
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,655,384	\$ 1,639,884	\$ 1,597,101	\$ 42,783
Social services	3,929,415	3,849,415	3,598,121	251,294
Total Expenditures	\$ 5,584,799	\$ 5,489,299	\$ 5,195,222	\$ 294,077
Net Change in Fund Balance	\$ (70,000)	\$ 98,500	\$ 553,610	\$ 455,110
Fund Balance - January 1	182,637	182,637	182,637	-
Fund Balance - December 31	\$ 112,637	\$ 281,137	\$ 736,247	\$ 455,110

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009

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%

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Forfeited Tax Sale and Transit Special Revenue 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, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and the Public Health Nurse Special Revenue Fund.

Encumbrance accounting is employed in governmental funds. Encumbrances (contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Other Postemployment Benefits Funded Status

The County implemented the requirements of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. Currently, only one year's worth of data is available. Future reports will provide additional trend analysis to meet the three-year funding status requirements as the information becomes available.

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.

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

Forfeited Tax Sale Fund - to account for the proceeds from the sale or rental of land forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of net proceeds, after deducting the expense of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08.

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.

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**WADENA COUNTY
WADENA, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009**

	<u>Public Health Nurse</u>	<u>Solid Waste</u>	<u>Forfeited Tax Sale</u>	<u>Transit</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>					
Cash and pooled investments	\$ 57,818	\$ 252,395	\$ 580	\$ 89,974	\$ 400,767
Petty cash and change funds	40	250	-	100	390
Undistributed cash in agency funds	-	18,399	-	-	18,399
Special assessments receivable					
Current	-	20,742	-	-	20,742
Prior	-	15,884	-	-	15,884
Accounts receivable	23,296	60,133	-	1,981	85,410
Accrued interest receivable	-	-	-	60	60
Due from other funds	6,648	471	-	475	7,594
Due from other governments	161,660	82	-	50,597	212,339
Advance to other funds	10,000	400,610	-	-	410,610
Total Assets	<u>\$ 259,462</u>	<u>\$ 768,966</u>	<u>\$ 580</u>	<u>\$ 143,187</u>	<u>\$ 1,172,195</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 11,313	\$ 30,254	\$ -	\$ 9,269	\$ 50,836
Salaries payable	45,742	2,787	-	6,825	55,354
Due to other funds	-	4,574	-	1,051	5,625
Due to other governments	6,802	32,517	-	-	39,319
Advances from other funds	-	-	1,000	-	1,000
Deferred revenue - unavailable	40,625	34,451	-	50,597	125,673
Deferred revenue - unearned	52,432	-	-	10,329	62,761
Total Liabilities	<u>\$ 156,914</u>	<u>\$ 104,583</u>	<u>\$ 1,000</u>	<u>\$ 78,071</u>	<u>\$ 340,568</u>
Fund Balances					
Reserved for advances to other funds	\$ 10,000	\$ 400,610	\$ -	\$ -	\$ 410,610
Reserved for SCORE	-	57,324	-	-	57,324
Unreserved					
Undesignated	92,548	206,449	(420)	65,116	363,693
Total Fund Balances	<u>\$ 102,548</u>	<u>\$ 664,383</u>	<u>\$ (420)</u>	<u>\$ 65,116</u>	<u>\$ 831,627</u>
Total Liabilities and Fund Balances	<u>\$ 259,462</u>	<u>\$ 768,966</u>	<u>\$ 580</u>	<u>\$ 143,187</u>	<u>\$ 1,172,195</u>

**WADENA COUNTY
WADENA, MINNESOTA**

Statement A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Public Health Nurse</u>	<u>Solid Waste</u>	<u>Forfeited Tax Sale</u>	<u>Transit</u>	<u>Total (Exhibit 5)</u>
Revenues					
Taxes	\$ -	\$ 13,277	\$ -	\$ -	\$ 13,277
Special assessments	-	407,368	-	-	407,368
Licenses and permits	24,027	200	-	-	24,227
Intergovernmental	762,877	55,475	-	343,786	1,162,138
Charges for services	229,996	484,974	-	47,106	762,076
Investment earnings	-	-	-	597	597
Miscellaneous	62,291	122	4,001	21,700	88,114
Total Revenues	\$ 1,079,191	\$ 961,416	\$ 4,001	\$ 413,189	\$ 2,457,797
Expenditures					
Current					
Sanitation	\$ -	\$ 1,068,331	\$ -	\$ -	\$ 1,068,331
Human services	-	-	-	399,448	399,448
Health	1,227,237	-	-	-	1,227,237
Conservation of natural resources	-	-	242	-	242
Total Expenditures	\$ 1,227,237	\$ 1,068,331	\$ 242	\$ 399,448	\$ 2,695,258
Excess of Revenues Over (Under) Expenditures	\$ (148,046)	\$ (106,915)	\$ 3,759	\$ 13,741	\$ (237,461)
Other Financing Sources (Uses)					
Transfers in	\$ 158,046	\$ -	\$ -	\$ -	\$ 158,046
Transfers out	-	-	(3,969)	-	(3,969)
Total Other Financing Sources (Uses)	\$ 158,046	\$ -	\$ (3,969)	\$ -	\$ 154,077
Net Change in Fund Balance	\$ 10,000	\$ (106,915)	\$ (210)	\$ 13,741	\$ (83,384)
Fund Balance - January 1	92,548	771,298	(210)	51,375	915,011
Fund Balance - December 31	\$ 102,548	\$ 664,383	\$ (420)	\$ 65,116	\$ 831,627

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 24,183	\$ 24,183	\$ 24,027	\$ (156)
Intergovernmental	698,643	698,643	762,877	64,234
Charges for services	268,908	268,908	229,996	(38,912)
Miscellaneous	189,801	189,801	62,291	(127,510)
Total Revenues	\$ 1,181,535	\$ 1,181,535	\$ 1,079,191	\$ (102,344)
Expenditures				
Current				
Health				
Nursing service	1,351,082	1,343,754	1,227,237	116,517
Excess of Revenues Over (Under) Expenditures	\$ (169,547)	\$ (162,219)	\$ (148,046)	\$ 14,173
Other Financing Sources (Uses)				
Transfers in	165,374	158,046	158,046	-
Net Change in Fund Balance	\$ (4,173)	\$ (4,173)	\$ 10,000	\$ 14,173
Fund Balance - January 1	92,548	92,548	92,548	-
Fund Balance - December 31	\$ 88,375	\$ 88,375	\$ 102,548	\$ 14,173

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,000	\$ 8,000	\$ 13,277	\$ 5,277
Special assessments	412,176	412,176	407,368	(4,808)
Licenses and permits	125	125	200	75
Intergovernmental	49,079	49,079	55,475	6,396
Charges for services	519,876	519,876	484,974	(34,902)
Miscellaneous	12,270	12,270	122	(12,148)
Total Revenues	<u>\$ 1,001,526</u>	<u>\$ 1,001,526</u>	<u>\$ 961,416</u>	<u>\$ (40,110)</u>
Expenditures				
Current				
Sanitation				
Solid waste	\$ 855,555	\$ 855,555	\$ 904,032	\$ (48,477)
Recycling	138,997	138,997	164,299	(25,302)
Total Expenditures	<u>\$ 994,552</u>	<u>\$ 994,552</u>	<u>\$ 1,068,331</u>	<u>\$ (73,779)</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 6,974</u>	<u>\$ 6,974</u>	<u>\$ (106,915)</u>	<u>\$ (113,889)</u>
Other Financing Sources (Uses)				
Transfers in	\$ 70,511	\$ 70,511	\$ -	\$ (70,511)
Transfers out	(70,246)	(70,246)	-	70,246
Total Other Financing Sources (Uses)	<u>\$ 265</u>	<u>\$ 265</u>	<u>\$ -</u>	<u>\$ (265)</u>
Net Change in Fund Balance	<u>\$ 7,239</u>	<u>\$ 7,239</u>	<u>\$ (106,915)</u>	<u>\$ (114,154)</u>
Fund Balance - January 1	<u>771,298</u>	<u>771,298</u>	<u>771,298</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 778,537</u>	<u>\$ 778,537</u>	<u>\$ 664,383</u>	<u>\$ (114,154)</u>

**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**

Statement B-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GOVERNMENTAL (80)</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>9,301</u>	\$ <u>54,765</u>	\$ <u>51,862</u>	\$ <u>12,204</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>9,301</u>	\$ <u>54,765</u>	\$ <u>51,862</u>	\$ <u>12,204</u>
 <u>TAXES AND PENALTIES (82)</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>121,346</u>	\$ <u>5,718,008</u>	\$ <u>5,673,464</u>	\$ <u>165,890</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>121,346</u>	\$ <u>5,718,008</u>	\$ <u>5,673,464</u>	\$ <u>165,890</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>130,647</u>	\$ <u>5,772,773</u>	\$ <u>5,725,326</u>	\$ <u>178,094</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>130,647</u>	\$ <u>5,772,773</u>	\$ <u>5,725,326</u>	\$ <u>178,094</u>

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OTHER SCHEDULES

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 7

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<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	\$ 3,440
Checking accounts - interest-bearing	Two	0.25 to 0.30	Continuous	837,864
Money market savings	Six	0.35 to 1.10	Continuous	3,978,041
Certificates of deposit	Four	1.50 to 3.05	February 15, 2010 to December 17, 2010	<u>850,000</u>
Total Deposits and Investments				<u>\$ 5,669,345</u>

**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 8

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Shared Revenue

State

Highway users tax	\$	3,018,878
County program aid		895,486
PERA rate reimbursement		20,825
Disparity reduction aid		53,208
Police aid		50,634
Enhanced 911		87,364
Market value credit		820,942
Mobile home market value credit		2,012

Total shared revenue **\$ 4,949,349**

Reimbursement for Services

Minnesota Department of Human Services	\$	817,462
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Payments

Local

Local contributions	\$	2,300
Payments in lieu of taxes		40,422

Total payments **\$ 42,722**

Grants

State

Minnesota Department/Board of		
Public Safety	\$	6,625
Corrections		6,746
Transportation		265,682
Health		182,969
Natural Resources		76,230
Human Services		735,623
Water and Soil Resources		67,260
Pollution Control Agency		55,475
Peace Officer Standards and Training Board		4,361

Total state **\$ 1,400,971**

Federal

Department/Agency		
Agriculture	\$	185,175
Transportation		1,172,878
Health and Human Services		1,794,480
Homeland Security		44,155

Total federal **\$ 3,196,688**

Total state and federal grants **\$ 4,597,659**

Total Intergovernmental Revenue **\$ 10,407,192**

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 9

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Wadena County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Wadena County and are reported in the "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*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Wadena County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Wadena County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Highway Planning and Construction	CFDA #20.205
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Block Grants for Prevention and Treatment of Substance Abuse	CFDA #93.959

- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wadena County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

98-1 Departmental Segregation of Duties

Due to the limited number of office personnel within several County offices, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. 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 accounting control point of view.

Without proper segregation of duties, errors or irregularities may not be detected timely.

We recommend that the County Board be aware of the lack of segregation of the accounting functions and, where possible, develop oversight procedures to ensure adequate controls over cash, receivables, and other items.

Client's Response:

The Wadena County Board has been made aware of the lack of segregation of the accounting functions and, where possible, has developed and will continue to update oversight procedures to ensure adequate controls over cash, receivables, and other items.

06-1 Preparation of Financial Statements

Wadena County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Wadena County has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements. As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was initially caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the County lacks internal control over the preparation of financial statements in accordance with GAAP.

During recent years, individuals within the County Auditor/Treasurer's Office have been improving their understanding of reporting requirements by working with the Office of the State Auditor and by obtaining some additional outside training.

We recommend Wadena County continue its efforts in training individuals to obtain the expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

Client's Response:

The Wadena County Auditor/Treasurer's Office financial staff will continue improving internal control over the preparation of the County's financial statements in accordance with GAAP by continuing to work with the Office of the State Auditor and obtaining some additional outside training.

06-2 Audit Adjustments

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. Statement on Auditing Standards No. 115 defines 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.

During our audit, we identified several material adjustments.

- An entry was made in the Road and Bridge Special Revenue Fund to reduce revenues and expenditures by \$687,517 for the City of Menahga's share of work done on SAP 080-621-01.
- An entry was made in the Social Services Special Revenue Fund to reclassify \$298,116 from income maintenance expense to social services expense to correct a reversing entry for payables to the South Country Health Alliance.
- An entry was made in the Social Services Special Revenue Fund to reclassify \$614,120 of undesignated fund balance to properly reflect designations.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. However, the inability to detect a material misstatement in the financial statements increases the likelihood that the financial statements will not be fairly presented.

We recommend the County establish review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

Client's Response:

Wadena County will continue to update and expand its review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete. Additional training will be made available, if needed, to financial employees so that in their normal course of performing assigned functions, they can prevent or detect misstatements of the financial statements.

08-3 Road and Bridge Inventory

During our audit of the road and bridge inventory, we noted several errors in the Inventory of Supplies and Materials Report, resulting in an overstatement of \$18,234.

Errors in the Inventory of Supplies and Materials Report include overstating the unit cost or quantity of items. In some cases, the unit cost times the quantity did not agree with the value shown for the items on hand.

We recommend the County establish review procedures to ensure the inventory quantity reconciles to year-end counts, valuations properly reflect the County's policy which states the valuation is based on cost using the first in/first out method, and that the report properly calculates the valuation based on unit cost times the number of units.

Client's Response:

Wadena County will continue to update and expand its review procedures to ensure the inventory quantity reconciles to year-end counts, valuations properly reflect the County's policy which states the valuation is based on cost using the first in/first out method, and that the report properly calculates the valuation based on unit cost times the number of units.

PREVIOUSLY REPORTED ITEMS RESOLVED

Documenting and Monitoring Internal Controls (08-1)

Wadena County did not have formal procedures in place for documenting the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks, and the monitoring of its internal control structure on a regular basis.

Resolution

Wadena County has established a formal risk assessment committee. This committee started meeting monthly to discuss risks, any changes that could effect risks, management oversight, segregation of duties, internal testing of controls at collection points, and policies in place or other policies that should be implemented. A summary of meeting discussions and documentation of internal testing procedures and results are retained by the County.

Prior Period Adjustment (08-2)

While preparing schedules for the 2008 financial statements, Wadena County employees did a detailed review of the capital asset records, making corrections to the valuation and estimated useful lives of several infrastructure capital assets, resulting in a restatement reducing the beginning net assets by \$681,133.

Resolution

With the restatement made in 2008, the capital assets amounts are correctly reported in accordance with GAAP in the County's annual financial statements. No material adjustments were necessary in 2009.

Solid Waste Department Internal Controls (08-4)

During our review of the Solid Waste Department for 2008, we noted a lack of segregation of duties, lack of controls over collections and the sale of scrap metal, untimely deposits for the paid ticket amounts, separation of the tickets, and that an accounts receivable ledger or aging report is not used.

Resolution

Wadena County reviewed the risks associated with the transfer station and demolition landfill. Receipting and access to collections is now limited to the Solid Waste Supervisor, and a safe is being used to store collections. Although the separation of tickets between charges and collections causes the sequential order to be broken, it is much easier to reconcile the collections to deposits because deposits are now made daily rather than monthly. Scrap metal is now weighed before leaving the facility, and receipts are retained. Departmental audits are done on a regular basis to ensure controls are working as planned.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

09-1 Bidding

Wadena County entered into a contract totaling \$116,541 with Swanston Equipment Companies for the purchase of a shouldering machine without bidding as required by Minn. Stat. § 471.345, subd. 3. This statute requires all contracts expected to exceed \$100,000 to be solicited by public notice and let on sealed bids.

The process was started by viewing a shouldering machine listed through the state contract. The machine listed was larger than what the County needed, so it contacted the vendor to see if a smaller machine could be purchased. A second quote was obtained, and the purchase was made based on the lowest quote.

We recommend the County solicit bids for all contracts expected to exceed \$100,000, as required by Minn. Stat. § 471.345, subd. 3.

Client's Response:

Wadena County will solicit bids for all contracts expected to exceed \$100,000 as required by Minn. Stat. § 471.345, subd. 3.

PREVIOUSLY REPORTED ITEMS RESOLVED

Transit Department Record Retention (08-5)

During our audit of the Transit Department, we noted the source documents used to record collections during 2008 had been disposed of in violation of Minn. Stat. §§ 15.17 and 138.17.

Resolution

All source documents of transactions by the Transit Department are now retained in a filing cabinet at the Transit Department.

Administrative Citation Procedures (08-6)

The Wadena County Board approved the implementation of an Administrative Citation Program on August 21, 2008. Prior to the 2009 legislative session, Minn. Stat. § 169.022 clearly provided, and a Minnesota Attorney General's Opinion concluded, that local public entities did not have authority to issue administrative tickets for state traffic offenses.

Resolution

On August 11, 2009, the Sheriff informed the Board that he was eliminating the Administrative Citation Program as of August 1, 2009.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Policy on Refunding Collections Received in Error (08-7)

During our audit, we noted the County had received, in error, a direct deposit in the amount of \$65,542 from the State of Minnesota. Rather than receipting the amount into the County Integrated Financial System, a counter check was written to return the funds. The use of a counter check to return money incorrectly deposited to a County account does not provide a sufficient audit trail for management oversight.

Resolution

County staff have been informed that this type of transaction should flow through the County Integrated Financial System.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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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*

Board of County Commissioners
Wadena County

We have audited the 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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wadena County's internal control over financial reporting as a basis for designing our auditing procedures 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-2 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 98-1, 06-1, and 08-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wadena County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Wadena County does not have tax increment financing districts.

The results of our tests indicate that, for the items tested, Wadena County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 09-1.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to Wadena County, and it is reported for that purpose.

Wadena County's written responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Wadena County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Wadena County

Compliance

We have audited the compliance of Wadena County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Wadena County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of Wadena County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the 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, 2009, and have issued our report thereon dated September 28, 2010. Our audit was performed for the purpose of forming opinions on Wadena County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**WADENA COUNTY
WADENA, MINNESOTA**

Schedule 10

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health and Morrison-Todd-Wadena Community Health Services Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 76,714
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	126,756
State Administrative Matching Grants for SNAP -- ARRA	10.561	<u>4,687</u>
Total U.S. Department of Agriculture		<u>\$ 208,157</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,004,774
Formula Grants for Other Than Urbanized Areas	20.509	165,499
State and Community Highway Safety	20.600	3,691
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	<u>1,921</u>
Total U.S. Department of Transportation		<u>\$ 1,175,885</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health and Central Minnesota Council on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 6,002
Passed Through Community Health Information Collaborative of Duluth Immunization Grants	93.268	5,542
Passed Through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	1,978
Promoting Safe and Stable Families	93.556	9,650
Temporary Assistance for Needy Families	93.558	271,721
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	285,791
Child Support Enforcement -- ARRA	93.563	41,993
Refugee and Entrant Assistance - State-Administered Programs	93.566	350
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	9,992
Child Welfare Services - State Grants	93.645	1,039

**WADENA COUNTY
WADENA, MINNESOTA**

**Schedule 10
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services (Continued)		
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	\$ 127,653
Foster Care Title IV-E -- ARRA	93.658	6,092
Social Services Block Grant	93.667	122,368
Chafee Foster Care Independence Program	93.674	2,756
Medical Assistance Program	93.778	466,463
Block Grants for Community Mental Health Services	93.958	3,409
Block Grants for Prevention and Treatment of Substance Abuse	93.959	249,316
Passed Through Minnesota Department of Health and Morrison-Todd-Wadena Community Health Services Board		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	47,464
Drug-Free Communities Support Program Grants	93.276	105,520
Temporary Assistance for Needy Families	93.558	36,931
Maternal and Child Health Services Block Grant to the States	93.994	21,900
Total U.S. Department of Health and Human Services		\$ 1,823,930
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 38,294
Emergency Management Performance Grants	97.042	14,218
Homeland Security Grant Program	97.067	1,598
Passed Through Minnesota Department of Public Safety and West Central Minnesota EMS Corporation		
Homeland Security Grant Program	97.067	4,263
Total U.S. Department of Homeland Security		\$ 58,373
Total Federal Awards		\$ 3,266,345

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009. 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, changes in net assets, or cash flows 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.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	3,196,688
Grants received more than 60 days after year-end, deferred in 2009		
State Administrative Matching Grants for Supplemental Nutrition Assistance Program		22,982
Formula Grants for Other Than Urbanized Areas		47,336
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers		1,550
Immunization Grants		1,003
Foster Care Title IV-E		22,198
Child Support Enforcement		20,335
Medical Assistance Program		74,355
Emergency Management Performance Grants		14,218

**WADENA COUNTY
WADENA, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue (Continued)

Grants deferred in 2008, recognized as revenue in 2009	
Formula Grants for Other Than Urbanized Areas	(44,329)
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	(1,363)
Temporary Assistance for Needy Families	(9,338)
Block Grants for Prevention and Treatment of Substance Abuse	(35,305)
Child Support Enforcement	(7,920)
Medical Assistance Program	(36,065)
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	\$ 3,266,345
	<hr/>

5. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.