

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Wadena County
Wadena, Minnesota**

Year Ended December 31, 2019

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local 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, 2019



**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, MINNESOTA**

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**WADENA COUNTY
WADENA, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2019**

<u>Office</u>	<u>Name</u>	<u>District</u>	<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Sheldon Monson	District 1	January 2023
Board Member	James Hofer	District 2	January 2021
Chairperson	William Stearns	District 3	January 2023
Vice-Chairperson	Charles Horsager	District 4	January 2021
Board Member	Jon Kangas	District 5	January 2023
Attorney	Kyra Ladd		January 2023
Auditor/Treasurer	Heather Olson		January 2023
County Recorder	Soledad Henriksen		January 2023
Registrar of Titles	Soledad Henriksen		January 2023
County Sheriff	Michael D. Carr		January 2023
Appointed			
Assessor	Lee Brekke		December 2020
County Engineer/County Coordinator	Ryan Odden		April 2023
Community Corrections Officer	Kathryn Langer		Indefinite
Human Services Director	Vacant *		Indefinite
Veterans Services Officer	David Anderson		April 2022

* Position filled by Jennifer Westrum in April 2020.

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Subsequent Event

As discussed in Note 6. to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. A reduction of County State Aid from state-collected gasoline tax revenue in calendar year 2021 is expected to occur. In addition, it is expected the County will experience an increase of grant revenues as a result of this pandemic. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wadena County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wadena County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

December 7, 2020

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WADENA COUNTY
WADENA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(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, 2019. 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 and deferred outflows of resources of Wadena County exceeded its liabilities and deferred inflows of resources by \$69,278,334 at the close of 2019. Of this amount, \$4,204,257 (unrestricted net position) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- At the close of 2019, Wadena County's governmental funds reported combined ending fund balances of \$12,889,082, an increase of \$1,457,996 in comparison with the prior year. Of the total fund balance, \$10,297,932 is available for spending at the County's discretion and is noted as committed, assigned, and unassigned fund balance.
- At the close of 2019, the committed, assigned, and unassigned fund balance for the General Fund was \$3,813,774, or 48.6 percent, of total General Fund expenditures.

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

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

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

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

Fund Level Financial Statements

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

Governmental Funds

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

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

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

Fiduciary Funds

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

Note to the Financial Statements

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Wadena County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69,278,334 at the close of 2019. The largest portion of Wadena County's net position (89.3 percent) reflects its net investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

Governmental Net Position

	2019	2018
Current and other assets	\$ 19,830,941	\$ 19,779,635
Capital assets	63,040,784	59,831,762
Total Assets	\$ 82,871,725	\$ 79,611,397
Deferred Outflows of Resources		
Deferred pension outflows	\$ 1,523,183	\$ 2,604,880
Deferred other postemployment benefits outflows	16,708	48,474
	\$ 1,539,891	\$ 2,653,354
Long-term liabilities outstanding	\$ 8,540,944	\$ 9,039,497
Other liabilities	1,614,528	2,801,714
Total Liabilities	\$ 10,155,472	\$ 11,841,211
Deferred Inflows of Resources		
Deferred pension inflows	\$ 2,788,462	\$ 3,757,717
Deferred other postemployment benefits inflow	380,627	-
Advance From other Government	1,808,721	-
Total Deferred Inflows of Resources	\$ 4,977,810	\$ 3,757,717
Net Position		
Net investment in capital assets	\$ 61,877,227	\$ 58,519,788
Restricted	3,196,850	4,873,450
Unrestricted	4,204,257	3,272,585
Total Net Position	\$ 69,278,334	\$ 66,665,823

The unrestricted net position amount of \$4,204,257 as of December 31, 2019, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wadena County's activities increased net position by \$2,612,509, or 3.9 percent, over the 2018 net position. The elements of the increase in net position are detailed as follows.

Governmental Activities Changes in Net Position

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 4,018,820	\$ 3,590,795
Operating grants and contributions	7,499,259	9,343,093
Capital grants and contributions	2,482,743	615,689
General revenues		
Property taxes	8,797,299	8,591,671
Transportation sales and use tax	793,951	734,363
Other taxes	9,766	10,664
Grants and contributions not restricted to specific programs	2,052,935	2,065,764
Other	391,761	355,095
Total Revenues	<u>\$ 26,046,534</u>	<u>\$ 25,307,134</u>
Expenses		
General government	\$ 4,607,392	\$ 5,932,969
Public safety	2,861,643	2,524,440
Highways and streets	4,389,845	4,233,070
Sanitation	1,541,132	1,476,596
Human services	8,239,040	7,249,022
Health	1,144,171	1,221,731
Culture and recreation	263,099	319,269
Conservation of natural resources	320,193	325,616
Economic development	30,000	30,000
Interest	37,508	41,928
Total Expenses	<u>\$ 23,434,023</u>	<u>\$ 23,354,641</u>
Change in Net Position	\$ 2,612,511	\$ 1,952,493
Net Position, January 1	<u>66,665,823</u>	<u>64,713,330</u>
Net Position, December 31	<u>\$ 69,278,334</u>	<u>\$ 66,665,823</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, committed, assigned, and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12,889,082, an increase of \$1,457,996 in comparison with the prior year. The committed, assigned, and unassigned fund balance in the amount of \$10,297,932 is available for spending at the County's discretion. The remainder of fund balance is non-spendable or restricted to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Wadena County. At the end of the current fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$3,813,774, while total fund balance was \$5,177,968. As a measure of the General Fund's liquidity, it may be useful to compare committed, assigned, and unassigned fund balance to total fund expenditures. Committed, assigned, and unassigned fund balance represents 48.6 percent of total General Fund expenditures. In 2019, fund balance in the General Fund increased by \$939,313. In 2018, the General Fund decreased by \$101,317 due to excess expenditures over revenues of \$657,497 and a transfer in of funds from Human Services of \$556,180. Fund balance in the Road and Bridge Special Revenue Fund increased \$792,038, which includes an increase to inventories of \$85,889. Fund balance in the Social Services Special Revenue Fund decreased \$429,554.

General Fund Budgetary Highlights

The difference between the General Fund original budget and the final amended budget was a net change of (\$39,191). The difference between the final amended budget and the actual net change in fund balance was \$978,504. The main budget to actual revenue variance was due to a decrease in property taxes, an increase in intergovernmental revenues, a decrease in charges for services, an increase in fines and forfeits, an increase in investment earnings, and an increase in miscellaneous revenues. The main budget to actual expenditure variance was the substantial increase in building and plant (due to capital projects) in the amount of \$123,487, as the final budget amount was \$634,816 but the actual expenditures were \$758,303.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2019, was \$63,040,784 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets for the current fiscal year increased 5.36 percent. The net increase was attributed to the County's investment in its infrastructure.

**Governmental Activities
Governmental Capital Assets**

	2019	2018
Land	\$ 984,943	\$ 809,383
Construction in progress	9,855,534	10,425,698
Infrastructure	44,446,976	40,330,588
Buildings and building improvements	5,769,920	5,981,049
Furniture, equipment, and machinery	1,983,411	2,285,044
Total	\$ 63,040,784	\$ 59,831,762

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, the County has total debt outstanding of \$1,163,557.

	2019	2018
General obligation bonds	\$ 883,538	\$ 924,069
Capital leases	280,019	387,905
Total	\$ 1,163,557	\$ 1,311,974

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

- Wadena County’s unemployment rate was 8.1 percent at the end of 2019, compared to the statewide rate of 3.5 percent for the same time period.
- Wadena County is not subject to levy limits for 2020.
- Wadena County’s property tax delinquency was 2.36 percent at the end of 2019, which is up from the previous year’s delinquent rate of 2.35 percent.
- The Wadena County Commissioners approved a Preliminary Payable 2020 Tax Levy of \$9,323,053 and a Final Payable 2020 Tax Levy of \$9,323,053, which represents a 2.8 percent increase over the Final Payable 2019 Tax Levy of \$9,068,518.

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 POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Assets

Cash and pooled investments	\$ 14,601,006
Taxes receivable – delinquent	333,439
Special assessments receivable – delinquent	36,456
Accounts receivable – net	2,205,899
Accrued interest receivable	30,111
Due from other governments	2,245,518
Advances receivable	51,250
Inventories	260,520
Prepaid items	66,742
Capital assets	
Non-depreciable	10,840,477
Depreciable – net of accumulated depreciation	52,200,307
Total Assets	\$ 82,871,725

Deferred Outflows of Resources

Deferred pension outflows	\$ 1,523,183
Deferred other postemployment benefits outflows	16,708
Total Deferred Outflows of Resources	\$ 1,539,891

Liabilities

Accounts payable	\$ 574,711
Salaries payable	290,106
Contracts payable	351,791
Due to other governments	382,912
Accrued interest payable	14,508
Customer deposits	500
Long-term liabilities	
Due within one year	628,992
Due in more than one year	1,204,536
Net pension liability	6,158,511
Other postemployment benefits liability	548,905
Total Liabilities	\$ 10,155,472

Deferred Inflows of Resources

Deferred pension inflows	\$ 2,788,462
Deferred other postemployment benefits inflows	380,627
Advance from other governments	1,808,721
Total Deferred Inflows of Resources	\$ 4,977,810

**WADENA COUNTY
WADENA, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Net Position

Net investment in capital assets	\$ 61,877,227
Restricted for	
General government	499,909
Public safety	137,884
Highways and streets	1,792,309
Human services	671,597
Health	4,280
Culture and recreation	2,500
Conservation of natural resources	74,458
Held in trust for other purposes	13,913
Unrestricted	<u>4,204,257</u>
Total Net Position	<u><u>\$ 69,278,334</u></u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 4,607,392	\$ 546,439	\$ 284,534	\$ -
Public safety	2,861,643	95,698	147,383	-
Highways and streets	4,389,845	443,415	1,788,055	2,482,743
Sanitation	1,541,132	1,531,836	68,710	-
Human services	8,239,040	1,128,516	4,448,133	-
Health	1,144,171	242,051	720,868	-
Culture and recreation	263,099	23,033	41,276	-
Conservation of natural resources	320,193	7,832	300	-
Economic development	30,000	-	-	-
Interest	37,508	-	-	-
Total Governmental Activities	\$ 23,434,023	\$ 4,018,820	\$ 7,499,259	\$ 2,482,743
 General Revenues				
Property taxes				\$ 8,797,299
Transportation sales and use tax				793,951
Other taxes				9,766
Payments in lieu of tax				106,393
Grants and contributions not restricted to specific programs				2,052,935
Unrestricted investment earnings				285,368
Total general revenues				\$ 12,045,712
Change in Net Position				\$ 2,612,511
Net Position – Beginning				66,665,823
Net Position – Ending				\$ 69,278,334

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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, 2019**

	<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	\$ 5,034,545	\$ 5,180,980	\$ 2,282,436	\$ 1,933,022	\$ 14,430,983
Petty cash and change funds	1,900	100	200	390	2,590
Undistributed cash in agency funds	105,052	17,651	29,064	15,666	167,433
Taxes receivable – delinquent	211,879	42,318	71,392	7,850	333,439
Special assessments receivable					
Delinquent	-	-	-	36,456	36,456
Accounts receivable – net	1,910,634	-	213,325	81,940	2,205,899
Accrued interest receivable	29,924	-	-	187	30,111
Due from other funds	2,838	666	295	8,316	12,115
Due from other governments	52,210	1,377,159	537,347	278,802	2,245,518
Inventories	-	260,520	-	-	260,520
Prepaid items	66,742	-	-	-	66,742
Advances to other funds	31,250	3,750	16,250	-	51,250
Total Assets	<u>\$ 7,446,974</u>	<u>\$ 6,883,144</u>	<u>\$ 3,150,309</u>	<u>\$ 2,362,629</u>	<u>\$ 19,843,056</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 95,951	\$ 169,356	\$ 259,950	\$ 49,454	\$ 574,711
Salaries payable	28,891	63,065	137,800	60,350	290,106
Compensated absences payable	-	-	10,038	-	10,038
Contracts payable	-	351,791	-	-	351,791
Due to other funds	1,084	-	2,876	-	3,960
Due to other governments	90,789	15,493	281,608	3,177	391,067
Customer deposits	-	500	-	-	500
Total Liabilities	<u>\$ 216,715</u>	<u>\$ 600,205</u>	<u>\$ 692,272</u>	<u>\$ 112,981</u>	<u>\$ 1,622,173</u>
Deferred Inflows of Resources					
Unavailable revenue	\$ 2,052,291	\$ 975,716	\$ 238,981	\$ 256,092	\$ 3,523,080
Advance from other governments	-	1,808,721	-	-	1,808,721
Total Deferred Inflows of Resources	<u>\$ 2,052,291</u>	<u>\$ 2,784,437</u>	<u>\$ 238,981</u>	<u>\$ 256,092</u>	<u>\$ 5,331,801</u>
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 260,520	\$ -	\$ -	\$ 260,520
Advances to other funds	31,250	3,750	16,250	1,250	52,500
Missing heirs	13,913	-	-	-	13,913

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Fund Balances (Continued)					
Restricted					
County building	203,736	-	-	-	203,736
State-aid highway projects	-	290,969	-	-	290,969
Wellness	4,280	-	-	-	4,280
Sheriff donations	24,387	-	-	-	24,387
Mental health initiative	-	-	71,597	-	71,597
Capital project plan	-	582,620	-	-	582,620
Low-income septic	10,072	-	-	-	10,072
Additional SS Program Aid	600,000	-	-	-	600,000
Shoreline grant	12,066	-	-	-	12,066
Compliance fund	200,826	-	-	-	200,826
Law enforcement	8,804	-	-	-	8,804
Prosecutorial purposes	6,858	-	-	-	6,858
ISTS	52,320	-	-	-	52,320
Emergency management	479	-	-	-	479
Administering the carrying of weapons	104,214	-	-	-	104,214
Parks survey	2,500	-	-	-	2,500
Recorder's equipment	88,489	-	-	-	88,489
Committed					
Parks	180,299	-	-	-	180,299
Timber development	127,514	-	-	-	127,514
AS400	35,912	-	-	-	35,912
Solid waste	-	-	-	200,000	200,000
Sheriff's contingency	8,771	-	-	-	8,771
Assigned					
Human services	-	-	2,131,209	-	2,131,209
Road and bridge	-	2,360,643	-	-	2,360,643
MCIT	192,348	-	-	-	192,348
Plat books	14,295	-	-	-	14,295
GIS	58,261	-	-	-	58,261
Solid waste	-	-	-	673,292	673,292
Transit	-	-	-	294,177	294,177
Public health	-	-	-	824,837	824,837
Canteen	31,545	-	-	-	31,545
County agent brochures	2,613	-	-	-	2,613
Private pesticide manual	360	-	-	-	360
County agent	13,232	-	-	-	13,232
Unassigned	3,148,624	-	-	-	3,148,624
Total Fund Balances	\$ 5,177,968	\$ 3,498,502	\$ 2,219,056	\$ 1,993,556	\$ 12,889,082
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,446,974	\$ 6,883,144	\$ 3,150,309	\$ 2,362,629	\$ 19,843,056

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balances – total governmental funds (Exhibit 3)		\$ 12,889,082
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		63,040,784
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,523,183
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,523,080
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (875,000)	
Capital leases payable	(280,019)	
Bond premium	(8,538)	
Accrued interest payable	(14,508)	
Compensated absences	(659,933)	
Other postemployment benefits liability	(548,905)	
Net pension liability	<u>(6,158,511)</u>	(8,545,414)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,788,462)
Deferred inflows resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		(380,627)
Deferred outflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		<u>16,708</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 69,278,334</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 5,718,698	\$ 1,865,182	\$ 1,860,190	\$ 200,291	\$ 9,644,361
Special assessments	-	-	-	536,852	536,852
Licenses and permits	66,724	-	-	30,714	97,438
Intergovernmental	2,074,567	6,403,176	4,303,834	1,692,298	14,473,875
Charges for services	247,136	-	357,488	1,255,471	1,860,095
Fines and forfeits	20,862	-	-	-	20,862
Gifts and contributions	500	-	-	5,020	5,520
Investment earnings	324,159	-	-	1,528	325,687
Miscellaneous	332,678	463,748	279,516	53,743	1,129,685
Total Revenues	\$ 8,785,324	\$ 8,732,106	\$ 6,801,028	\$ 3,775,917	\$ 28,094,375
Expenditures					
Current					
General government	\$ 4,435,827	\$ -	\$ -	\$ -	\$ 4,435,827
Public safety	2,770,982	-	-	-	2,770,982
Highways and streets	-	7,666,112	-	-	7,666,112
Sanitation	-	-	-	1,469,241	1,469,241
Human services	25,000	-	7,230,582	948,048	8,203,630
Health	-	-	-	1,135,991	1,135,991
Culture and recreation	263,281	-	-	-	263,281
Conservation of natural resources	320,921	-	-	-	320,921
Economic development	30,000	-	-	-	30,000
Intergovernmental					
Highways and streets	-	238,328	-	-	238,328
Debt service					
Principal	-	107,886	-	40,000	147,886
Interest	-	13,631	-	26,438	40,069
Total Expenditures	\$ 7,846,011	\$ 8,025,957	\$ 7,230,582	\$ 3,619,718	\$ 26,722,268
Net Change in Fund Balance	\$ 939,313	\$ 706,149	\$ (429,554)	\$ 156,199	\$ 1,372,107
Fund Balance – January 1	4,238,655	2,706,464	2,648,610	1,837,357	11,431,086
Increase (decrease) in inventories	-	85,889	-	-	85,889
Fund Balance – December 31	\$ 5,177,968	\$ 3,498,502	\$ 2,219,056	\$ 1,993,556	\$ 12,889,082

**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, 2019**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 1,372,107

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 unavailable revenue.

Unavailable revenue – December 31	\$ 3,523,080	
Unavailable revenue – January 1	<u>(3,664,248)</u>	(141,168)

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

Expenditures for general capital assets and infrastructure	\$ 5,449,441	
Current year depreciation	<u>(2,240,419)</u>	3,209,022

In the statement of net position, an asset is reported for the equity interest in joint ventures. The change in net position differs from the change in fund balance by the increases and decreases in the investment in joint venture. (1,899,125)

Principal repayments		
General obligation bonds	\$ 40,000	
Capital lease	107,886	
Amortization of premium on bonds	<u>531</u>	148,417

**WADENA COUNTY
WADENA, MINNESOTA**

***EXHIBIT 6
(Continued)***

**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, 2019**

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

Change in accrued interest payable	\$	2,030	
Change in compensated absences		6,695	
Change in inventories		85,889	
Change in other postemployment benefits liability		389,433	
Change in net pension liability		(35,954)	
Change in deferred pension outflows of resources		(1,081,697)	
Change in deferred pension inflows of resources		969,255	
Change in deferred other postemployment benefits outflows		(31,766)	
Change in deferred other postemployment benefits inflows		(380,627)	(76,742)
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 2,612,511</u></u>

FIDUCIARY FUNDS

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019**

	<u>Family Service Collaborative Investment Trust</u>	<u>Health Reimbursement Employee Benefit Trust</u>	<u>Agency Funds</u>
<u>Assets</u>			
Cash and pooled investments	\$ 312,612	\$ 228,115	\$ 178,274
Receivables			
Accounts	5,011	-	-
Interest	255	-	-
Due from other funds	365	-	17
Due from other governments	11,423	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 329,666	\$ 228,115	\$ 178,291
	<hr/>	<hr/>	<hr/>
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>			
Liabilities			
Accounts payable	\$ 12,915	\$ -	\$ -
Due to governmental funds	8,537	-	-
Due to other governments	-	-	178,291
Advances from governmental funds	-	51,250	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 21,452	\$ 51,250	\$ 178,291
	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources			
Unavailable revenue	\$ 5,011	\$ -	
	<hr/>	<hr/>	
Net Position			
Net position, held in trust for pool participants	\$ 303,203	\$ -	
Net position, held in trust for employees	-	176,865	
	<hr/>	<hr/>	
Total Net Position	\$ 303,203	\$ 176,865	
	<hr/>	<hr/>	

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust
<u>Additions</u>		
Contributions from employers	\$ -	\$ 49,321
Contributions from participants	7,292	-
Investment earnings	-	-
Interest	4,400	-
Total Additions	\$ 11,692	\$ 49,321
<u>Deductions</u>		
Benefit payments	\$ -	\$ 57,577
Pool participant withdrawals	8,763	-
Total Deductions	\$ 8,763	\$ 57,577
Change in Net Position	\$ 2,929	\$ (8,256)
Net Position – Beginning of the Year	300,274	185,121
Net Position – End of the Year	\$ 303,203	\$ 176,865

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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. The County Coordinator/Engineer serves as clerk of the Board of Commissioners, but has no vote.

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**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 accounts for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

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

Additionally, the County reports the following fiduciary fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

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

**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 taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive interest earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were \$289,768.

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

Included in total cash are the assets held for the Wadena County Family Service Collaborative. For the purposes of financial reporting, the Family Service Collaborative's portion of the County's pool of cash is reported as an investment trust fund.

2. Receivables and Payables

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

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

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 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2014 through 2019. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

Accounts receivable is shown net of an allowance for uncollectible balances.

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. 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 reported as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as 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 acquisition value (entry price) on the date of donation. The County's capitalization thresholds for capital assets are as follows:

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. 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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. 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. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both the current and noncurrent portions of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave. Compensated absences are liquidated by the General Fund and other governmental funds that have personal services expenditures.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations (Continued)

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

7. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated by the General Fund and other governmental funds that have personal services expenditures.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until that time. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has four types of deferred inflows, unavailable revenue, deferred pension inflows, deferred other postemployment benefits inflows and advance from other governments that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent special assessments receivable, grant monies, charges for services, and miscellaneous revenue, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position. The County also reports deferred inflows of resources associated with other postemployment benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position. The last item, advance from other governments, arise under both the modified accrual and the full accrual basis of accounting and is reported in both the governmental funds balance sheet and the statement of net position.

9. Classification of Net Position

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position (Continued)

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

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

10. Classification of Fund Balances

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

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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

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

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

11. Minimum Fund Balance

Wadena County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than three months of operating expenditures. At December 31, 2019, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

**WADENA COUNTY
WADENA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following individual nonmajor fund had expenditures in excess of budget for the year ended December 31, 2019.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Solid Waste Special Revenue Fund	\$ 1,535,679	\$ 1,454,952	\$ 80,727

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 14,601,006
Statement of fiduciary net position	
Cash and pooled investments	
Family Service Collaborative Investment Trust Fund	312,612
Health Reimbursement Employee Benefit Trust Fund	228,115
Agency funds	<u>178,274</u>
 Total Cash and Cash Equivalents	 \$ <u>15,320,007</u>

Deposits	
Checking	\$ 533,511
Savings	3,145,356
Non-negotiable certificates of deposit	2,325,000
Invested in MAGIC Fund	9,313,550
Petty cash and change funds	<u>2,590</u>
 Total Deposits and Cash on Hand	 \$ <u>15,320,007</u>

a. Deposits

Wadena County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit.

The County is required by Minn. Stat. § 118A.03 to protect County deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

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’s policy is to minimize its exposure to custodial credit risk by requiring all deposits to be insured or collateralized in accordance to Minn. Stat. § 118A.03. As of December 31, 2019, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

- (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 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.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal policy to mitigate interest rate risk. As of December 31, 2019, all of the County's investments were in the MAGIC Fund.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County does not have a policy to mitigate credit risk. At December 31, 2019, the County's investments were in an external investment pool and, therefore, not subject to credit risk disclosure.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities in the possession of an outside party. The County does not have a policy to mitigate custodial credit risk. At December 31, 2019, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to make investments which shall suggest diversification to avoid risks. At December 31, 2019, the County's investments were in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

Fair Value of Investments

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. At December 31, 2019, the County had recurring fair value measurements, as discussed as follows.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments

Fair Value of Investments (Continued)

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical. At December 31, 2019, the County had \$8,913,550 invested in the MAGIC Portfolio.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any. At December 31, 2019, the County had \$400,000 invested in MAGIC Term.

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities, including the applicable allowances for uncollectibles (Social Services Special Revenue Fund) accounts, are as follows:

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables (Continued)

	Receivable (Gross)	Less: Allowance for Uncollectible Amounts	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	\$ 333,439	\$ -	\$ 333,439	\$ -
Special assessments	36,456	-	36,456	-
Accounts	2,375,970	170,071	2,205,899	1,525,338
Accrued interest	30,111	-	30,111	-
Due from other governments	2,294,489	-	2,294,489	-
Total Governmental Activities	<u>\$ 5,070,465</u>	<u>\$ 170,071</u>	<u>\$ 4,900,394</u>	<u>\$ 1,525,338</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 809,383	\$ 175,560	\$ -	\$ 984,943
Construction in progress	10,425,698	4,142,740	4,712,904	9,855,534
Total capital assets not depreciated	<u>\$ 11,235,081</u>	<u>\$ 4,318,300</u>	<u>\$ 4,712,904</u>	<u>\$ 10,840,477</u>
Capital assets depreciated				
Buildings	\$ 8,562,530	\$ -	\$ -	\$ 8,562,530
Building improvements	1,756,855	-	-	1,756,855
Machinery, furniture, and equipment	6,912,930	165,676	74,725	7,003,881
Infrastructure	65,138,371	5,678,369	-	70,816,740
Total capital assets depreciated	<u>\$ 82,370,686</u>	<u>\$ 5,844,045</u>	<u>\$ 74,725</u>	<u>\$ 88,140,006</u>
Less: accumulated depreciation for				
Buildings	\$ 4,071,085	\$ 152,347	\$ -	\$ 4,223,432
Building improvements	267,251	58,782	-	326,033
Machinery, furniture, and equipment	4,627,886	467,309	74,725	5,020,470
Infrastructure	24,807,783	1,561,981	-	26,369,764
Total accumulated depreciation	<u>\$ 33,774,005</u>	<u>\$ 2,240,419</u>	<u>\$ 74,725</u>	<u>\$ 35,939,699</u>
Total capital assets depreciated, net	<u>\$ 48,596,681</u>	<u>\$ 3,603,626</u>	<u>\$ -</u>	<u>\$ 52,200,307</u>
Governmental Activities Capital Assets, Net	<u>\$ 59,831,762</u>	<u>\$ 7,921,926</u>	<u>\$ 4,712,904</u>	<u>\$ 63,040,784</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	166,052
Public safety		79,231
Highways and streets, including depreciation of infrastructure assets		1,810,999
Sanitation		89,311
Human services		91,075
Health		3,751
Total Depreciation Expense – Governmental Activities	\$	2,240,419

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	\$ 2,838
Road and Bridge Special Revenue Fund	General Fund	\$ 666
Social Services Special Revenue Fund	Family Services Collaborative Investment Trust Fund	\$ 295
Other governmental funds	General Fund	\$ 418
	Social Services Special Revenue Fund	38
	Family Service Collaborative Investment Trust Fund	8,242
Total due to other governmental funds		\$ 8,698
Total Due To/From Other Funds		\$ 12,497

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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.

2. Advances To/From Other Funds

The composition of interfund balances as of December 31, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Health Reimbursement Employee Benefit Trust Fund	\$ 31,250
Road and Bridge Special Revenue Fund	Health Reimbursement Employee Benefit Trust Fund	3,750
Social Services Special Revenue Fund	Health Reimbursement Employee Benefit Trust Fund	<u>16,250</u>
Total Advances To/From Other Funds		<u>\$ 51,250</u>

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

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2019, were as follows:

	<u>Governmental Activities</u>
Accounts payable	\$ 574,711
Salaries payable	290,106
Contracts payable	351,791
Due to other governments	382,912
Interest payable	14,508
Customer deposits	<u>500</u>
Total Payables	<u>\$ 1,614,528</u>

2. Health Reimbursement Account

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

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, 2019, 25 employees had health reimbursement accounts. The County advanced \$51,250 to the Health Reimbursement Employee Benefit Trust Fund as of December 31, 2019.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition for highway equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Payments on these lease agreements are made from the Road and Bridge Special Revenue Fund. These capital leases consist of the following at December 31, 2019:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
2016 CAT 316 EL Excavator	2021	Annual	\$ 36,108	\$ 203,640	\$ 69,308
2016 CAT 938M Wheel Loader	2021	Annual	30,069	169,580	57,717
2017 CAT 140M3 Grader	2022	Annual	55,341	300,830	152,994
Total Capital Leases					<u>\$ 280,019</u>

The future minimum lease obligations and the net present value of these minimum lease obligations as of December 31, 2019, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2020	\$ 121,518
2021	121,519
2022	<u>55,342</u>
Total minimum lease payments	\$ 298,379
Less: amount representing interest	<u>(18,360)</u>
Present Value of Minimum Lease Payments	<u>\$ 280,019</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2019</u>
General obligation bonds					
2015 G.O. Solid Waste Bonds	2036	\$40,000 - \$65,000	1.50 - 3.75	<u>\$ 995,000</u>	\$ 875,000
Add: unamortized premium					<u>8,538</u>
Total General Obligation Bonds, Net					<u>\$ 883,538</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 40,000	\$ 25,388
2021	45,000	24,638
2022	45,000	23,737
2023	45,000	22,837
2024	45,000	21,937
2025 - 2029	245,000	89,363
2030 - 2034	285,000	48,863
2035 - 2036	<u>125,000</u>	<u>4,781</u>
Total	<u>\$ 875,000</u>	<u>\$ 261,544</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 915,000	\$ -	\$ 40,000	\$ 875,000	\$ 40,000
Add: unamortized premium	9,069	-	531	8,538	-
Total bonds payable	\$ 924,069	\$ -	\$ 40,531	\$ 883,538	\$ 40,000
Capital leases	387,905	-	107,886	280,019	111,554
Compensated absences	666,628	284,329	280,986	669,971	477,438
Total Long-Term Liabilities	<u>\$ 1,978,602</u>	<u>\$ 284,329</u>	<u>\$ 429,403</u>	<u>\$ 1,833,528</u>	<u>\$ 628,992</u>

7. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2019, are summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
Major governmental funds						
General	\$ 145,365	\$ -	\$ -	\$ 253	\$ 1,906,673	\$ 2,052,291
Road and Bridge	29,454	-	926,964	-	19,298	975,716
Social Services	49,274	-	81,485	-	108,222	238,981
Nonmajor governmental funds						
Public Health Nurse	5,447	-	130,632	-	22,488	158,567
Transit	-	-	67,210	-	-	67,210
Solid Waste	-	29,524	-	-	791	30,315
Total Unavailable Revenue	<u>\$ 229,540</u>	<u>\$ 29,524</u>	<u>\$ 1,206,291</u>	<u>\$ 253</u>	<u>\$ 2,057,472</u>	<u>\$ 3,523,080</u>

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. 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.

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

As of the January 1, 2019, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active plan participants	163
Total	164

Total OPEB Liability

The County's total OPEB liability of \$548,905 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated by the General Fund and other governmental funds that have personal services expenditures.

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the current valuation, the discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Mortality rates are based on RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2019	\$ 938,338
Changes for the year	
Service cost	\$ 70,605
Interest	32,502
Assumption changes	(23,189)
Differences between expected and actual experience	(420,877)
Benefit payments	(48,474)
Net change	\$ (389,433)
Balance at December 31, 2019	\$ 548,905

OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	\$ 597,656
Current	3.80	548,905
1% Increase	4.80	503,917

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 482,526
Current	6.50% Decreasing to 5.00%	548,905
1% Increase	7.50% Decreasing to 6.00%	627,723

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2019, the County recognized OPEB expense of \$22,960. The County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	\$ -	\$ 19,876
Differences between Expected and Actual Experience	-	360,751
Contributions made subsequent to the Measurement Date.	16,708	-
Total	\$ 16,708	\$ 380,627

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	<u>OPEB Expense Amount</u>
2020	(63,439)
2021	(63,439)
2022	(63,439)
2023	(63,439)
2024	(63,439)
Thereafter	(63,432)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred since the prior measurement date:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The discount rate was changed from 3.30 percent to 3.80 percent.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Defined Benefit Pension Plans

1. Plan Description

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

1. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

2. Benefits Provided

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

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Beginning January 1, 2019, Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$	521,393
Police and Fire Plan		136,271
Correctional Plan		41,472

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

4. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$5,324,211 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0963 percent. It was 0.0962 percent measured as of June 30, 2018. The County recognized pension expense of \$662,470 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$12,407 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The County's proportionate share of the net pension liability	\$	5,324,211
State of Minnesota's proportionate share of the net pension liability associated with the County		165,660
Total	\$	5,489,871

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 150,774	\$ -
Changes in actuarial assumptions	-	428,164
Difference between projected and actual investment earnings	-	567,186
Changes in proportion	252,690	284,882
Contributions paid to PERA subsequent to the measurement date	262,063	-
Total	\$ 665,527	\$ 1,280,232

The \$262,063 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (265,785)
2021	(514,479)
2022	(105,084)
2023	8,580

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$804,838 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.076 percent. It was 0.070 percent measured as of June 30, 2018. The County recognized pension expense of \$128,377 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$10,206 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 32,533	\$ 116,080
Changes in actuarial assumptions	644,919	849,139
Difference between projected and actual investment earnings	-	-
Changes in proportion	77,892	153,362
Contributions paid to PERA subsequent to the measurement date	68,070	47,333
Total	\$ 823,414	\$ 1,165,914

The \$68,070 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (26,780)
2021	(93,961)
2022	(306,044)
2023	7,304
2024	8,911

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Correctional Plan

At December 31, 2019, the County reported a liability of \$29,462 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.21 percent. It was 0.23 percent measured as of June 30, 2018. The County recognized pension expense of \$56,684 for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,157	\$ 4,878
Changes in actuarial assumptions	-	278,786
Difference between projected and actual investment earnings	-	38,500
Changes in proportion	11,543	20,152
Contributions paid to PERA subsequent to the measurement date	21,542	-
Total	\$ 34,242	\$ 342,316

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Correctional Plan (Continued)

The \$21,542 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (178,650)
2021	(140,899)
2022	(10,352)
2023	285

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$847,531.

5. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

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

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

Police and Fire Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

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

Correctional Plan

- The mortality projection scale was changed from MP-2017 to MP-2018.

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 8,752,716	6.50%	\$ 1,759,227	6.50%	\$ 314,006
Current	7.50	5,324,211	7.50	804,838	7.50	29,462
1% Increase	8.50	2,493,298	8.50	15,574	8.50	(198,219)

9. Pension Plan Fiduciary Net Position

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

**WADENA COUNTY
WADENA, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

F. Defined Contribution Plan

Five council members 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 five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two 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 Wadena County during the year ended December 31, 2019, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,873	\$ 6,873
Percentage of covered payroll	5.00%	5.00%

4. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risks, 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.

**WADENA COUNTY
WADENA, MINNESOTA**

4. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019 and in 2020. 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.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various judgements, claims, and litigation. The County Attorney and other attorneys used by the County identified no potential claims against the County that would materially affect the financial statements.

B. Joint Ventures

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59 for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and

**WADENA COUNTY
WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Counties Providing Technology (Continued)

systems. Wadena County and 22 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of \$3,600,000.

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

Financing is primarily from county member contributions. During 2019, Wadena County contributed \$62,306 to CPT.

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

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's contribution for 2019 was \$5,000.

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5. 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, 221 First Avenue South, 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. Mahnomon County withdrew from the NCDPSA in 2017. 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 appointed by each member County Board. In the event of dissolution, the net position of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties. Wadena County did not contribute to the NCDPSA in 2019. Clearwater County, in an agent capacity, reports the cash transactions of the NCDPSA as an agency fund on its financial statements.

Complete financial information can be obtained from: Clearwater County, Auditor/Treasurer's Office, 213 North Main Avenue, Bagley, Minnesota 56621

**WADENA COUNTY
WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Douglas, Grant, Otter Tail, Pope, and Wadena Counties, and the Cities of Alexandria, Fergus Falls, Glenwood, Pelican Rapids, Starbuck, and Wadena. The Task Force's objectives are to coordinate and strengthen efforts to identify, apprehend, and prosecute drug-related offenders.

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Wadena County contributed \$1,000 to the Task Force in 2019.

Separate financial information can be obtained from: Douglas County Courthouse, 305 – 8th Avenue West, Alexandria, Minnesota 56308

Wadena County Family Service Collaborative

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

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

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WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Wadena County Family Service Collaborative (Continued)

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

Financing is provided by state grants and appropriations from its members. Wadena County, in an agent capacity, reports the cash transactions of the Wadena County Family Service Collaborative as an investment trust fund on the County's financial statements. During 2019, Wadena County contributed \$200 to the Collaborative.

Morrison-Todd-Wadena Community Health Board

The County Boards of Morrison, Todd, and Wadena Counties formed a Community Health Board effective July 1, 2015, via a joint powers agreement, for purposes of engaging in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and be extending health services into the community under Minn. Stat. ch. 145. The Community Health Board is governed by a six-member Board, with two County Commissioners appointed from each of the three represented counties.

During 2019, Wadena County contributed \$9,702 Community Health Board. Separate financial information is not available.

**WADENA COUNTY
WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

South Country Health Alliance

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

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals.

The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the aforementioned member counties.

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues.

In 2019, the Wadena County Board passed a resolution to withdraw its participation from the SCHA as of December 31, 2019. Accounts receivable totaling \$1,906,673 was recorded in the General Fund for the capital surplus payout due from the SCHA over the next five years.

Complete financial statements for the SCHA can be obtained from: Mr. Brian V. Hicks, Chief Fiscal Officer, South Country Health Alliance, 2300 Park Drive, Suite 100, Owatonna, Minnesota 55060

**WADENA COUNTY
WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Emergency Medical Services Region

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

Complete financial information can be obtained from: Regional EMS Coordinator, Stearns County Administration Center, PO Box 1107, St. Cloud, Minnesota 56302

Central Minnesota Emergency Services Board

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

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants.

During the year, Wadena County made no payments to the joint powers.

Complete financial information can be obtained from: Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street North, St. Cloud, Minnesota 56303

Prairie Lakes Municipal Solid Waste Authority

The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board was established in 2010, under the authority conferred upon the member parties by Minn. Stat. § 471.59 and chs. 115A and 400, and includes the Counties of Becker, Otter Tail, Todd, and Wadena. The original Joint Powers Agreement was amended in 2014 to include Clay County.

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

**WADENA COUNTY
WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority (Continued)

Each party may appoint alternate Board members and shall represent one vote on the Board.

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

During 2019, Wadena County contributed \$674,328 to the Solid Waste Authority.

Financial information can be obtained from: Otter Tail County Solid Waste, 1115 Tower Road North, Fergus Falls, Minnesota 56537

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed on January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board consisting of one County Commissioner and one lay person. Wadena County appropriated \$97,737 to the Library for the year ended December 31, 2019.

Separate financial information can be obtained from: Kitchigami Regional Library, PO Box 84, Pine River, Minnesota 56474, www.krls.org

**WADENA COUNTY
WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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

The Rural Minnesota Concentrated Employment Program, Inc. (RMCEP), is a private non-profit corporation that provides workforce development services in a 19-county area in North Central and West Central Minnesota. The agency was incorporated in 1968 to operate employment and training programs which include Workforce Innovation Act services. The RMCEP was established to create job training and employment opportunities for economically disadvantaged, underemployed and unemployed persons, and youthful persons in both the private and the public sector.

The RMCEP is governed by a Board of Directors, which are comprised of representatives from a wide variety of industry sectors, education, and human services. During 2019, Wadena County contributed \$192,848 to the RMCEP. Current financial statements are not available.

C. Jointly-Governed Organizations

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During 2019, Wadena County contributed \$20,485 to the MCCC.

Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Wadena County did not contribute to the CHIC during 2019.

**WADENA COUNTY
WADENA, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Region Four – West Central Minnesota Homeland Security Emergency Management Organization

The Region Four – West Central Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Wadena County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

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

Minnesota Rural Counties

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Becker, Beltrami, Big Stone, Clay, Clearwater, Cottonwood, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Morrison, Norman, Pennington, Polk, Pope, Red Lake, Renville, Roseau, Stevens, Todd, Traverse, Wadena, Watonwan, and Wilkin Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of 12 appointees, each with an alternate, who are appointed annually by each respective County Board they represent. Each county also appoints a delegate and alternate to the Board of Directors. Wadena County's responsibility does not extend beyond making these appointments.

**WADENA COUNTY
WADENA, MINNESOTA**

6. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortage of personnel. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021. In addition, it is expected the County will experience an increase of grant revenues as a result of this pandemic. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,005,121	\$ 6,005,121	\$ 5,718,698	\$ (286,423)
Licenses and permits	56,350	56,350	66,724	10,374
Intergovernmental	1,279,372	1,279,372	2,074,567	795,195
Charges for services	262,221	262,221	247,136	(15,085)
Fines and forfeits	16,000	16,000	20,862	4,862
Gifts and contributions	-	-	500	500
Investment earnings	100,000	100,000	324,159	224,159
Miscellaneous	136,933	136,933	332,678	195,745
Total Revenues	<u>\$ 7,855,997</u>	<u>\$ 7,855,997</u>	<u>\$ 8,785,324</u>	<u>\$ 929,327</u>
Expenditures				
Current				
General government				
Commissioners	\$ 198,244	\$ 198,244	\$ 220,741	\$ (22,497)
MCIT dividends	-	-	67,130	(67,130)
Law library	28,600	28,600	28,218	382
County coordinator	407,040	442,040	314,606	127,434
County auditor/treasurer	558,638	558,638	560,498	(1,860)
Data processing	505,088	505,088	469,129	35,959
Central services	53,500	53,500	44,446	9,054
Elections	31,000	31,000	19,907	11,093
Voter registration	500	500	261	239
County attorney	632,028	632,028	483,824	148,204
Court-appointed attorney	94,500	94,500	119,307	(24,807)
County recorder	277,383	277,383	278,046	(663)
County assessor	489,737	489,737	467,648	22,089
Planning and zoning	189,998	190,601	200,553	(9,952)
GIS and GPS	93,476	93,476	92,239	1,237
Building and plant	634,816	634,816	758,303	(123,487)
Veteran services	91,120	91,120	88,483	2,637
Other general government	225,021	225,021	222,488	2,533
Total general government	<u>\$ 4,510,689</u>	<u>\$ 4,546,292</u>	<u>\$ 4,435,827</u>	<u>\$ 110,465</u>

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
911 enhancement	\$ 37,978	\$ 37,978	\$ 115,491	\$ (77,513)
County sheriff	1,973,081	1,976,669	1,967,138	9,531
Boat and water safety enforcement	3,962	3,962	4,538	(576)
Coroner	35,000	35,000	25,496	9,504
Snowmobile safety/safety officer	5,209	5,209	5,184	25
Forfeiture funds – sheriff	-	-	4,160	(4,160)
ATV grant	5,801	5,801	5,635	166
Safe and sober	-	-	24,368	(24,368)
Jail/800 MHz radio	290,123	290,123	249,293	40,830
Corrections	257,736	257,736	276,735	(18,999)
Civil defense/emergency services	107,523	107,523	92,944	14,579
Total public safety	\$ 2,716,413	\$ 2,720,001	\$ 2,770,982	\$ (50,981)
Human services				
Food bank	\$ -	\$ -	\$ 25,000	\$ (25,000)
Culture and recreation				
County parks	\$ 50,141	\$ 50,141	\$ 67,990	\$ (17,849)
Ag society	28,000	28,000	26,478	1,522
Snowmobile grants	65,000	65,000	41,276	23,724
Humane society	5,800	5,800	5,800	-
Kitchigami library	97,737	97,737	97,737	-
Historical society	24,000	24,000	24,000	-
Total culture and recreation	\$ 270,678	\$ 270,678	\$ 263,281	\$ 7,397
Conservation of natural resources				
Soil and water conservation	\$ 152,087	\$ 152,087	\$ 149,935	\$ 2,152
County extension	173,030	173,030	170,986	2,044
Tree planting	3,100	3,100	-	3,100
Total conservation of natural resources	\$ 328,217	\$ 328,217	\$ 320,921	\$ 7,296
Economic development				
West Central EDA	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Total Expenditures	\$ 7,855,997	\$ 7,895,188	\$ 7,846,011	\$ 49,177

**WADENA COUNTY
WADENA, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Net Change in Fund Balance	\$ -	\$ (39,191)	\$ 939,313	\$ 978,504
Fund Balance – January 1	<u>4,238,655</u>	<u>4,238,655</u>	<u>4,238,655</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 4,238,655</u>	<u>\$ 4,199,464</u>	<u>\$ 5,177,968</u>	<u>\$ 978,504</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,912,191	\$ 1,912,191	\$ 1,865,182	\$ (47,009)
Intergovernmental	4,298,342	4,298,342	6,403,176	2,104,834
Miscellaneous	41,000	41,000	463,748	422,748
Total Revenues	\$ 6,251,533	\$ 6,251,533	\$ 8,732,106	\$ 2,480,573
Expenditures				
Current				
Highways and streets				
Administration	\$ 365,394	\$ 365,394	\$ 334,124	\$ 31,270
Maintenance	1,451,148	1,451,148	1,389,023	62,125
Construction	3,863,798	3,863,798	5,584,801	(1,721,003)
Equipment maintenance and shop	330,193	330,193	358,164	(27,971)
Total highways and streets	\$ 6,010,533	\$ 6,010,533	\$ 7,666,112	\$ (1,655,579)
Intergovernmental	\$ 241,000	\$ 241,000	\$ 238,328	\$ 2,672
Debt service				
Principal	\$ -	\$ -	\$ 107,886	\$ (107,886)
Interest	-	-	13,631	(13,631)
Total debt service	\$ -	\$ -	\$ 121,517	\$ (121,517)
Total Expenditures	\$ 6,251,533	\$ 6,251,533	\$ 8,025,957	\$ (1,774,424)
Net Change in Fund Balance	\$ -	\$ -	\$ 706,149	\$ 706,149
Fund Balance – January 1	2,706,464	2,706,464	2,706,464	-
Increase (decrease) in inventories	-	-	85,889	85,889
Fund Balance – December 31	\$ 2,706,464	\$ 2,706,464	\$ 3,498,502	\$ 792,038

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,980,296	\$ 1,980,296	\$ 1,860,190	\$ (120,106)
Intergovernmental	3,897,531	3,906,131	4,303,834	397,703
Charges for services	471,393	471,393	357,488	(113,905)
Miscellaneous	322,200	377,620	279,516	(98,104)
Total Revenues	<u>\$ 6,671,420</u>	<u>\$ 6,735,440</u>	<u>\$ 6,801,028</u>	<u>\$ 65,588</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,822,153	\$ 1,822,153	\$ 1,833,791	\$ (11,638)
Social services	4,849,267	5,085,765	5,396,791	(311,026)
Total Expenditures	<u>\$ 6,671,420</u>	<u>\$ 6,907,918</u>	<u>\$ 7,230,582</u>	<u>\$ (322,664)</u>
Net Change in Fund Balance	\$ -	\$ (172,478)	\$ (429,554)	\$ (257,076)
Fund Balance – January 1	<u>2,648,610</u>	<u>2,648,610</u>	<u>2,648,610</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 2,648,610</u></u>	<u><u>\$ 2,476,132</u></u>	<u><u>\$ 2,219,056</u></u>	<u><u>\$ (257,076)</u></u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019**

	2019	2018
Total OPEB Liability		
Service cost	\$ 70,605	\$ 98,352
Interest	32,502	31,432
Differences between expected and actual experience	(420,877)	-
Changes of assumption or other inputs	(23,189)	-
Benefit payments	(48,474)	(90,434)
Net change in total OPEB liability	\$ (389,433)	\$ 39,350
Total OPEB Liability – Beginning	938,338	898,988
Total OPEB Liability – Ending	\$ 548,905	\$ 938,338
Covered-employee payroll	\$ 8,706,829	\$ 7,650,496
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.30%	12.27%

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Wadena County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0963 %	\$ 5,324,211	\$ 165,660	\$ 5,489,871	\$ 6,821,311	78.05 %	80.23 %
2018	0.0962	5,336,781	175,134	5,511,915	6,640,600	80.37	79.53
2017	0.1009	6,441,389	80,960	6,522,349	5,919,200	108.82	75.90
2016	0.0953	7,737,887	101,013	7,838,900	4,069,740	190.13	68.91
2015	0.0957	4,959,671	N/A	4,959,671	5,092,537	97.39	78.19

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

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 521,393	\$ 521,393	\$ -	\$ 6,951,902	7.50 %
2018	497,907	497,907	-	6,638,760	7.50
2017	475,330	475,330	-	6,337,736	7.50
2016	460,017	460,017	-	6,133,569	7.50
2015	446,587	446,587	-	5,954,493	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.076 %	\$ 804,838	\$ 797,211	100.96 %	89.26 %
2018	0.070	748,260	747,704	100.07	88.84
2017	0.071	958,584	726,148	132.01	85.43
2016	0.073	2,929,617	706,982	414.38	63.88
2015	0.067	761,277	610,802	124.64	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 136,271	\$ 136,271	\$ -	\$ 803,956	16.95 %
2018	125,679	125,679	-	775,798	16.20
2017	116,394	116,394	-	718,478	16.20
2016	110,937	110,937	-	684,797	16.20
2015	114,619	114,619	-	707,525	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.21 %	\$ 29,462	\$ 453,844	6.49 %	98.17 %
2018	0.23	37,516	473,694	7.92	97.64
2017	0.22	627,002	448,432	139.82	67.89
2016	0.24	876,754	447,194	196.06	58.16
2015	0.27	41,742	481,006	8.68	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 41,472	\$ 41,472	\$ -	\$ 473,965	8.75 %
2018	39,658	39,658	-	453,235	8.75
2017	38,550	38,550	-	440,577	8.75
2016	40,132	40,132	-	458,656	8.75
2015	40,072	40,072	-	457,966	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Budgetary Information

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

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

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

2. Budget Amendments

Revenue budget was amended for the following fund:

	Original Budget	Increase (Decrease)	Final Budget
Social Services Special Revenue Fund	\$ 6,671,420	\$ 124,020	\$ 6,795,440

Expenditure budget was amended for the following fund:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 7,855,997	\$ 39,191	\$ 7,895,188
Social Services Special Revenue Fund	6,671,420	236,498	6,907,918

**WADENA COUNTY
WADENA, MINNESOTA**

3. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2019.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 8,025,957	\$ 6,251,533	\$ 1,774,424
Social Services Special Revenue Fund	7,230,582	6,907,918	322,664

4. Other Postemployment Benefits Funded Status

See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

5. Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial assumptions occurred in 2019:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The discount rate was changed from 3.30 percent to 3.80 percent.

**WADENA COUNTY
WADENA, MINNESOTA**

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

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

General Employee Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

**WADENA COUNTY
WADENA, MINNESOTA**

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

General Employee Retirement Plan

2018 (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019, and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

**WADENA COUNTY
WADENA, MINNESOTA**

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

General Employee Retirement Plan

2016 (Continued)

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

Public Employees Police and Fire Plan

2019

- The mortality projection scale was changed from MP-2016 to MP-2017.

2018

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

**WADENA COUNTY
WADENA, MINNESOTA**

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

Public Employees Police and Fire Plan

2018 (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

**WADENA COUNTY
WADENA, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.

**WADENA COUNTY
WADENA, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

**WADENA COUNTY
WADENA, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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**WADENA COUNTY
WADENA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2019**

	<u>Public Health Nurse</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>				
Cash and pooled investments	\$ 784,868	\$ 317,688	\$ 830,466	\$ 1,933,022
Petty cash and change funds	40	100	250	390
Undistributed cash in agency funds	2,889	-	12,777	15,666
Taxes receivable – delinquent	7,850	-	-	7,850
Special assessments receivable – delinquent	-	-	36,456	36,456
Accounts receivable	14,632	7,087	60,221	81,940
Accrued interest receivable	-	187	-	187
Due from other funds	8,242	21	53	8,316
Due from other governments	207,025	71,624	153	278,802
Total Assets	\$ 1,025,546	\$ 396,707	\$ 940,376	\$ 2,362,629
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 5,399	\$ 16,455	\$ 27,600	\$ 49,454
Salaries payable	35,978	18,561	5,811	60,350
Due to other governments	765	304	2,108	3,177
Total Liabilities	\$ 42,142	\$ 35,320	\$ 35,519	\$ 112,981
Deferred Inflows of Resources				
Unavailable revenue	\$ 158,567	\$ 67,210	\$ 30,315	\$ 256,092
Fund Balances				
Nonspendable				
Advances to other funds	\$ -	\$ -	\$ 1,250	\$ 1,250
Committed				
Solid waste	-	-	200,000	200,000
Assigned				
Solid waste	-	-	673,292	673,292
Transit	-	294,177	-	294,177
Public health	824,837	-	-	824,837
Total Fund Balances	\$ 824,837	\$ 294,177	\$ 874,542	\$ 1,993,556
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,025,546	\$ 396,707	\$ 940,376	\$ 2,362,629

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Public Health Nurse</u>	<u>Transit</u>	<u>Solid Waste</u>	<u>Total (Exhibit 5)</u>
Revenues				
Taxes	\$ 200,291	\$ -	\$ -	\$ 200,291
Special assessments	-	-	536,852	536,852
Licenses and permits	29,879	-	835	30,714
Intergovernmental	717,554	906,034	68,710	1,692,298
Charges for services	152,373	126,118	976,980	1,255,471
Gifts and contributions	-	5,020	-	5,020
Investment earnings	-	1,528	-	1,528
Miscellaneous	37,312	1,610	14,821	53,743
Total Revenues	\$ 1,137,409	\$ 1,040,310	\$ 1,598,198	\$ 3,775,917
Expenditures				
Current				
Sanitation	\$ -	\$ -	\$ 1,469,241	\$ 1,469,241
Human services	-	948,048	-	948,048
Health	1,135,991	-	-	1,135,991
Debt service				
Principal	-	-	40,000	40,000
Interest	-	-	26,438	26,438
Total Expenditures	\$ 1,135,991	\$ 948,048	\$ 1,535,679	\$ 3,619,718
Net Change in Fund Balance	\$ 1,418	\$ 92,262	\$ 62,519	\$ 156,199
Fund Balance – January 1	823,419	201,915	812,023	1,837,357
Fund Balance – December 31	\$ 824,837	\$ 294,177	\$ 874,542	\$ 1,993,556

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 207,110	\$ 207,110	\$ 200,291	\$ (6,819)
Licenses and permits	33,310	33,310	29,879	(3,431)
Intergovernmental	659,456	659,456	717,554	58,098
Charges for services	204,254	204,254	152,373	(51,881)
Miscellaneous	106,841	106,841	37,312	(69,529)
Total Revenues	\$ 1,210,971	\$ 1,210,971	\$ 1,137,409	\$ (73,562)
Expenditures				
Current				
Health				
Nursing service	1,210,971	1,210,971	1,135,991	74,980
Net Change in Fund Balance	\$ -	\$ -	\$ 1,418	\$ 1,418
Fund Balance – January 1	823,419	823,419	823,419	-
Fund Balance – December 31	\$ 823,419	\$ 823,419	\$ 824,837	\$ 1,418

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
TRANSIT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,139,137	\$ 1,139,137	\$ 906,034	\$ (233,103)
Charges for services	109,831	109,831	126,118	16,287
Gifts and contributions	-	-	5,020	5,020
Investment earnings	664	664	1,528	864
Miscellaneous	-	-	1,610	1,610
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 1,249,632	\$ 1,249,632	\$ 1,040,310	\$ (209,322)
Expenditures				
Current				
Human services				
Transportation	954,864	954,864	948,048	6,816
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ 294,768	\$ 294,768	\$ 92,262	\$ (202,506)
Fund Balance – January 1	201,915	201,915	201,915	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance – December 31	\$ 496,683	\$ 496,683	\$ 294,177	\$ (202,506)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 502,000	\$ 502,000	\$ 536,852	\$ 34,852
Licenses and permits	250	250	835	585
Intergovernmental	68,711	68,711	68,710	(1)
Charges for services	790,500	790,500	976,980	186,480
Miscellaneous	40,000	40,000	14,821	(25,179)
Total Revenues	<u>\$ 1,401,461</u>	<u>\$ 1,401,461</u>	<u>\$ 1,598,198</u>	<u>\$ 196,737</u>
Expenditures				
Current				
Sanitation	\$ 1,389,117	\$ 1,389,117	\$ 1,469,241	\$ (80,124)
Debt service				
Principal	40,000	40,000	40,000	-
Interest	25,835	25,835	26,438	(603)
Total Expenditures	<u>\$ 1,454,952</u>	<u>\$ 1,454,952</u>	<u>\$ 1,535,679</u>	<u>\$ (80,727)</u>
Net Change in Fund Balance	<u>\$ (53,491)</u>	<u>\$ (53,491)</u>	<u>\$ 62,519</u>	<u>\$ 116,010</u>
Fund Balance – January 1	<u>812,023</u>	<u>812,023</u>	<u>812,023</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 758,532</u></u>	<u><u>\$ 758,532</u></u>	<u><u>\$ 874,542</u></u>	<u><u>\$ 116,010</u></u>

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**WADENA COUNTY
WADENA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GOVERNMENTAL</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,223	\$ 66,620	\$ 63,564	\$ 8,279
Due from other funds	-	17	-	17
Total Assets	\$ 5,223	\$ 66,637	\$ 63,564	\$ 8,296
<u>Liabilities</u>				
Due to other governments	\$ 5,223	\$ 66,637	\$ 63,564	\$ 8,296
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 160,347	\$ 19,943,974	\$ 19,934,326	\$ 169,995
<u>Liabilities</u>				
Due to other governments	\$ 160,347	\$ 19,943,974	\$ 19,934,326	\$ 169,995
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 165,570	\$ 20,010,594	\$ 19,997,890	\$ 178,274
Due from other funds	-	17	-	17
Total Assets	\$ 165,570	\$ 20,010,611	\$ 19,997,890	\$ 178,291
<u>Liabilities</u>				
Due to other governments	\$ 165,570	\$ 20,010,611	\$ 19,997,890	\$ 178,291

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OTHER SCHEDULES

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**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2019**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Cash on hand and departmental checking	N/A	N/A	Continuous	\$ 2,590
Checking accounts	Two	0.15 to 0.29	Continuous	533,511
Money market savings	Eight	0.10 to 1.00	Continuous	3,145,356
MAGIC Fund	One	1.75	Continuous	8,913,550
MAGIC Term	One	2.50	January 13, 2020	400,000
Non-negotiable certificates of deposit	Seven	1.45 to 2.40	January 11, 2020 to June 20, 2024	<u>2,325,000</u>
Total Cash and Pooled Investments				<u>\$ 15,320,007</u>

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Appropriations and Shared Revenue

State

Highway users tax	\$ 5,757,739
County program aid	947,717
Additional County program aid	600,000
PERA rate reimbursement	20,826
Disparity reduction aid	53,187
PERA state aid	22,613
Police aid	100,755
Aquatic invasive species aid	37,598
Out of home placement reimbursement aid	18,939
Enhanced 911	86,151
Market value credit	211,300
Riparian protection aid	40,000

Total appropriations and shared revenue **\$ 7,896,825**

Reimbursement for Services

State

Department of Human Services	\$ 1,540,961
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Local

School districts	21,613
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Total reimbursement for services **\$ 1,562,574**

Payments

Local

Local contributions	\$ 53,985
Payments in lieu of taxes	106,393

Total payments **\$ 160,378**

Grants

State

Minnesota Department/Board of	
Public Safety	\$ 14,732
Transportation	855,816
Health	208,238
Corrections	200
Natural Resources	61,452
Human Services	1,024,334
Veterans Affairs	10,000
Pollution Control Agency	69,010
Peace Officer Standards and Training Board	13,918

Total state **\$ 2,257,700**

**WADENA COUNTY
WADENA, MINNESOTA**

***EXHIBIT D-2
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Grants (Continued)

Federal

Department of/Agency	
Agriculture	\$ 231,608
Justice	47,794
Transportation	448,259
Education	1,296
Health and Human Services	1,849,751
Homeland Security	17,690
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Total federal **\$ 2,596,398**

Total state and federal grants **\$ 4,854,098**

Total Intergovernmental Revenue **\$ 14,473,875**

**WADENA COUNTY
WADENA, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Morrison-Todd-Wadena Community Health Services Board WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	192MN004W1003	\$ 98,600
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	147,038
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	Not Provided	<u>159</u>
Total U.S. Department of Agriculture			<u>\$ 245,797</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2018- WADCAC-00065	<u>\$ 47,794</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1030080	\$ 13,884
Formula Grants for Rural Areas and Tribal Transit Program	20.509	Agr#1032541	121,423
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC19-2019- WADENASD-3371	1,036
State and Community Highway Safety	20.600	F-ENFRC19-2019- WADENASD-3633	3,900
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$5,884)	20.600	F-ENFRC19-2019- WADENASD-3795	948
National Priority Safety Programs	20.616	F-ENFRC19-2019- WADENASD-3633	6,393
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$12,150)	20.616	F-ENFRC19-2019- WADENASD-3795	5,757
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC19-2019- WADENASD-3371	9,449
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$16,534)	20.608	F-ENFRC19-2019- WADENASD-3795	7,085
Total U.S. Department of Transportation			<u>\$ 169,875</u>

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

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**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Education			
Passed Through Morrison-Todd-Wadena Community Health Services Board Special Education – Grants for Infants and Families	84.181	H18A160029	\$ 1,660
U.S. Department of Health and Human Services			
Direct			
Drug-Free Communities Support Program Grants	93.276		\$ 103,158
Passed Through Morrison-Todd-Wadena Community Health Services Board			
Public Health Emergency Preparedness	93.069	NU90TP922026	25,830
Early Hearing Detection and Intervention	93.251	NUR3DD000842-05-01	225
TANF Cluster			
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$229,713)	93.558	2001MNTANF	36,930
Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	Not Provided	77,331
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	22,092
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1801MNF PSS	8,357
TANF Cluster			
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$229,713)	93.558	1901MNTANF	192,783
Child Support Enforcement	93.563	1910MNCEST	166,310
Child Support Enforcement (Total Child Support Enforcement 93.563 \$243,639)	93.563	1901MNCSES	77,329
Refugee and Entrant Assistance State/Replacement Designee Administered Programs			
Community-Based Child Abuse Prevention Grants	93.566	1901MNR CMA	171
CCDF Cluster	93.590	G-1801MNBCAP	5,264
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	4,275
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	6,124
Foster Care Title IV-E	93.658	1901MNFOST	161,966
Social Services Block Grant	93.667	G-1901MNSOSR	134,816
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	1,075
Children's Health Insurance Program	93.767	1905MN5021	134
Medicaid Cluster			
Medical Assistance Program	93.778	1905MN5ADM	764,083
Medical Assistance Program (Total Medical Assistance Program 93.778 \$772,785)	93.778	1905MN5MAP	8,702
Total U.S. Department of Health and Human Services			\$ 1,796,955
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGFFY18	\$ 1,307
Total Federal Awards			\$ 2,263,388

**WADENA COUNTY
WADENA, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 147,038
Total expenditures for Highway Planning and Construction Cluster			13,884
Total expenditures for Highway Safety Cluster			18,034
Total expenditures for TANF Cluster			229,713
Total expenditures for CCDF Cluster			4,275
Total expenditures for Medicaid Cluster			772,785

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2019

**WADENA COUNTY
WADENA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies

A. 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.

B. 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, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wadena County, it is not intended to and does not present the financial position or changes in net position of Wadena County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

Wadena County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**WADENA COUNTY
WADENA, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	2,596,398
Grants received more than 60 days after year-end, unavailable in 2019		
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)		48,008
Special Education – Grants for Infants and Families (CFDA No. 84.181)		1,012
Public Health Emergency Preparedness (CFDA No. 93.069)		6,343
Promoting Safe and Stable Families (CFDA No. 93.556)		2,090
Temporary Assistance for Needy Families (CFDA No. 93.558)		9,232
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		1,316
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		1,531
Foster Care Title IV-E (CFDA No. 93.658)		16,713
Maternal, Infant, and Early Childhood Home Visiting Grant (CFDA No. 93.870)		25,782
Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)		5,509
Grants unavailable in 2018, recognized as revenue in 2019		
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)		(33,819)
Highway Planning and Construction (CFDA No. 20.205)		(213,735)
Formula Grants for Rural Areas and Tribal Transit Program (CFDA No. 20.509)		(64,649)
Special Education – Grants for Infants and Families (CFDA No. 84.181)		(648)
Public Health Emergency Preparedness (CFDA No. 93.069)		(6,394)
Promoting Safe and Stable Families (CFDA No. 93.556)		(1,225)
Temporary Assistance for Needy Families (CFDA No. 93.558)		(75,092)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		(1,208)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		(949)
John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674)		(485)
Maternal, Infant, and Early Childhood Home Visiting Grant (CFDA No. 93.870)		(30,431)
Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)		(5,528)
Emergency Management Performance Grants (CFDA No. 97.042)		(16,383)
		(16,383)
Expenditures per Schedule of Expenditures of Federal Awards	\$	2,263,388

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JULIE BLAHA
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

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

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

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Wadena County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as item 2019-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Wadena County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 7, 2020

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JULIE BLAHA
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on Compliance for The Major Federal Program

We have audited Wadena County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2019. Wadena County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Wadena County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wadena County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Wadena County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-003. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-003, that we consider to be significant deficiencies.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 7, 2020

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**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major federal program is:

Medicaid Cluster
Medical Assistance Program

CFDA No. 93.778

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Segregation of Duties

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

Condition: Due to the limited number of personnel within several Wadena County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts. The former County Auditor/Treasurer established oversight procedures to compensate for the lack of segregation of duties in the smaller fee offices; however, those procedures are no longer being performed.

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

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

**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cause: The County informed us that collecting fees for services at a department level provides a convenience for its customers. Fee services are provided in several locations, so having customers paying at a single point of collection, such as the Treasurer's Office, would be very inconvenient. The new County Auditor/Treasurer was not made aware of the oversight procedures.

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

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

Pass-Through Agency: Minnesota Department of Human Services

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

**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Condition: The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by Wadena County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following instances were noted in the sample of 80 case files tested:

- In one case file, the number of vehicles was not consistent between the application and MAXIS. In addition, MAXIS listed other assets that had not been updated since 2015.
- In one case file, bank accounts were identified as belonging to the incorrect individual; one of which was not verified. In addition, MAXIS listed a life insurance policy that had not been updated since 2012.
- In one case file, a checking account was included in MAXIS with a zero balance and was indicated as not verified; however, the case file documentation contained a bank statement with a balance of \$367.
- In one case file, a life insurance policy was listed on the application; however, it was not verified or documented in MAXIS.
- In one case file, assets were identified as belonging to the incorrect individuals.
- In three case files, the client's social security number was not verified in METS. In addition, in two of these case files, the client's citizenship was not verified in METS.

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

Context: Pursuant to Minnesota statutes, the County performs any "intake function" needed for this program, while the state maintains MAXIS and METS, which support the eligibility determination process and actually pays the benefits to the participants.

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

**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Effect: The lack of updated information in MAXIS or METS and verification of eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: County program personnel entering case information into MAXIS or METS did not ensure all required information was input or updated in the systems correctly or that all required information was obtained and/or retained. The County indicated that METS did not notify it of the need to verify social security numbers and citizenship documentation.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations are obtained and properly updated in MAXIS or METS. In addition, consideration should be given to providing additional training to program personnel.

View of Responsible Official: Acknowledged

Finding Number: 2019-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Reporting

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

Pass-Through Agency: Minnesota Department of Human Services

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

**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Minnesota DHS provides reporting requirements for reimbursements through the Medical Assistance Program in the form of bulletins and other communication. As part of the County's reporting requirements, the County submits the Income Maintenance DHS-2550 reports, the Social Services DHS-2556 reports, and the Local Collaborative Time Study (LCTS) Cost Schedules DHS-3220 and DHS-3220.1 on a quarterly basis. The LCTS Annual Spending Report is submitted after year-end.

Requirements for the Local Collaborative Time Study (LCTS) Cost Schedules (DHS-3220 reports) are laid out in DHS Bulletin #16-32-04 – *Local Collaborative Time Study (LCTS) Fiscal Operations*. The bulletin states that LCTS fiscal site contacts are required to verify that the information on the LCTS Fiscal and Cost Schedule is accurate and that it complies with all guidelines set forth in the LCTS Cost Schedule instructions. It also states that the County's LCTS fiscal reporting and payment agent (FRAPA) is required to review all cost schedules from participating agencies on or before the 20th calendar day following the end of each quarter.

The instructions to the LCTS Annual Spending report state that the report must be completed on a cash basis.

Condition: The following instances were noted in the sample of reports tested:

- The third quarter DHS-2550 and DHS-2556 reports did not include eligible salary expenses.
- The two DHS-3220 and four DHS-3220.1 reports tested did not have documentation of review by the County's FRAPA.
- Out of four DHS-3220.1 reports tested, one was submitted late.
- The LCTS Annual Spending report was prepared on the modified accrual basis of accounting.

Questioned Costs: None

**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Context: Upon communication by the external auditor of these differences, the County submitted revised third quarter DHS-2550 and DHS-2556 reports. The late DHS-3220.1 report was prepared by a new employee who submitted the report on the day she completed training, two days after the deadline.

Effect: Expenditures on the third quarter DHS-2550 report was under reported by \$771, and expenditures on the third quarter DHS-2556 report was under reported by \$2,042, before the revised reports were submitted. The DHS-3220 and DHS-3220.1 reports lacked documentation of review, and one DHS-3220.1 was submitted late. The LCTS Annual Spending report overstated expenditures by \$16,817.

Cause: The portion of salary expenses for the health reimbursement account was missed in error of the third quarter DHS-2550 and DHS-2556 reports. The Social Services Administrative Services Supervisor, who acts as the County's FRAPA, informed us that she was not aware that she needed to keep documentation of the reviews of the DHS-3220 and DHS-3220.1 reports. The DHS-3220.1 report that was submitted late was due to staff turnover. Preparing the LCTS Annual Spending report on the modified accrual basis of account was an oversight.

Recommendation: We recommend the County implement supervisory review procedures for all quarterly reports prior to submission and document evidence of this review. In addition, we recommend the County implement procedures to ensure reports are submitted timely and using the correct accounting basis.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

**WADENA COUNTY
WADENA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Acceptance of Donations

Criteria: Minnesota Statute § 465.03 states that, “[a]ny city, county, school district, or town may accept a grant or devise of real or personal property and maintain such property for the benefit of its citizens in accordance with the terms prescribed by the donor. . . . Every such acceptance shall be by resolution of the governing body adopted by a two-thirds majority of its members, expressing such terms in full.”

Condition: During 2019, the County received numerous donations for a Sheriff department K9 and the Friendly Rider public transportation program totaling \$3,520. Documentation of acceptance by the County Board could not be located for these donations.

Context: Donations were received throughout the year from various donors. Three donations totaling \$500 for a K9 were receipted in the Sheriff’s department and nine donations totaling \$3,020 for the Friendly Rider public transportation program were receipted at the Friendly Rider department that were not approved by the Board. Donations receipted in other departments were approved by the Board.

Effect: Noncompliance with Minn. Stat. § 465.03.

Cause: Both departments are aware that donations need to be approved by the County Board; however, there are no procedures in place to ensure that all donations are taken to the Board for approval.

Recommendation: We recommend the County establish procedures to ensure that the County Board accepts donations and the terms prescribed by the donor.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEM RESOLVED

2017-003 Procurement, Suspension, and Debarment (CFDA No. 10.561)

Heather Olson
Auditor/Treasurer
218-631-7784
heather.olson@co.wadena.mn.us



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**REPRESENTATION OF WADENA COUNTY
WADENA, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2019-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

County Auditor/Treasurer
Heather Olson
Heather.olson@co.wadena.mn.us
218-631-7784

Amie Gendron
Human Services Administrative Services Supervisor
Amie.Gendron@co.wadena.mn.us
218-632-2535

Corrective Action Planned:

Most departments have a multi-step process for all money functions. However, there are smaller departments that we are implementing different items like double signatures and such on voids when needed. A few departments are in the situation where there are only a couple people in the office on certain days and we want their controls to be at a level that we are comfortable with processes being followed. We will continue doing spot checking of departments and having supervisors and department head know of the risks.

In response to the finding regarding Segregation of Duties, Human Services currently has in place a multi-step process. The front desk staff issue a numbered receipt to the payor, when they receive payments. Payments are passed to the accounting technician who records the payment in the appropriate software system, under the client account. This accounting technician prepares the receipt, coding the account number and proofs the total. This accounting technician signs off on the receipt audit form and passes the money, receipt list, and audit form to another accounting technician who then records the receipts in the ledger at the County Auditor's Office. This worker

signs off on the audit form, verifying data entry accuracy, and provides completed form to the Administrative Services Supervisor, who also signs the form and then passes the completed audit form to the director.

All agency checking accounts are reconciled to the bank statement by an accounting technician who is not a signer on the account.

Anticipated Completion Date: The County anticipates a completion date of June 30th, 2021.

Wadena County Human Services implemented the audit form in the fall of 2020 and has been reconciling bank accounts in this manner since approximately 2004.

Finding Number: 2019-002

Finding Title: Eligibility Testing

Name of Contact Person Responsible for Corrective Action:

Deb Nelson

Financial Assistance Supervisor II

Deb.Nelson@co.wadena.mn.us

218-632-2548

Corrective Action Planned:

Wadena County Human Services uses the MN Department of Human Services (DHS) Combined Manual as the governing document for managing the public assistance programs in the MAXIS and METS software systems. In addition to applying the policies in this manual, Wadena County Human Services will conduct regular case reviews and as part of those reviews, effort will be made to verify appropriate supporting documents required by DHS are obtained for the case file. New Eligibility Workers are assigned an internal mentor who will provide one on one training in addition to the DHS required program training.

Anticipated Completion Date: January 31, 2021

Finding Number: 2019-003

Finding Title: Reporting

Name of Contact Person Responsible for Corrective Action:

Amie Gendron

Human Services Administrative Services Supervisor

Amie.Gendron@co.wadena.mn.us

218-632-2535

Corrective Action Planned:

Administrative Services Supervisor receives a daily reminder email from MN Department of Human Services indicating which collaborative partners have outstanding quarterly cost reports due; the email comes until the last day of report submission. The supervisor will check the link each day and print any newly submitted reports. The supervisor compares report line data from previous quarters to identify any reported amounts that are questionable, then signs off on the report. The supervisor will email the fiscal contact, two days before the final report due date, reminding them of the report submission.

The Administrative Services Supervisor will continue to notify DHS and obtain their directive to submit reports with the data available by the report due date and will follow up with amended reports, when information is corrected. IFS account activity reports used to prepare quarterlies are maintained for audit purposes.

Anticipated Completion Date: Corrective action has been implemented with the 3rd quarter 2020 reports.

Finding Number: 2019-004

Finding Title: Acceptance of Donations

Name of Contact Person Responsible for Corrective Action:

Heather Olson

County Auditor/Treasurer

Heather.olson@co.wadena.mn.us

218-631-7784

Corrective Action Planned:

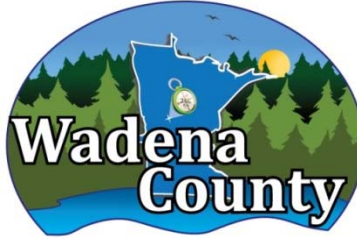
All department heads will be given a reminder of the procedure for donations by email. This is to bring any and all donations to the County Board when they are received. This has been the process from many years within the County.

Anticipated Completion Date:

January 31st, 2021

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Heather Olson
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**REPRESENTATION OF WADENA COUNTY
WADENA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2017-003

Finding Title: Procurement, Suspension, and Debarment

Program: Supplemental Nutrition Assistance Program (CFDA No. 10.561)

Summary of Condition: Two of the three small purchase procurement transactions tested for compliance with federal regulations did not have documented the history of procurement, including selection of the contract.

Summary of Corrective Action Previously Reported: In response to the finding regarding procurement for small purchases, the agency will create and maintain a file for documenting small purchases quotes. Documentation for two quotes will be collected, dated, and the item identified. A confirmation page will be included, which will state which vendor is selected and the reason behind the decision.

Status: Fully Corrected. Corrective action was taken.

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

Yes X No

We created a form to document which vendor was chosen for the purchase which lists the prices obtained. We also track price checking in a spreadsheet, and maintain quotes in a separate binder.