

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

NORMAN COUNTY
ADA, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 700 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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**NORMAN COUNTY
ADA, MINNESOTA**

For the Year Ended December 31, 2014



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

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**NORMAN COUNTY
ADA, MINNESOTA**

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ADA, MINNESOTA**

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**NORMAN COUNTY
ADA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2014**

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Marvin Gunderson	District 1	January 2017
Chair	Nathan Redland	District 2	January 2015
Board Member	Steve Jacobson	District 3	January 2017
Vice Chair	Lee Ann Hall	District 4	January 2015
Board Member	Steven Bommersbach	District 5	January 2017
Attorney	James Brue*		January 2015
Auditor-Treasurer	Richard D. Munter		January 2015
County Recorder	Kari Aanenson		January 2015
Registrar of Deeds	Kari Aanenson		January 2015
County Sheriff	Jeremy Thornton		January 2015
Appointed			
Assessor	Jill Murray		December 2016
County Engineer	Tom Knakmuhs		May 2018
Coroner	Dr. Mary Ann Sens		Indefinite
Court Administrator	Lori Wiebolt		Indefinite
Emergency Services	Garry Johanson		May 2016
Veterans Service Officer	John Rosenberger		December 2016
Social Services Board			
Chair	Lee Ann Hall		January 2015
Vice Chair	Steve Jacobson		January 2017
Secretary	Carol Sorenson		May 2015
Member	Marvin Gunderson		January 2017
Member	Nathan Redland		January 2015
Member	Steven Bommersbach		January 2017
Member	Marian Cerkowniak		May 2016
Director	Chris Kujava		Indefinite

*James Brue was appointed when the previous attorney resigned.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Norman County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of December 31, 2014, 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.

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 Norman County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 May 20, 2015, on our consideration of Norman County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Norman County's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 20, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NORMAN COUNTY
ADA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Unaudited)**

Norman County's Management's Discussion and Analysis (MD&A) provides an overview of County financial activities for the fiscal year ended December 31, 2014. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Norman County's financial statements and the notes to the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of Norman County exceeded its liabilities by \$62,269,982 at the close of 2014. Of this amount, \$4,594,536 (unrestricted net position) may be used to meet Norman County's ongoing obligations to citizens and creditors.

At the close of 2014, Norman County's governmental funds reported combined ending fund balances of \$5,620,962, an increase of \$450,345 in comparison with the prior year.

At the close of 2014, unrestricted fund balance for the General Fund was \$3,344,649, or 86.3 percent of total General Fund expenditures.

Norman County currently has \$219,300 of bonded indebtedness. The money was used for the Perley and Hendrum dike projects completed the summer of 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The County's government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Norman County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, 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. Norman County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Norman County can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term

financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Norman County reports eight 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 balances for the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. 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 not reflected in the government-wide financial statements because those resources are not available to support the County's programs.

Notes to the Financial Statements

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

Other Information

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

Norman County adopts an annual appropriated budget for its General Fund and all special revenue funds except for the Ditch Special Revenue Fund and Gravel Tax Special Revenue Fund. Budgetary comparison schedules have been provided for the County's major funds to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Norman County's assets exceeded liabilities by \$62,269,982 at the close of 2014. The largest portion of Norman County's net position (88 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

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 8,787,591	\$ 8,414,091
Capital assets	<u>54,820,901</u>	<u>53,613,650</u>
Total Assets	\$ <u>63,608,492</u>	\$ <u>62,027,741</u>
Long-term liabilities outstanding	\$ 798,650	\$ 811,010
Other liabilities	<u>539,860</u>	<u>499,716</u>
Total Liabilities	\$ <u>1,338,510</u>	\$ <u>1,310,726</u>
Net Position		
Investment in capital assets	\$ 54,820,901	\$ 53,610,657
Restricted	2,854,545	2,834,173
Unrestricted	<u>4,594,536</u>	<u>4,272,185</u>
Total Net Position	\$ <u><u>62,269,982</u></u>	\$ <u><u>60,717,015</u></u>

The unrestricted net position amount of \$4,594,536 as of December 31, 2014, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Norman County's activities increased net position by \$1,552,967, or 2.56 percent, over the 2013 net position. The key element of the increase was an increase in capital assets.

Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 1,230,810	\$ 1,310,395
Operating grants and contributions	5,592,132	4,613,415
Capital grants and contributions	374,631	205,867
General revenues		
Property taxes	4,635,532	4,444,020
Gravel taxes	97,109	60,128
Wheelage tax	78,569	-
Grants and contributions not restricted to specific programs	267,617	272,223
Other	<u>198,040</u>	<u>281,543</u>
Total Revenues	\$ <u>12,474,440</u>	\$ <u>11,187,591</u>

	<u>2014</u>	<u>2013</u>
Expenses		
General government	\$ 1,779,083	\$ 1,830,641
Public safety	1,416,834	1,103,199
Highways and streets	4,117,156	4,920,098
Sanitation	424,620	385,060
Human services	2,276,425	2,179,473
Health	316,138	299,230
Culture and recreation	127,342	295,969
Conservation of natural resources	427,613	275,258
Economic development	26,989	170,717
Interest	9,273	9,468
	<u>\$ 10,921,473</u>	<u>\$ 11,469,113</u>
Total Expenses		
Increase (Decrease) in Net Position	\$ 1,552,967	\$ (281,522)
Net Position, January 1	<u>60,717,015</u>	<u>60,998,537</u>
Net Position, December 31	<u>\$ 62,269,982</u>	<u>\$ 60,717,015</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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,620,962, an increase of \$450,344 in comparison with the prior year.

The General Fund is the chief operating fund of Norman County. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$3,344,649, while total fund balance was \$3,714,661. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 86.3 percent of total General Fund expenditures. The County Board has determined that the County should maintain minimum unrestricted fund balance of 16 percent of the total General Fund expenditures. At December 31, 2014, the unrestricted fund balance of the General Fund is well above the minimum balance established by the Board. In 2014, fund balance in the General Fund increased by \$92,486.

The Road and Bridge Special Revenue Fund's fund balance increased by \$337,154 in 2014.

The Social Services Special Revenue Fund's balance decreased by \$3,424 due to excess expenditures over revenues. Excess expenditures over revenues were budgeted to reduce the fund balance and provide additional levy revenue for other funds.

General Fund Budgetary Highlights

The actual revenues were higher than budgeted revenues by \$275,159, and actual expenditures were higher than budgeted expenditures by \$58,084. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure variances were for human resources, planning and zoning for general government, ambulance expenditures for health, Agassiz Trail Project for culture and recreation, soil and water conservation and water planning for conservation of natural resources, and Northwest Minnesota Multi-County Housing Redevelopment Authority for economic development.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2014, was \$54,820,901 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in Norman County's investment in capital assets for the current fiscal year was 2.25 percent.

Governmental Capital Assets (Net of Depreciation)		
	2014	2013
Land	\$ 928,653	\$ 928,653
Infrastructure	49,435,188	48,128,023
Buildings	2,319,290	2,401,434
Furniture, equipment, and machinery	2,137,770	2,155,540
Total	\$ 54,820,901	\$ 53,613,650

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

Long-Term Debt

At the end of the current fiscal year, Norman County had \$219,300 of bonded indebtedness. This debt was issued for the Perley and Hendrum dike projects completed in 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Norman County is very dependent on state-paid aids, credits, and grants. Should the State of Minnesota significantly change the formula for state-aid payments to the County, it would have a significant impact on next year's budget. Due to the cuts in the state-aid payments, the Norman County budget is not balanced for 2014.
- The County is reviewing revenue sources and considering cost-effective and efficient ways to deliver Norman County's programs and services that will influence future budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Norman County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Norman County Auditor-Treasurer, P. O. Box 266, Ada, Minnesota 56510.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Assets

Cash and pooled investments	\$	4,811,538
Taxes receivable delinquent		81,430
Special assessments receivable		
Prior - net		39,646
Deferred - net		148,851
Accounts receivable - net		91,343
Accrued interest receivable		900
Due from other governments		2,830,459
Inventories		664,413
Advance to watershed		119,011
Capital assets		
Non-depreciable		928,653
Depreciable - net of accumulated depreciation		53,892,248
		53,892,248
Total Assets	\$	63,608,492

Liabilities

Accounts payable	\$	171,171
Salaries payable		34,337
Contracts payable		176,461
Due to other governments		83,225
Customer deposits		4,748
Accrued interest payable		3,729
Unearned revenue		66,189
Long-term liabilities		
Due within one year		140,376
Due in more than one year		658,274
		658,274
Total Liabilities	\$	1,338,510

Net Position

Investment in capital assets	\$	54,820,901
Restricted for		
General government		246,426
Public safety		123,586
Highways and streets		2,199,108
Conservation of natural resources		285,425
Unrestricted		4,594,536
		4,594,536
Total Net Position	\$	62,269,982

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	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	\$ 1,779,083	\$ 198,011	\$ 155,800	\$ 100,748	\$ (1,324,524)
Public safety	1,416,834	53,996	128,528	-	(1,234,310)
Highways and streets	4,117,156	32,481	3,884,458	246,894	46,677
Sanitation	424,620	286,476	63,803	-	(74,341)
Human services	2,276,425	333,984	1,240,783	-	(701,658)
Health	316,138	216,848	-	-	(99,290)
Culture and recreation	127,342	-	-	-	(127,342)
Conservation of natural resources	427,613	109,014	118,760	-	(199,839)
Economic development	26,989	-	-	26,989	-
Interest	9,273	-	-	-	(9,273)
Total Governmental Activities	\$ 10,921,473	\$ 1,230,810	\$ 5,592,132	\$ 374,631	\$ (3,723,900)
 General Revenues					
Property taxes				\$ 4,635,532	
Gravel taxes				97,109	
Wheelage taxes				78,569	
Grants and contributions not restricted to specific programs				267,617	
Payments in lieu of tax				31,134	
Investment earnings				6,267	
Miscellaneous				160,639	
Total general revenues				\$ 5,276,867	
Change in net position				\$ 1,552,967	
Net Position - Beginning				60,717,015	
Net Position - Ending				\$ 62,269,982	

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 3,239,366	\$ -	\$ 998,109	\$ 402,305	\$ 4,639,780
Petty cash and change funds	4,700	200	-	-	4,900
Undistributed cash in agency funds	98,702	28,310	14,545	25,301	166,858
Taxes receivable delinquent	49,188	20,305	11,073	864	81,430
Special assessments receivable					
Delinquent	36,598	-	-	3,048	39,646
Noncurrent	-	-	-	148,851	148,851
Accounts receivable	30,557	10,817	2,051	47,918	91,343
Accrued interest receivable	900	-	-	-	900
Due from other funds	350,754	-	7,833	35	358,622
Due from other governments	25,746	2,633,250	163,895	-	2,822,891
Inventories	-	664,413	-	-	664,413
Advance to watershed	-	-	-	119,011	119,011
Total Assets	<u><u>\$ 3,836,511</u></u>	<u><u>\$ 3,357,295</u></u>	<u><u>\$ 1,197,506</u></u>	<u><u>\$ 747,333</u></u>	<u><u>\$ 9,138,645</u></u>

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 30,614	\$ 43,368	\$ 79,144	\$ 18,045	\$ 171,171
Salaries payable	15,384	11,728	7,225	-	34,337
Contracts payable	-	176,461	-	-	176,461
Due to other funds	784	345,355	-	4,915	351,054
Due to other governments	1,305	643	22,296	58,981	83,225
Unearned revenue	-	41,189	25,000	-	66,189
Customer deposits	1,100	-	-	3,648	4,748
Total Liabilities	\$ 49,187	\$ 618,744	\$ 133,665	\$ 85,589	\$ 887,185
Deferred Inflows of Resources					
Unavailable revenue	\$ 72,663	\$ 2,360,779	\$ 9,242	\$ 187,814	\$ 2,630,498
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 664,413	\$ -	\$ -	\$ 664,413
Advance to watershed	-	-	-	119,011	119,011
Restricted for					
Debt service	-	-	-	61,459	61,459
Law library	46,856	-	-	-	46,856
Recorder's technology equipment	81,367	-	-	-	81,367
Real estate tax shortfall	61,760	-	-	-	61,760
E-911	112,959	-	-	-	112,959
Recorder's compliance	55,893	-	-	-	55,893
Gravel pit postclosure	-	-	-	106,812	106,812
Ditch maintenance and construction	-	-	-	178,613	178,613
By donors for specific purposes - K9	10,627	-	-	-	10,627
Attorney forfeitures	550	-	-	-	550
Committed to					
Township road restoration	-	208,234	-	-	208,234
Sheriff's contingencies	5,000	-	-	-	5,000
Assigned to					
Human services	-	-	1,054,599	-	1,054,599
County homes	-	-	-	69,497	69,497
Unassigned	3,339,649	(494,875)	-	(61,462)	2,783,312
Total Fund Balances	\$ 3,714,661	\$ 377,772	\$ 1,054,599	\$ 473,930	\$ 5,620,962
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,836,511	\$ 3,357,295	\$ 1,197,506	\$ 747,333	\$ 9,138,645

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

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balances - total governmental funds (Exhibit 3)	\$	5,620,962
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		54,820,901
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,630,498
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (219,300)	
Capital lease	(1,334)	
Accrued interest payable	(3,729)	
Compensated absences	(361,737)	
Net OPEB liability	(216,279)	(802,379)
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 62,269,982</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 2,733,544	\$ 1,362,761	\$ 618,573	\$ 103,392	\$ 4,818,270
Special assessments	224,060	-	-	73,052	297,112
Licenses and permits	14,667	-	-	300	14,967
Intergovernmental	706,132	4,317,699	1,280,349	66,766	6,370,946
Charges for services	228,439	24,996	230,548	298,164	782,147
Fines and forfeits	137	-	-	-	137
Investment earnings	6,267	-	-	-	6,267
Miscellaneous	53,349	114,719	103,436	30,161	301,665
Total Revenues	\$ 3,966,595	\$ 5,820,175	\$ 2,232,906	\$ 571,835	\$ 12,591,511
Expenditures					
Current					
General government	\$ 1,688,932	\$ -	\$ -	\$ 23,134	\$ 1,712,066
Public safety	1,371,172	-	-	-	1,371,172
Highways and streets	-	5,313,276	-	-	5,313,276
Sanitation	-	-	-	419,588	419,588
Human services	3,100	-	2,234,365	-	2,237,465
Health	316,138	-	-	-	316,138
Culture and recreation	125,555	-	-	-	125,555
Conservation of natural resources	342,223	-	-	84,935	427,158
Economic development	26,989	-	-	-	26,989
Intergovernmental					
Highways and streets	-	328,929	-	-	328,929
Debt service					
Principal	-	-	1,659	11,000	12,659
Interest	-	-	179	9,050	9,229
Administrative fees	-	-	127	-	127
Total Expenditures	\$ 3,874,109	\$ 5,642,205	\$ 2,236,330	\$ 547,707	\$ 12,300,351
Excess of Revenues Over (Under) Expenditures	\$ 92,486	\$ 177,970	\$ (3,424)	\$ 24,128	\$ 291,160
Fund Balance - January 1	3,622,175	40,618	1,058,023	449,802	5,170,618
Increase (decrease) in inventories	-	159,184	-	-	159,184
Fund Balance - December 31	\$ 3,714,661	\$ 377,772	\$ 1,054,599	\$ 473,930	\$ 5,620,962

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 291,160

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

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

Expenditures for general capital assets and infrastructure	\$ 2,924,417	
Current year depreciation	<u>(1,717,166)</u>	1,207,251

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	\$ 2,630,498	
Unavailable revenue - January 1	<u>(2,747,568)</u>	(117,070)

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Principal repayments		
General obligation bonds	\$ 11,000	
Capital lease	<u>1,659</u>	12,659

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	\$ 83	
Change in compensated absences	18,270	
Change in inventories	159,184	
Change in net OPEB liability	<u>(18,570)</u>	<u>158,967</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,552,967

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FIDUCIARY FUNDS

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NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Children's Collaborative Investment Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 45,512	\$ 220,591
<u>Liabilities</u>		
Due to other funds	\$ 7,084	\$ 484
Due to other governments	19,500	204,857
Funds held in trust	-	15,250
Total Liabilities	\$ 26,584	\$ 220,591
<u>Net Position</u>		
Net position held in trust for pool participants	\$ 18,928	

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Children's Collaborative Investment Trust</u>
<u>Additions</u>	
Contributions from participants	\$ 30,771
<u>Deductions</u>	
Pool participant withdrawals	<u>28,272</u>
Change in Net Position	\$ 2,499
Net Position - Beginning of the Year	<u>16,429</u>
Net Position - End of the Year	<u><u>\$ 18,928</u></u>

**NORMAN COUNTY
ADA, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Norman County was established February 17, 1881, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures

The County participates in joint ventures, related organizations, and jointly-governed organizations described in Notes 6.C., 6.D., and 6.E., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

Additionally, the County reports the following fund types:

The Debt Service Fund accounts for the resources accumulated and payments made for the principal and interest on long-term debt of the government.

The Children's Collaborative Investment Trust Fund accounts for the external pooled and non-pooled investments on behalf of the Children's Collaborative (Serving Norman County Families).

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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.

**NORMAN COUNTY
ADA, 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. Norman County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed, unless the County Board takes specific action to appropriate those unrestricted resources.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2014 were \$6,267.

2. External Investment Pools

Included in total cash and pooled investments are the assets held for the Norman County Children's Collaborative in an external investment pool. For the purposes of financial reporting, the Children's Collaborative portion of the County's pool of cash and investments is reported as an investment trust fund. Assets in the pool are reported at fair value based on quoted market prices. The pool is not subject to regulatory oversight, and the fair value of the position in the pool is the same as the

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. External Investment Pools (Continued)

pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.

3. Receivables and Payables

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

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

No allowance has been made for uncollectible receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments and deferred special assessments. All special assessments receivable are shown net of an allowance for uncollectibles.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Advance to Watershed

Noncurrent portions of intergovernmental advances, reported as “advance to watershed,” are offset by a nonspendable fund balance, which indicates that they do not constitute available resources.

In 2012, an advance of \$109,400 was made to the Wild Rice Watershed District to cover expenses for Project 30. The outstanding balance of this advance at December 31, 2014, was \$119,011. The balance plus accrued interest will be repaid in annual installments of \$34,450, with the first payment due February 1, 2016.

6. Inventories

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

7. Capital Assets

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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

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

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

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

8. Compensated Absences

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources and Unearned Revenue

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that it becomes available.

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the liability is not reported. When the debt is issued, the face amount of the debt issued is reported as an other financing source.

11. Classification of Net Position

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Net Position (Continued)

Investment in capital assets - represents capital assets, net of accumulated depreciation.

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

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

12. Classification of Fund Balances

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

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

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

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.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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

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

13. Minimum Fund Balance

Unrestricted fund balance (committed, assigned, and unassigned) may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget revision by the County's Board. In the event of projected revenue shortfalls, it is the responsibility of the County Auditor-Treasurer to report the projections to the County's Board on a quarterly basis and shall be recorded in the minutes.

Any budget revision that will result in the unrestricted fund balance dropping below the minimum level will require the approval of a 3/5 vote of the County Board.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Minimum Fund Balance (Continued)

The Fund Balance Policy establishes a minimum unrestricted fund balance equal to 16 percent of total General Fund expenditures. In the event that the balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established minimum level within two years.

14. Use of Estimates

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

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**NORMAN COUNTY
ADA, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Solid Waste Special Revenue Fund

The Solid Waste Special Revenue Fund had a deficit fund balance of \$12,089 as of December 31, 2014. The fund balance deficit will be eliminated through future collections.

Ditch Fund Deficits

Of 36 drainage systems, 5 have incurred expenditures in excess of their revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue and Debt Service Funds as of December 31, 2014:

Nonspendable fund balance	\$	119,011
Restricted fund balances		240,072
Unassigned fund balances		(49,373)
Total Fund Balances	\$	309,710

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2014.

	Expenditures	Budget	Excess
General Fund	\$ 3,874,109	\$ 3,816,025	\$ 58,084
Special Revenue Funds			
Social Services	2,236,330	2,204,742	31,588
Solid Waste	419,588	371,892	47,696

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments follows:

Governmental activities	
Cash and pooled investments	\$ 4,811,538
Fiduciary funds	
Cash and pooled investments	
Investment trust fund	45,512
Agency funds	220,591
	<hr/>
Total Cash and Investments	\$ 5,077,641

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2014, the County's deposits were not exposed to custodial credit risk.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

During the year ended December 31, 2014, the County had no investments.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 81,430	\$ -
Special assessments	188,497	148,851
Accounts	91,343	-
Interest	900	-
Due from other governments	2,830,459	-
Advance to watershed	119,011	119,011
Total	\$ 3,311,640	\$ 267,862

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 928,653	\$ -	\$ -	\$ 928,653
Capital assets depreciated				
Buildings	\$ 4,017,363	\$ 26,393	\$ -	\$ 4,043,756
Machinery, furniture, and equipment	5,376,768	330,972	165,442	5,542,298
Infrastructure	66,175,204	2,567,052	-	68,742,256
Total capital assets depreciated	\$ 75,569,335	\$ 2,924,417	\$ 165,442	\$ 78,328,310
Less: accumulated depreciation for				
Buildings	\$ 1,615,929	\$ 108,537	\$ -	\$ 1,724,466
Machinery, furniture, and equipment	3,221,228	348,742	165,442	3,404,528
Infrastructure	18,047,181	1,259,887	-	19,307,068
Total accumulated depreciation	\$ 22,884,338	\$ 1,717,166	\$ 165,442	\$ 24,436,062
Total capital assets depreciated, net	\$ 52,684,997	\$ 1,207,251	\$ -	\$ 53,892,248
Governmental Activities Capital Assets, Net	\$ 53,613,650	\$ 1,207,251	\$ -	\$ 54,820,901

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

General government	\$	69,336
Public safety		79,605
Culture and recreation		1,787
Highways and streets, including depreciation of infrastructure assets		1,534,316
Human services		32,122
		32,122
Total Depreciation Expense	\$	1,717,166

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Special Revenue Fund Other governmental funds Agency funds	\$ 345,355 4,915 484
Total Due to General Fund		\$ 350,754
Social Services Special Revenue Fund	General Fund Investment trust fund	\$ 749 7,084
Total Due to Social Services Special Revenue Fund		\$ 7,833
Other governmental funds	General Fund	\$ 35
Total Due To/From Other Funds		\$ 358,622

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

1. Due To/From Other Funds (Continued)

The amount due to the General Fund from the Road and Bridge Special Revenue Fund and the Solid Waste Special Revenue Fund is \$345,355 and \$4,915, respectively, to cover the cash deficit in those funds. The other outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

Accounts	\$	171,171
Salaries		34,337
Contracts		176,461
Due to other governments		83,225
Customer deposits		4,748
		<hr/>
Total Payables	\$	<u>469,942</u>

2. Capital Leases

In 2011, the County entered into a lease agreement as lessee for financing the acquisition of a Canon copier. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at December 31, 2014:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
2011 copier	2015	Monthly	\$ 153	\$ 6,276	\$ 1,335

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, were as follows:

Year Ending December 31	Governmental Activities
2015	\$ 1,475
Less: amount representing interest	(140)
Present Value of Minimum Lease Payments	\$ 1,335

3. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
General obligation bonds 2010A G.O. Watershed Bonds	2031	\$6,000 - \$15,000	1.00 - 5.25	\$ 247,300	\$ 219,300

4. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2015	\$ 11,000	\$ 8,832
2016	12,000	8,564
2017	12,000	8,246
2018	13,000	7,876
2019	14,000	7,440
2020 - 2024	61,500	29,907
2025 - 2029	66,000	16,214
2030 - 2031	29,800	1,556
Total	\$ 219,300	\$ 88,635

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 230,300	\$ -	\$ 11,000	\$ 219,300	\$ 11,000
Capital lease	2,993	-	1,658	1,335	1,335
Net OPEB liability	197,709	18,570	-	216,279	-
Compensated absences	380,008	289,533	307,804	361,737	128,042
Total Long-Term Liabilities	\$ 811,010	\$ 308,103	\$ 320,462	\$ 798,651	\$ 140,377

6. Unearned Revenues/Deferred Inflows of Resources

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

	Taxes	Special Assessments	Grants and Allotments	Other	Total
Major governmental funds					
General	\$ 41,171	\$ 31,492	\$ -	\$ -	\$ 72,663
Road and Bridge	16,760	-	2,377,492	7,716	2,401,968
Social Services	9,242	-	-	25,000	34,242
Nonmajor governmental funds					
Ditch Special Revenue	1,070	90,972	-	-	92,042
Ditch Debt Service	1,356	57,879	-	-	59,235
Solid Waste	720	35,817	-	-	36,537
Total	\$ 70,319	\$ 216,160	\$ 2,377,492	\$ 32,716	\$ 2,696,687
Liability					
Unearned revenue	\$ -	\$ -	\$ 41,189	\$ 25,000	\$ 66,189
Deferred inflows of resources					
Unavailable revenue	70,319	216,160	2,336,303	7,716	2,630,498
Total	\$ 70,319	\$ 216,160	\$ 2,377,492	\$ 32,716	\$ 2,696,687

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plan

Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

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

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 194,322	\$ 186,532	\$ 187,150
Public Employees Police and Fire Fund	45,110	40,008	38,885

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

B. Defined Contribution Plan

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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,716	\$ 1,716
Percentage of covered payroll	5.0%	5.0%

Required contribution rates were 5.0 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Norman County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2014, there were 77 participants in the plan, including 6 retirees.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

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

ARC	\$ 80,210
Interest on net OPEB obligation	8,897
Adjustment to ARC	<u>(12,310)</u>
Annual OPEB cost (expense)	\$ 76,797
Contributions made	<u>(58,227)</u>
Increase in net OPEB obligation	\$ 18,570
Net OPEB Obligation - Beginning of Year	<u>197,709</u>
Net OPEB Obligation - End of Year	<u><u>\$ 216,279</u></u>

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost for the year ended December 31, 2014, was \$76,797. The percentage of annual OPEB cost contributed to the plan was 75.8 percent, and the net OPEB obligation for 2014 was \$216,279. The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2012, 2013, and 2014, was as follows:

<u>Fiscal Year-End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 78,254	\$ 34,906	44.6	\$ 164,534
December 31, 2013	77,474	44,299	57.2	197,709
December 31, 2014	76,797	58,227	75.8	216,279

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$660,548, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$660,548. The covered payroll (annual payroll of active employees covered by the plan) was \$2,830,548, and the ratio of the UAAL to the covered payroll was 23.3 percent.

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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Norman County's implicit rate of return on the General Fund. The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 25 years.

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**NORMAN COUNTY
ADA, MINNESOTA**

5. Risk Management (Continued)

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Project 9

On July 21, 2005, Norman County entered into a joint powers agreement with Clay County, pursuant to Minn. Stat. § 471.59. Clay County sold \$830,000 of bonds on behalf of the Wild Rice Watershed District for Project 9. Special assessments to pay for a portion of the bonds will be collected via Norman County. Norman County will remit the special assessment proceeds to Clay County.

C. Joint Ventures

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Norman, Polk, and Red Lake Counties. The purpose of Tri-County Community Corrections is to house, supervise, treat, counsel, and provide other correctional services to prisoners throughout the territorial area of the member counties.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Tri-County Community Corrections (Continued)

Control is vested in the Tri-County Community Corrections Joint Powers Board, composed of two County Commissioners from each member county, as provided in Tri-County Community Corrections' bylaws.

In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net position of Tri-County Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (10 percent), Polk County (85 percent), and Red Lake County (5 percent).

Financing is provided by state, federal, and local grants; charges for services; and appropriations from member counties. Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Norman County's contribution for 2014 was \$432,486.

Complete financial information can be obtained from the Polk County Auditor's Office or the Northwest Regional Corrections Center located at 816 Marin Avenue, Suite 110, Crookston, Minnesota 56716.

Norman-Mahnomen Public Health

The Multi-County Nursing Service was established in 1997 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and included Becker, Mahnomen, and Norman Counties. On June 24, 2003, the Becker County Board passed a resolution to withdraw from the Multi-County Nursing Service as of January 1, 2005. On January 1, 2005, Norman and Mahnomen Counties amended the joint powers agreement forming the Multi-County Nursing Service and started doing business as Norman-Mahnomen Public Health. Effective December 31, 2012, the Norman-Mahnomen Community Health Board was dissolved. Effective January 1, 2013, the Norman-Mahnomen Board of Health was created and does business under the name Norman-Mahnomen Public Health. The purpose of Norman-Mahnomen Public Health is the development, implementation, and operation of public health services throughout the member counties.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Norman-Mahnomen Public Health (Continued)

Control of Norman-Mahnomen Public Health was vested in the Norman-Mahnomen Board of Health, which consisted of six members. Norman and Mahnomen Counties each appoint three members.

In the event of withdrawal from Norman-Mahnomen Public Health, the withdrawing county is not entitled to any reimbursement of funds contributed during the course of its membership, except to the extent of any surplus uncommitted monies remaining in the operation account upon expiration of the fiscal year of the county's withdrawal. Such surplus shall be distributed in the proportion that the withdrawing County's contribution bears to the aggregate contribution of all member parties for the year of withdrawal. Funds utilized for capital asset acquisition shall be paid only at the time of sale of such assets.

Financing is provided by state and federal grants, appropriations from member counties, charges for services, and miscellaneous revenues. Norman County's contribution for 2014 was \$97,224.

Complete financial information can be obtained from the Norman-Mahnomen Board of Health, 15 East 2nd Avenue, Room 107, Ada, Minnesota 56510.

Norman County-Ada-Twin Valley Joint Airport Authority

The Norman County-Ada-Twin Valley Joint Airport Authority was established in 1976 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The purpose of the Norman County-Ada-Twin Valley Joint Airport Authority is the construction, development, and maintenance of the Norman County-Ada-Twin Valley Joint Airport. As allowed by Minn. Stat. § 360.032, every municipality, through its governing body, may acquire property, real or personal, for the purpose of establishing, constructing, and enlarging airports. Control of the Norman County-Ada-Twin Valley Joint Airport is vested in the Norman County-Ada-Twin Valley Airport Authority, which consists of six members. As provided in the bylaws, the Norman County Board appoints two members, and each of the two City Councils appoints two members.

**NORMAN COUNTY
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6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Norman County-Ada-Twin Valley Joint Airport Authority (Continued)

The joint powers agreement remains in force until any single member gives the other parties one-year's written notice of termination. Any party terminating the agreement shall transfer its interest in the real and personal assets to the remaining parties for consideration of \$1.

Financing of the capital costs and operations is provided by state and federal grants, charges for services, and appropriations from Norman County and the Cities of Ada and Twin Valley. Norman County's contribution for 2014 was \$4,030.

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

Northwest Minnesota Regional Radio Board

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

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

In the event of dissolution of the Northwest Minnesota Regional Radio 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 Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants.

Complete financial information can be obtained from the Northwest Minnesota Regional Radio Board, c/o Greater Northwest EMS, 2301 Johanneson Avenue N.W., Suite 103, Bemidji, Minnesota 56601.

Land of the Dancing Sky Area Agency on Aging

The Land of the Dancing Sky Area Agency on Aging provides services to a 21-county service area. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

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

**NORMAN COUNTY
ADA, MINNESOTA**

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

D. Related Organizations

Ambulance Service

Norman County and the City of Ada entered into an agreement to establish an Ambulance Advisory Committee, effective March 5, 1991. The purpose of the Committee is to provide coordinated funding and delivery of ambulance services within Norman County.

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 29, 1974, and includes land within Mahnomen, Norman, and Polk Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident use of natural resources. Control of the District is vested in the Sand Hill River Watershed District Board of Managers, composed of five members appointed by the Polk County Board for staggered terms of three years each.

E. Jointly-Governed Organizations

Norman County, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organizations listed below:

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Water Conservation District.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

Control of the Watershed District is vested in the Board of Managers, composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Becker County appoints one member, Clay County appoints one member, Mahnomen County appoints two members, and Norman County appoints three members.

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

Northwest Regional Development Commission

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

The Commission is authorized to levy a limited amount of local property taxes and to enter into contracts with other units of government and private foundations to operate programs and services which benefit the area. The NWRDC provides local match for each of the programs through the local tax levy. Norman County provided \$29,024 to this organization in 2014.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Northwest Regional Development Commission (Continued)

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

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

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During the year, the County made no payments to the joint powers.

Complete financial statements can be obtained from the offices of The International Coalition at 119 - 5th Street South, Moorhead, Minnesota 56560.

Children's Collaborative (Serving Norman County Families)

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

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Northwest Workforce Service Area

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

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, comprising 18 members, with one representative from each of the seven counties, three members at large, and eight members representing local agencies. The joint powers agreement that created this Service Area terminated on June 30, 2002, and must be renewed by resolution of the participating County Boards. In the event of dissolution of the Service Area, unexpended funds will be disposed of in accordance with law.

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

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake, Lake of the Woods, Mahnomon, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, and Traverse Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Norman County's responsibility does not extend beyond making this appointment.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which has 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Norman County contributed \$87,594 to the Agassiz Regional Library during 2014.

Homeland Security and Emergency Management (HSEM) Region 3 Emergency Managers

The HSEM Region 3 Emergency Managers Joint Powers Board was formed pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3, specifically, within the jurisdictional boundaries of the 14 member counties. Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Norman County's responsibility does not extend beyond making this appointment.

Sentence to Service

Norman County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Department of Corrections and Natural Resources, provide the funds needed to operate the STS program.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the local elected officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area, including specific duties as listed in the Agreement.

In the event of dissolution of the Joint Powers Agreement, the net position of the Joint Powers Board at that time shall be disposed of in accordance with law.

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

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

Communities Caring for Children

The Communities Caring for Children (CCC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the CCC during 2014.

Minnesota Criminal Justice Data Communications Network

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

REQUIRED SUPPLEMENTARY INFORMATION

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,789,702	\$ 2,789,702	\$ 2,733,544	\$ (56,158)
Special assessments	200,000	200,000	224,060	24,060
Licenses and permits	8,192	8,192	14,667	6,475
Intergovernmental	389,574	389,574	706,132	316,558
Charges for services	230,438	230,438	228,439	(1,999)
Fines and forfeits	-	-	137	137
Gifts and contributions	1,000	1,000	-	(1,000)
Investment earnings	10,130	10,130	6,267	(3,863)
Miscellaneous	62,400	62,400	53,349	(9,051)
Total Revenues	\$ 3,691,436	\$ 3,691,436	\$ 3,966,595	\$ 275,159
Expenditures				
Current				
General government				
Commissioners	\$ 189,500	\$ 189,500	\$ 175,203	\$ 14,297
Courts	50,000	50,000	29,019	20,981
Law library	6,600	6,600	6,986	(386)
County auditor-treasurer	283,640	283,640	250,152	33,488
County assessor	192,420	192,420	160,039	32,381
Elections	37,420	37,420	32,860	4,560
Human resources	-	-	44,963	(44,963)
Accounting and auditing	55,000	55,000	64,578	(9,578)
Data processing	62,000	62,000	61,028	972
Attorney	171,762	171,762	150,675	21,087
Victim assistance	35,000	35,000	36,505	(1,505)
Recorder	305,625	305,625	307,201	(1,576)
Planning and zoning	30,842	30,842	46,358	(15,516)
County buildings	34,000	34,000	24,989	9,011
Buildings and plant	155,055	155,055	141,036	14,019
Veterans service officer	51,640	51,640	56,474	(4,834)
Cemeteries	75	75	-	75
Unallocated - general government	87,700	87,700	100,866	(13,166)
Total general government	\$ 1,748,279	\$ 1,748,279	\$ 1,688,932	\$ 59,347

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 821,904	\$ 821,904	\$ 778,453	\$ 43,451
Coroner	17,704	17,704	7,793	9,911
Radio tower	250	250	-	250
Hazardous materials training	10,300	10,300	9,585	715
Safety coordinator	23,131	23,131	3,222	19,909
E-911 system	70,060	70,060	67,614	2,446
Community corrections	432,486	432,486	432,486	-
Civil defense	36,929	36,929	49,960	(13,031)
Police and fire	450	450	774	(324)
Other public safety	16,000	16,000	21,285	(5,285)
Total public safety	\$ 1,429,214	\$ 1,429,214	\$ 1,371,172	\$ 58,042
Human services				
Senior citizen centers	\$ 7,000	\$ 7,000	\$ 1,600	\$ 5,400
Retired senior volunteer program	1,500	1,500	1,500	-
Total human services	\$ 8,500	\$ 8,500	\$ 3,100	\$ 5,400
Health				
Nursing service	\$ 123,724	\$ 123,724	\$ 99,021	\$ 24,703
Ambulance	200,000	200,000	217,117	(17,117)
Total health	\$ 323,724	\$ 323,724	\$ 316,138	\$ 7,586
Culture and recreation				
Historical society	\$ 7,650	\$ 7,650	\$ 7,650	\$ -
Agassiz trail project	500	500	29,091	(28,591)
Winter shows	800	800	800	-
County library	87,594	87,594	87,594	-
Celebrations	420	420	420	-
Total culture and recreation	\$ 96,964	\$ 96,964	\$ 125,555	\$ (28,591)

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Cooperative extension	\$ 131,658	\$ 131,658	\$ 143,687	\$ (12,029)
Soil and water conservation	60,200	60,200	120,949	(60,749)
Agricultural society	12,150	12,150	12,150	-
Aquatic invasive species	-	-	3,905	(3,905)
Forfeited tax	-	-	2,420	(2,420)
Weed control	150	150	-	150
Predator control	5,186	5,186	1,507	3,679
Water planning	-	-	57,605	(57,605)
Total conservation of natural resources	<u>\$ 209,344</u>	<u>\$ 209,344</u>	<u>\$ 342,223</u>	<u>\$ (132,879)</u>
Economic development				
Northwest Minnesota Multi-County Housing and Redevelopment Authority	\$ -	\$ -	\$ 26,989	\$ (26,989)
Total Expenditures	<u>\$ 3,816,025</u>	<u>\$ 3,816,025</u>	<u>\$ 3,874,109</u>	<u>\$ (58,084)</u>
Excess of Revenues Over (Under) Expenditures	\$ (124,589)	\$ (124,589)	\$ 92,486	\$ 217,075
Fund Balance - January 1	<u>3,622,175</u>	<u>3,622,175</u>	<u>3,622,175</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 3,497,586</u>	<u>\$ 3,497,586</u>	<u>\$ 3,714,661</u>	<u>\$ 217,075</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,369,406	\$ 1,369,406	\$ 1,362,761	\$ (6,645)
Intergovernmental	4,200,952	4,200,952	4,317,699	116,747
Charges for services	12,000	12,000	24,996	12,996
Miscellaneous	100,000	100,000	114,719	14,719
	<u>100,000</u>	<u>100,000</u>	<u>114,719</u>	<u>14,719</u>
Total Revenues	\$ 5,682,358	\$ 5,682,358	\$ 5,820,175	\$ 137,817
Expenditures				
Current				
Highways and streets				
Administration	\$ 394,988	\$ 394,988	\$ 343,659	\$ 51,329
Maintenance	1,796,421	1,796,421	1,740,135	56,286
Construction	2,955,900	2,955,900	2,643,622	312,278
Equipment and maintenance shop	608,770	608,770	585,860	22,910
	<u>608,770</u>	<u>608,770</u>	<u>585,860</u>	<u>22,910</u>
Total highways and streets	\$ 5,756,079	\$ 5,756,079	\$ 5,313,276	\$ 442,803
Intergovernmental				
Highways and streets	-	-	328,929	(328,929)
	<u>-</u>	<u>-</u>	<u>328,929</u>	<u>(328,929)</u>
Total Expenditures	\$ 5,756,079	\$ 5,756,079	\$ 5,642,205	\$ 113,874
Excess of Revenues Over (Under) Expenditures	\$ (73,721)	\$ (73,721)	\$ 177,970	\$ 251,691
Fund Balance - January 1	40,618	40,618	40,618	-
Increase (decrease) in inventories	-	-	159,184	159,184
	<u>-</u>	<u>-</u>	<u>159,184</u>	<u>159,184</u>
Fund Balance - December 31	\$ (33,103)	\$ (33,103)	\$ 377,772	\$ 410,875
	<u>(33,103)</u>	<u>(33,103)</u>	<u>377,772</u>	<u>410,875</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 631,976	\$ 631,976	\$ 618,573	\$ (13,403)
Intergovernmental	1,151,337	1,151,337	1,280,349	129,012
Charges for services	295,398	295,398	230,548	(64,850)
Miscellaneous	73,750	73,750	103,436	29,686
Total Revenues	\$ 2,152,461	\$ 2,152,461	\$ 2,232,906	\$ 80,445
Expenditures				
Current				
Human services				
Income maintenance	\$ 744,471	\$ 744,471	\$ 824,347	\$ (79,876)
Social services	1,460,271	1,460,271	1,410,018	50,253
Total human services	\$ 2,204,742	\$ 2,204,742	\$ 2,234,365	\$ (29,623)
Debt service				
Principal	\$ -	\$ -	\$ 1,659	\$ (1,659)
Interest	-	-	179	(179)
Administrative - fiscal charges	-	-	127	(127)
Total debt service	\$ -	\$ -	\$ 1,965	\$ (1,965)
Total Expenditures	\$ 2,204,742	\$ 2,204,742	\$ 2,236,330	\$ (31,588)
Excess of Revenues Over (Under) Expenditures	\$ (52,281)	\$ (52,281)	\$ (3,424)	\$ 48,857
Fund Balance - January 1	1,058,023	1,058,023	1,058,023	-
Fund Balance - December 31	\$ 1,005,742	\$ 1,005,742	\$ 1,054,599	\$ 48,857

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$ 508,463	\$ 508,463	0.0%	\$2,750,246	18.5%
January 1, 2012	-	660,548	660,548	0.0	2,830,548	23.3

**NORMAN COUNTY
ADA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, Gravel Reserve Tax Special Revenue Fund, and the Ditch Debt Service Fund. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2014.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 3,874,109	\$ 3,816,025	\$ 58,084
Social Services Special Revenue Fund	2,236,330	2,204,742	31,588

3. Other Postemployment Benefits Funding Status

The County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2009. See Note 4.C. to the financial statements for more information.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Other Postemployment Benefits Funding Status (Continued)

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

Currently, only two actuarial valuations are available. Future reports will provide additional trend analysis to meet the three most recent valuation funding status requirements as the information becomes available.

SUPPLEMENTARY INFORMATION

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**NORMAN COUNTY
ADA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Homes Fund - to account for the collection of rents and payment of expenses on small homes owned by Norman County that are rented to senior citizens.

Ditch Fund - to account for the financing and costs relating to all County ditches.

Gravel Reserve Tax Fund - to account for the proceeds of a special gravel removal or occupation tax which is restricted to expenditures for the restoration of abandoned gravel pits.

Solid Waste Fund - to account for the financing and costs relating to the Fosston Incinerator, demolition landfill, and public education. Financing is provided by special assessments, charges for services, and intergovernmental revenues designated for environmental purposes.

DEBT SERVICE FUND

Ditch Fund - to account for the accumulation of resources and the payment of principal and interest of ditch bond issues.

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	Special Revenue (Exhibit C-1)	Ditch Debt Service	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 341,880	\$ 60,425	\$ 402,305
Undistributed cash in agency funds	24,846	455	25,301
Taxes receivable delinquent	864	-	864
Special assessments receivable			
Delinquent	1,113	1,935	3,048
Noncurrent	90,972	57,879	148,851
Accounts receivable	47,918	-	47,918
Due from other funds	35	-	35
Advance to watershed	-	119,011	119,011
	\$ 507,628	\$ 239,705	\$ 747,333
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 18,045	\$ -	\$ 18,045
Due to other funds	4,915	-	4,915
Due to other governments	58,981	-	58,981
Customer deposits	3,648	-	3,648
	\$ 85,589	\$ -	\$ 85,589
 Deferred Inflows of Resources			
Unavailable revenue	\$ 128,579	\$ 59,235	\$ 187,814
 Fund Balances			
Nonspendable			
Advance to watershed	\$ -	\$ 119,011	\$ 119,011
Restricted for			
Debt service	-	61,459	61,459
Gravel pit postclosure	106,812	-	106,812
Ditch maintenance and construction	178,613	-	178,613
Assigned to			
County homes	69,497	-	69,497
Unassigned	(61,462)	-	(61,462)
	\$ 293,460	\$ 180,470	\$ 473,930
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 507,628	\$ 239,705	\$ 747,333

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Special Revenue (Exhibit C-2)	Ditch Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 103,392	\$ -	\$ 103,392
Special assessments	49,563	23,489	73,052
Licenses and permits	300	-	300
Intergovernmental	66,766	-	66,766
Charges for services	293,257	4,907	298,164
Miscellaneous	30,161	-	30,161
	\$ 543,439	\$ 28,396	\$ 571,835
Expenditures			
Current			
General government	\$ 23,134	\$ -	\$ 23,134
Sanitation	419,588	-	419,588
Conservation of natural resources	76,815	8,120	84,935
Debt service			
Principal	-	11,000	11,000
Interest	-	9,050	9,050
	\$ 519,537	\$ 28,170	\$ 547,707
Excess of Revenues Over (Under) Expenditures	\$ 23,902	\$ 226	\$ 24,128
Fund Balance - January 1	269,558	180,244	449,802
Fund Balance - December 31	\$ 293,460	\$ 180,470	\$ 473,930

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

	<u>County Homes</u>	<u>Ditch</u>	<u>Gravel Reserve Tax</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-1)</u>
<u>Assets</u>					
Cash and pooled investments	\$ 74,233	\$ 129,777	\$ 137,870	\$ -	\$ 341,880
Undistributed cash in agency funds	-	1,460	-	23,386	24,846
Taxes receivable delinquent	-	-	-	864	864
Special assessments receivable					
Delinquent	-	1,113	-	-	1,113
Noncurrent	-	90,972	-	-	90,972
Accounts receivable	34	-	5,898	41,986	47,918
Due from other funds	35	-	-	-	35
Total Assets	\$ 74,302	\$ 223,322	\$ 143,768	\$ 66,236	\$ 507,628
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 1,157	\$ 2,040	\$ -	\$ 14,848	\$ 18,045
Due to other funds	-	-	-	4,915	4,915
Due to other governments	-	-	36,956	22,025	58,981
Customer deposits	3,648	-	-	-	3,648
Total Liabilities	\$ 4,805	\$ 2,040	\$ 36,956	\$ 41,788	\$ 85,589
Deferred Inflows of Resources					
Unavailable revenue	\$ -	\$ 92,042	\$ -	\$ 36,537	\$ 128,579
Fund Balances					
Restricted for					
Gravel pit postclosure	\$ -	\$ -	\$ 106,812	\$ -	\$ 106,812
Ditch maintenance and construction	-	178,613	-	-	178,613
Assigned to					
County homes	69,497	-	-	-	69,497
Unassigned	-	(49,373)	-	(12,089)	(61,462)
Total Fund Balances	\$ 69,497	\$ 129,240	\$ 106,812	\$ (12,089)	\$ 293,460
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 74,302	\$ 223,322	\$ 143,768	\$ 66,236	\$ 507,628

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>County Homes</u>	<u>Ditch</u>	<u>Gravel Reserve Tax</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-2)</u>
Revenues					
Taxes	\$ -	\$ -	\$ 55,817	\$ 47,575	\$ 103,392
Special assessments	-	49,563	-	-	49,563
Licenses and permits	-	-	-	300	300
Intergovernmental	-	-	-	66,766	66,766
Charges for services	-	-	-	293,257	293,257
Miscellaneous	30,161	-	-	-	30,161
Total Revenues	\$ 30,161	\$ 49,563	\$ 55,817	\$ 407,898	\$ 543,439
Expenditures					
Current					
General government	\$ 23,134	\$ -	\$ -	\$ -	\$ 23,134
Sanitation	-	-	-	419,588	419,588
Conservation of natural resources	-	39,859	36,956	-	76,815
Total Expenditures	\$ 23,134	\$ 39,859	\$ 36,956	\$ 419,588	\$ 519,537
Excess of Revenues Over (Under) Expenditures	\$ 7,027	\$ 9,704	\$ 18,861	\$ (11,690)	\$ 23,902
Fund Balance - January 1	62,470	119,536	87,951	(399)	269,558
Fund Balance - December 31	\$ 69,497	\$ 129,240	\$ 106,812	\$ (12,089)	\$ 293,460

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY HOMES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 27,720	\$ 27,720	\$ 30,161	\$ 2,441
Expenditures				
Current				
General government				
Low-income housing	24,100	24,100	23,134	966
Excess of Revenues Over (Under)				
Expenditures	\$ 3,620	\$ 3,620	\$ 7,027	\$ 3,407
Fund Balance - January 1	<u>62,470</u>	<u>62,470</u>	<u>62,470</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 66,090</u>	<u>\$ 66,090</u>	<u>\$ 69,497</u>	<u>\$ 3,407</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 48,880	\$ 48,880	\$ 47,575	\$ (1,305)
Licenses and permits	400	400	300	(100)
Intergovernmental	58,627	58,627	66,766	8,139
Charges for services	270,000	270,000	293,257	23,257
Total Revenues	\$ 377,907	\$ 377,907	\$ 407,898	\$ 29,991
Expenditures				
Current				
Sanitation				
Recycling	\$ 90,707	\$ 90,707	\$ 94,910	\$ (4,203)
Landfill	22,000	22,000	22,000	-
Fosston incinerator	240,099	240,099	281,653	(41,554)
Household hazardous waste	19,086	19,086	21,025	(1,939)
Total Expenditures	\$ 371,892	\$ 371,892	\$ 419,588	\$ (47,696)
Excess of Revenues Over (Under)				
Expenditures	\$ 6,015	\$ 6,015	\$ (11,690)	\$ (17,705)
Fund Balance - January 1	(399)	(399)	(399)	-
Fund Balance - December 31	\$ 5,616	\$ 5,616	\$ (12,089)	\$ (17,705)

**NORMAN COUNTY
ADA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

State Revenue - to account for the collection and payment of amounts due to the state.

Taxes and Penalties - to account for the collection of taxes and penalties and their payment to the various taxing districts.

Watershed - to account for the collection and payments of amounts to the watershed.

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>7,568</u>	\$ <u>465,883</u>	\$ <u>460,655</u>	\$ <u>12,796</u>
<u>Liabilities</u>				
Due to other funds	\$ 345	\$ 484	\$ 345	\$ 484
Due to other governments	<u>7,223</u>	<u>465,399</u>	<u>460,310</u>	<u>12,312</u>
Total Liabilities	\$ <u>7,568</u>	\$ <u>465,883</u>	\$ <u>460,655</u>	\$ <u>12,796</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>174,486</u>	\$ <u>5,047,560</u>	\$ <u>5,014,251</u>	\$ <u>207,795</u>
<u>Liabilities</u>				
Due to other governments	\$ 153,910	\$ 5,003,739	\$ 4,965,104	\$ 192,545
Funds held in trust	<u>20,576</u>	<u>43,821</u>	<u>49,147</u>	<u>15,250</u>
Total Liabilities	\$ <u>174,486</u>	\$ <u>5,047,560</u>	\$ <u>5,014,251</u>	\$ <u>207,795</u>
 <u>WATERSHED</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>2,306</u>	\$ <u>466,254</u>	\$ <u>468,560</u>	\$ <u>-</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>2,306</u>	\$ <u>466,254</u>	\$ <u>468,560</u>	\$ <u>-</u>

**NORMAN COUNTY
ADA, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 184,360	\$ 5,979,697	\$ 5,943,466	\$ 220,591
<u>Liabilities</u>				
Due to other funds	\$ 345	\$ 484	\$ 345	\$ 484
Due to other governments	163,439	5,935,392	5,893,974	204,857
Funds held in trust	20,576	43,821	49,147	15,250
Total Liabilities	\$ 184,360	\$ 5,979,697	\$ 5,943,466	\$ 220,591

SCHEDULES

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2014**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits and Investments			
Unrestricted			
Cash on hand	N/A	N/A	\$ 4,900
Noninterest-bearing checking (1)	N/A	Continuous	45,512
Interest-bearing checking (2)	0.01%	Continuous	1,965,469
Money market checking (1)	0.15%	Continuous	2,000,000
Certificates of deposit (2)	0.13% to 0.15%	June 18, 2015 to June 30, 2015	<u>1,000,000</u>
Total unrestricted			\$ 5,015,881
Restricted for real estate tax shortfall			
Certificates of deposit (3)	0.12% to 0.17%	December 22, 2015	<u>61,760</u>
Total Deposits and Investments			<u><u>\$ 5,077,641</u></u>

**NORMAN COUNTY
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2014**

	Assets					
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		Advance To Watershed	Total
			Delinquent	Noncurrent		
County Ditches						
5	\$ 2,501	\$ 28	\$ -	\$ 1,267	\$ -	\$ 3,796
6	689	-	-	301	-	990
7	15,763	233	1	-	-	15,997
8	(23,204)	37	-	8,400	-	(14,767)
9	(4,601)	424	14	4,829	-	666
14	2,252	3	-	302	-	2,557
17	2,684	6	1	320	-	3,011
22	8,053	-	-	2,116	-	10,169
23	2,749	-	-	-	-	2,749
24	2,961	28	-	326	-	3,315
25	(8,839)	433	5	16,787	-	8,386
26	147	-	-	63	-	210
28 & 3	392	-	-	68	-	460
29	788	5	31	1,122	-	1,946
29 Lat. 1	2,854	-	2	647	-	3,503
31	4,200	-	-	-	-	4,200
33	23,510	75	-	4,420	-	28,005
34	24,588	33	2	505	-	25,128
36	3,367	-	-	332	-	3,699
39	125	-	-	231	-	356
40	3,525	-	-	559	-	4,084
41	(3,411)	-	-	2,875	-	(536)
42	14,194	-	1	-	-	14,195
46	1,115	-	-	-	-	1,115
47	7,668	-	-	-	-	7,668
49	3,848	12	73	511	-	4,444
62	2,900	10	35	282	-	3,227
65	4,858	-	-	1,021	-	5,879
69	7,385	69	938	1,542	-	9,934
73	15,182	-	-	1,963	-	17,145
75	2,642	-	-	-	-	2,642
Borup State Ditch	60	-	-	-	-	60
Judicial Ditches						
54 South	(10,276)	64	10	40,183	-	29,981
55	19,108	-	-	-	-	19,108
Watershed Ditches						
Project 43 - Perley	13,694	179	518	10,354	2,904	27,649
Project 44 - Hendum	46,731	276	1,417	47,525	116,107	212,056
Total	\$ 190,202	\$ 1,915	\$ 3,048	\$ 148,851	\$ 119,011	\$ 463,027

EXHIBIT E-2

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows, and Fund Balances
Accounts Payable	Unavailable Revenue	Total	Nonspendable Advance to Watershed	Restricted for Debt Service	Restricted for Ditch Maintenance and Construction	Unassigned	Total	
\$ -	\$ 1,267	\$ 1,267	\$ -	\$ -	\$ 2,529	\$ -	\$ 2,529	\$ 3,796
-	301	301	-	-	689	-	689	990
-	1	1	-	-	15,996	-	15,996	15,997
-	8,400	8,400	-	-	-	(23,167)	(23,167)	(14,767)
-	4,843	4,843	-	-	-	(4,177)	(4,177)	666
-	302	302	-	-	2,255	-	2,255	2,557
-	320	320	-	-	2,691	-	2,691	3,011
-	2,116	2,116	-	-	8,053	-	8,053	10,169
-	-	-	-	-	2,749	-	2,749	2,749
-	326	326	-	-	2,989	-	2,989	3,315
-	16,792	16,792	-	-	-	(8,406)	(8,406)	8,386
-	63	63	-	-	147	-	147	210
-	68	68	-	-	392	-	392	460
120	1,122	1,242	-	-	704	-	704	1,946
-	647	647	-	-	2,856	-	2,856	3,503
-	-	-	-	-	4,200	-	4,200	4,200
-	4,420	4,420	-	-	23,585	-	23,585	28,005
-	507	507	-	-	24,621	-	24,621	25,128
-	332	332	-	-	3,367	-	3,367	3,699
-	231	231	-	-	125	-	125	356
-	559	559	-	-	3,525	-	3,525	4,084
-	2,875	2,875	-	-	-	(3,411)	(3,411)	(536)
120	1	121	-	-	14,074	-	14,074	14,195
-	-	-	-	-	1,115	-	1,115	1,115
-	-	-	-	-	7,668	-	7,668	7,668
-	577	577	-	-	3,867	-	3,867	4,444
-	315	315	-	-	2,912	-	2,912	3,227
-	1,021	1,021	-	-	4,858	-	4,858	5,879
-	2,480	2,480	-	-	7,454	-	7,454	9,934
-	1,963	1,963	-	-	15,182	-	15,182	17,145
-	-	-	-	-	2,642	-	2,642	2,642
-	-	-	-	-	60	-	60	60
-	40,193	40,193	-	-	-	(10,212)	(10,212)	29,981
1,800	-	1,800	-	-	17,308	-	17,308	19,108
-	10,799	10,799	2,904	13,946	-	-	16,850	27,649
-	48,436	48,436	116,107	47,513	-	-	163,620	212,056
\$ 2,040	\$ 151,277	\$ 153,317	\$ 119,011	\$ 61,459	\$ 178,613	\$ (49,373)	\$ 309,710	\$ 463,027

**NORMAN COUNTY
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2014**

	<u>Assets</u>					
	<u>Cash and Pooled Investments</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable</u>		<u>Advance To Watershed</u>	<u>Total</u>
			<u>Delinquent</u>	<u>Noncurrent</u>		
Presented as						
Ditch Special Revenue Fund	\$ 129,777	\$ 1,460	\$ 1,113	\$ 90,972	\$ -	\$ 223,322
Ditch Debt Service Fund	60,425	455	1,935	57,879	119,011	239,705
Total	<u>\$ 190,202</u>	<u>\$ 1,915</u>	<u>\$ 3,048</u>	<u>\$ 148,851</u>	<u>\$ 119,011</u>	<u>\$ 463,027</u>

EXHIBIT E-2
(Continued)

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows, and Fund Balances
Accounts Payable	Unavailable Revenue	Total	Nonspendable Advance to Watershed	Restricted for Debt Service	Restricted for Ditch Maintenance and Construction	Unassigned	Total	
\$ 2,040	\$ 92,042	\$ 94,082	\$ -	\$ -	\$ 178,613	\$ (49,373)	\$ 129,240	\$ 223,322
-	59,235	59,235	119,011	61,459	-	-	180,470	239,705
\$ 2,040	\$ 151,277	\$ 153,317	\$ 119,011	\$ 61,459	\$ 178,613	\$ (49,373)	\$ 309,710	\$ 463,027

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Shared Revenue

State

Highway users tax	\$ 3,815,449
County program aid	149,707
PERA rate reimbursement	13,183
Disparity reduction aid	15,681
Police aid	32,368
Aquatic invasive species aid	3,905
Market value credit	89,046
	89,046

Total shared revenue **\$ 4,119,339**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 232,993
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Payments

Local

Payments in lieu of taxes	\$ 31,134
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Grants

State

Minnesota Department/Board of	
Public Safety	\$ 168,336
Transportation	246,894
Natural Resources	57,975
Trial Courts	748
Historical Society	100,000
Human Services	416,718
Revenue	3,529
Veterans Affairs	7,500
Water and Soil Resources	114,855
Pollution Control Agency	63,803
Peace Officer Standards and Training Board	1,287
	1,287

Total state **\$ 1,181,645**

Federal

Department of	
Agriculture	\$ 91,181
Housing and Urban Development	26,989
Transportation	12,958
Health and Human Services	551,407
Homeland Security	123,300
	123,300

Total federal **\$ 805,835**

Total state and federal grants **\$ 1,987,480**

Total Intergovernmental Revenue **\$ 6,370,946**

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ <u>91,181</u>
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ <u>26,989</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	\$ 8,658
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>4,300</u>
Total U.S. Department of Transportation		\$ <u>12,958</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 2,887
Temporary Assistance for Needy Families	93.558	80,751
Child Support Enforcement	93.563	82,820
Refugee and Entrant Assistance - State-Administered Programs	93.566	421
Child Care and Development Block Grant	93.575	2,731
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1,903
Foster Care Title IV-E	93.658	30,826
Social Services Block Grant	93.667	71,520
Chafee Foster Care Independence Program	93.674	3,670
Children's Health Insurance Program	93.767	37
Medical Assistance Program	93.778	257,529
Passed Through Minnesota Department of Human Services and Polk County Block Grants for Community Mental Health Services	93.958	<u>16,312</u>
Total U.S. Department of Health and Human Services		\$ <u>551,407</u>
Total Federal Awards		\$ <u>682,535</u>

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**NORMAN COUNTY
ADA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Norman County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Norman County, it is not intended to and does not present the financial position or changes in net position of Norman County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 805,835
Grants received more than 60 days after year-end, deferred in 2014	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	35,177
Grants unavailable in 2013, recognized as revenue in 2014	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	<u>(158,477)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 682,535</u>

**NORMAN COUNTY
ADA, MINNESOTA**

5. Subrecipients

Of the expenditures presented in the schedule, Norman County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	\$ 26,989

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**NORMAN COUNTY
ADA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	CFDA #14.228
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-006

Segregation of Duties

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

Condition: Due to the limited number of personnel within several Norman County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The Auditor-Treasurer's Office generally tries to segregate the record-keeping function from the custody function. However, due to breaks, vacations, and illness, staff assigned record-keeping responsibilities may be required to assist in receipting collections, and staff assigned the custody functions may be required to assist in posting. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

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

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

Cause: The County informed us that it believes it is more efficient to have fees specific to the services provided by a department collected within that department and periodically remit those fees to the Treasurer's Office. The County combined the Auditor-Treasurer position several years ago to reduce costs by limiting staff.

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

Client's Response:

We will continue to work on this.

Finding 2011-001

Network/Application Password Controls

Criteria: County management is responsible for the County's internal controls over its information systems. This requires establishing security policies and performing assessments of existing controls to determine if the internal controls established are still effective or if changes are needed to ensure County data is protected as prescribed by management.

Condition: Norman County uses the Integrated Financial System-Platform Independent (IFS-PI) application software for its general ledger. This application was written as a web-based application and may be run on a server or a mainframe system. Norman County contracts with a vendor for use of space on a mainframe IBM I Series system. For an employee of Norman County to access the IFS-PI application, the user must be signed on to the County network and have a current sign-on for the IFS-PI application. The network sign-on differs from the sign-on for the IBM I Series system, so the mainframe security settings do not apply to the application. Norman County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

Context: The IFS-PI application is the general ledger for Norman County. Detailed receipt and disbursement transactions as well as budget information are maintained on the IFS-PI application throughout the year. This information is used by management to monitor the resources available and make decisions based on the available resources. At or near year-end, certain accrual information is also recorded in the application. The information maintained within the IFS-PI application is the key source of information used for the preparation of the County's annual financial statements. Norman County uses other web-based applications that should also be considered; however, those applications are not key applications for financial reporting.

Effect: Normal password controls in place in the IBM I Series system are not effective for the IFS-PI application and other web-based applications, so a review of each web-based application controls and County network controls is imperative to ensure passwords are working as intended.

Cause: Norman County updated to the IFS-PI application software. Although County management was made aware of some of the password implications of this change during the previous audit, the County could not provide assurance that network controls were reviewed.

Recommendation: We recommend Norman County management review password controls in place that limit access to any of the web-based applications used by the County to ensure they are appropriate to protect the County data as prescribed by management.

Finding 2013-001

Sheriff's Departmental Control Procedures

Criteria: Deposits for fees collected should be deposited timely. Evidence obtained should be logged, tagged, and stored in a secure area.

Condition: During our follow up on previously reported control procedures within the Sheriff's Department, we noted improvements in maintaining the check registers and bank reconciliations up to date with no unreconciled differences, however there are two unresolved weaknesses in departmental control procedures. They are as follows:

- During our review of collections and deposits for the month of July 2014, we noted that certain fees collected were not deposited until October. Fees collected for fingerprinting or background checks in July in the amount of \$15 were not deposited until October 2, 2014. All of the fees collected for civil process in July of \$747 were not deposited until October 10, 2014.
- During our review of evidence, we noted two items in the evidence room were tagged but not listed on the evidence inventory listing. One item on the inventory list had been released to the owner, but the release was not indicated on the inventory listing, and the item was not removed from the listing. We also noted one item on the list did not have a case number tag with it.

Context: The establishment and oversight of departmental control procedures is particularly important because, generally, smaller departments lack proper segregation of duties, which increases the risk of errors or fraud.

Effect: Internal control procedures assumed to be in place may not be working as intended to ensure accounting records are properly maintained and compared with the underlying items they represent. If the internal controls are not working as intended, there is increased risk that errors or fraud could occur and not be detected timely.

Cause: The County Board relies on management within the individual departments to ensure proper internal controls have been established and are working as intended. Although individual department managers may be aware certain control procedures should be performed, they are provided only limited formal guidance documenting the internal control policies and procedures and the consequences for not complying with those policies and procedures.

Recommendation: Norman County's management should implement oversight and monitoring procedures to ensure that internal control policies and procedures are being implemented by staff.

The Office of the State Auditor has a Statement of Position 2007-1010 which discusses the importance of internal controls. It can be found on our website, state.auditor@state.mn.us, along with other useful information, and may offer additional guidance.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (2006-002)

During our previous audit, material audit adjustments were proposed and recorded in the financial statements. These adjustments resulted in significant changes to the County's financial statements.

Resolution

The County implemented internal controls to eliminate material audit adjustments during the current year. During the 2014 audit, no material adjustments were identified.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 2013-002

Supervisory Review Over Eligibility - Intake Function

Program: U.S. Department of Health and Human Services' Medical Assistance Grant (CFDA No. 93.778)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. During our testing of controls over Medical Assistance case files, we noted no documented review process of case files by a supervisor.

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

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

Effect: The lack of case file reviews by a program supervisor or other person with knowledge of the program’s case files increases the risk that clients will receive benefits when they are not eligible.

Cause: Supervising staff indicated that they had been short-staffed so reviews were not done due to time constraints. The County recently hired for one replacement position and one new position.

Recommendation: We recommend Norman County establish a process for reviewing a sample of case files periodically by a program supervisor or other person with knowledge of the program to ensure that all the required information affecting eligibility is obtained, correctly entered into MAXIS, and is retained in the manual case file. We further recommend that those reviews be documented and retained.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Mary Doyea, Financial Assistance Specialist

Corrective Action Planned:

Begin with a random review of MAXIS cases in May 2015 and again in November 2015. Beginning in 2016, the reviews will be conducted on a quarterly basis.

Anticipated Completion Date:

May 31, 2015

Finding 2013-003

Income Maintenance DHS-2550/Social Services DHS-2556 Reporting

Programs: U.S. Department of Health and Human Services' Medical Assistance (CFDA No. 93.778)

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: Amounts reported for reimbursement should be accurate and agree with the accounting records.

Condition: During our testing of DHS-2550 and DHS-2556 quarterly reports for Medical Assistance, we noted expenditures reported on the DHS-2550 quarterly report for the second quarter were understated by \$987 and expenditures reported on the DHS-2556 quarterly report for the fourth quarter were understated by \$25,000. This condition continues to apply to Child Support Enforcement (CFDA No. 93.563) as reported in 2013.

Questioned Costs: None.

Context: The amount of federal administrative reimbursements through DHS for several programs is determined based on the reporting done through the quarterly Income Maintenance DHS-2550 and Social Services DHS-2556 reports. Upon being told of these differences, the County submitted revised 2550s and 2556s to DHS.

Effect: Left uncorrected, understating eligible expenditures on the DHS-2550 and DHS-2556 reports would result in the County receiving less federal revenue than it was entitled to.

Cause: The second quarter DHS-2550 error, of under-reporting expenditures in the amount of \$987, was caused by the County not reporting the Title IV-D 6200s, 6300s, and 6400s expenditures for the quarter. The fourth quarter DHS-2556 error of under-reporting expenditures in the amount of \$25,000 resulted from a receipt shown as expenditure offset that should not have been reflected on the DHS 2556 report.

Recommendation: We recommend Norman County report only amounts that agree with the accounting records. We recommend that before reports are submitted for reimbursement, they be reviewed and reconciled to the accounting records by a supervisor or someone familiar with the program.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

David Stene, Fiscal Supervisor

Corrective Action Planned:

Resubmitted the respective DHS-2550 and DHS-2556 reports. Will in the future call DHS if I have a question on how any expenditure or receipt should be handled so the amounts will agree with County records.

Anticipated Completion Date:

January 26, 2015

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-001

Ditch Fund Cash Deficits

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

Condition: Five of the 36 individual ditch systems had deficit cash balances totaling \$50,331 at December 31, 2014. This amount remained approximately the same as the prior year, when we reported that 4 of the 36 individual ditch systems had deficit cash balances totaling \$50,712.

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

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

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

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

Client's Response:

We will continue to monitor these until they comply.

Finding 2011-002

Special Revenue Funds Cash Balance Deficits

Criteria: As stated in Minn. Stat. § 385.04, payment of expenditures may be made only if money is available in the fund for that purpose. As provided by Minn. Stat. § 385.32, temporary fund transfers may be made with the approval of the County Board and County Auditor-Treasurer. The County Board has oversight responsibilities for the property, funds, and business of the County. The Board should be notified if a fund does not have sufficient money available to cover expenditures and provide temporary or permanent resources as needed for the fund.

Condition: At December 31, 2014, the Road and Bridge Special Revenue Fund had a deficit cash balance of \$345,355, and the Solid Waste Special Revenue Fund had a deficit cash balance of \$4,915.

Context: The deficit cash balance in the Road and Bridge Special Revenue Fund improved by \$348,183 during 2014, and the deficit cash balance in the Solid Waste Special Revenue Fund declined by \$3,570 during 2014. When the County allows disbursements from a fund that causes or already has a cash balance deficit, cash from other funds to cover the disbursement are borrowed interest-free.

Effect: Allowing payment of expenditures from the Road and Bridge and the Solid Waste Special Revenue Funds when cash balances were not available in those funds resulted in deficit cash balances in these funds, which is inconsistent with Minn. Stat. § 385.04.

Cause: Expenditures for projects are paid for in advance of the anticipated federal and state reimbursements. The Road and Bridge Special Revenue Fund did not have sufficient resources to cover these expenditures. The Solid Waste Special Revenue Fund had excess expenditures over revenues of \$11,690 in 2014.

Recommendation: We recommend Norman County borrow from another fund as provided by Minn. Stat. § 385.32 when the cash balances are so low as to cause the fund to have a cash deficit.

Client's Response:

We will work to correct this.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-002

Individual Ditch System Equity Balance Deficits

Criteria: Within each ditch system, assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance. Through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance for the repair costs of a ditch system not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is greater.

Condition: As of December 31, 2014, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

Context: Five of the 36 individual ditch systems had deficit fund balances as of December 31, 2014, totaling \$49,373, the largest being \$23,167. Two of the ditch systems have sufficient current levies to cover the deficit; however, the other three ditch systems do not.

Effect: Allowing a ditch system to maintain a deficit fund balance, in effect, constitutes an interest-free loan from other individual ditch systems.

Cause: Ditch expenditures were necessary, and the ditch levies were not sufficient to cover all costs.

Recommendation: We recommend Norman County eliminate the ditch fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair costs of a ditch system.

Client's Response:

We will continue to monitor these until they comply.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The employer's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Norman County’s financial statements is an accounting estimate of the proportionate share of PERA’s unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



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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
Norman County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 20, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-006, 2011-001, and 2013-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Norman County had no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Norman County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 1996-001 and 2011-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe the recommendation and information to be of benefit to the County, and they are reported for that purpose.

Norman County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 20, 2015

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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
Norman County

Report on Compliance for Each Major Federal Program

We have audited Norman County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Norman County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Norman County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003. Our opinion on each major federal program is not modified with respect to this matter.

Norman County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Norman County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2013-003, that we consider to be significant deficiencies.

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 20, 2015