# STATE OF MINNESOTA
## Office of the State Auditor

**Rebecca Otto**
**State Auditor**

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**NORMAN COUNTY**
**ADA, MINNESOTA**

YEAR ENDED DECEMBER 31, 2015

# Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 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

## Year Ended December 31, 2015

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

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**ADA, MINNESOTA**

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**NORMAN COUNTY**
**ADA, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2015

| | | | Term Expires |
|---|---|---|---|
| Elected | | | |
| Commissioners | | | |
| Board Member | Marvin Gunderson | District 1 | January 2017 |
| Board Member | Nathan Redland | District 2 | January 2019 |
| Vice Chair | Steve Jacobson | District 3 | January 2017 |
| Chair | Lee Ann Hall | District 4 | January 2019 |
| Board Member | Steven Bommersbach | District 5 | January 2017 |
| Attorney | James Brue | | January 2019 |
| Auditor-Treasurer | Richard D. Munter | | January 2019 |
| County Recorder | Kari Aanenson | | January 2019 |
| Registrar of Deeds | Kari Aanenson | | January 2019 |
| County Sheriff | Jeremy Thornton | | January 2019 |
| Appointed | | | |
| Assessor | Jill Murray | | December 2016 |
| County Engineer | Jerilyn Swenson* | | May 2016 |
| Coroner | Dr. Mary Ann Sens | | Indefinite |
| Court Administrator | Camille Bessler | | Indefinite |
| Emergency Services | Garry Johanson | | May 2016 |
| Veterans Service Officer | John Rosenberger | | December 2016 |
| Social Services Board | | | |
| Chair | Lee Ann Hall | | January 2019 |
| Vice Chair | Steve Jacobson | | January 2017 |
| Secretary | Carol Sorenson | | May 2017 |
| Member | Marvin Gunderson | | January 2017 |
| Member | Nathan Redland | | January 2019 |
| Member | Steven Bommersbach | | January 2017 |
| Member | Marian Cerkowniak | | May 2016 |
| Director | Kristi Nelson | | Indefinite |

*Jerilynn Swenson was appointed to fill out the previous Engineer's term when he resigned.

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# Financial Section

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**STATE OF MINNESOTA**
**OFFICE OF THE STATE AUDITOR**

REBECCA OTTO
STATE AUDITOR

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# INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Norman County
Ada, Minnesota

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and by GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 April 27, 2016, 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 the Uniform Guidance**

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

| | |
|---|---|
| */s/Rebecca Otto* | */s/Greg Hierlinger* |
| REBECCA OTTO<br>STATE AUDITOR | GREG HIERLINGER, CPA<br>DEPUTY STATE AUDITOR |

April 27, 2016

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# MANAGEMENT’S DISCUSSION AND ANALYSIS

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**NORMAN COUNTY**
**ADA, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(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, 2015. 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 $63,257,065 at the close of 2015. Of this amount, $2,575,495 (unrestricted net position) may be used to meet Norman County's ongoing obligations to citizens and creditors.

The County's net position increased by $3,565,889 for the year ended December 31, 2015, after restatement for Governmental Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the restatement can be found in Note 1.E. to the financial statements.

At the close of 2015, Norman County's governmental funds reported combined ending fund balances of $6,427,218, an increase of $806,256 in comparison with the prior year.

At the close of 2015, unrestricted fund balance for the General Fund was $3,700,517, or 97.9 percent of total General Fund expenditures.

Norman County currently has $208,300 of bonded indebtedness. The money was used for the Perley and Hendrum dike projects completed summer 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 financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 balance 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 $63,257,065 at the close of 2015. The largest portion of Norman County's net position (90 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**

| | 2015 | 2014 |
|---|---|---|
| Assets | | |
| Current and other assets | $ 10,363,258 | $ 8,787,591 |
| Capital assets | 56,886,088 | 54,820,901 |
| Total Assets | $ 67,249,346 | $ 63,608,490 |
| Deferred Outflows of Resources | | |
| Deferred pension outflows | $ 438,497 | $ - |
| Liabilities | | |
| Long-term liabilities outstanding | $ 3,599,651 | $ 798,650 |
| Other liabilities | 497,316 | 539,860 |
| Total Liabilities | $ 4,096,967 | $ 1,338,510 |
| Deferred Inflows of Resources | | |
| Deferred pension inflows | $ 333,811 | $ - |
| Net Position | | |
| Investment in capital assets | $ 56,886,088 | $ 54,820,901 |
| Restricted | 3,795,482 | 2,854,545 |
| Unrestricted | 2,575,495 | 4,594,536 |
| Total Net Position, as reported | $ 63,257,065 | $ 62,269,982 |
| Change in accounting principle* | | (2,578,806) |
| Total Net Position, as restated | | $ 59,691,176 |

*This is the first year the County implemented the new pension accounting and financial reporting standards in GASB Statements 68 and 71. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

The unrestricted net position amount of $2,575,495 as of December 31, 2015, may be used to meet the County's ongoing obligations to citizens and creditors.

## Governmental Activities

Norman County's activities increased net position by $3,565,889, or 5.97 percent, over the 2014 net position, after the restatement for GASB Statements 68 and 71. The key element of the increase was an increase in capital assets.

**Changes in Net Position**

| | 2015 | 2014 |
|---|---|---|
| Revenues | | |
| Program revenues | | |
| Charges for services | $ 1,234,328 | $ 1,230,810 |
| Operating grants and contributions | 5,929,667 | 5,592,132 |
| Capital grants and contributions | 1,549,529 | 374,631 |
| General revenues | | |
| Property taxes | 5,139,111 | 4,635,532 |
| Gravel taxes | 62,565 | 97,109 |
| Wheelage tax | 84,952 | 78,569 |
| Grants and contributions not restricted to specific programs | 341,974 | 267,617 |
| Other | 265,350 | 198,040 |
| Total Revenues | $ 14,607,476 | $ 12,474,440 |
| Expenses | | |
| General government | $ 1,738,411 | $ 1,779,083 |
| Public safety | 1,523,740 | 1,416,834 |
| Highways and streets | 4,330,717 | 4,117,156 |
| Sanitation | 398,696 | 424,620 |
| Human services | 2,298,381 | 2,276,425 |
| Health | 317,518 | 316,138 |
| Culture and recreation | 110,279 | 127,342 |
| Conservation of natural resources | 304,558 | 427,613 |
| Economic development | 10,507 | 26,989 |
| Interest | 8,780 | 9,273 |
| Total Expenses | $ 11,041,587 | $ 10,921,473 |
| Increase (Decrease) in Net Position | $ 3,565,889 | $ 1,552,967 |
| Net Position, January 1, as restated | 59,691,176* | 60,717,015 |
| Net Position, December 31 | $ 63,257,065 | $ 62,269,982 |

*Amount includes a change in accounting principles.

## 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 $6,427,218, an increase of $806,256 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 $3,700,517, while total fund balance was $4,155,593. 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 97.9 percent of total General Fund expenditures. The County Board has determined that the County should maintain minimum unrestricted fund balance of 16.0 percent of the total General Fund expenditures. At December 31, 2015, the unrestricted fund balance of the General Fund is well above the minimum balance established by the Board. In 2015, fund balance in the General Fund increased by $440,932.

The Road and Bridge Special Revenue Fund's fund balance increased by $245,054 in 2015.

The Social Services Special Revenue Fund's balance increased by $37,154 in 2015.

### General Fund Budgetary Highlights

The actual revenues were higher than budgeted revenues by $200,811, and actual expenditures were lower than budgeted expenditures by $214,426. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure variances were for human resources and unallocated for general government, civil defense for public safety, aquatic invasive species 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, 2015, was $56,886,088 (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 3.77 percent.

**Governmental Capital Assets**
**(Net of Depreciation)**

| | 2015 | 2014 |
|---|---|---|
| Land | $ 928,653 | $ 928,653 |
| Infrastructure | 51,404,409 | 49,435,188 |
| Buildings | 2,212,642 | 2,319,290 |
| Furniture, equipment, and machinery | 2,340,384 | 2,137,770 |
| Total | $ 56,886,088 | $ 54,820,901 |

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 $208,300 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 a slight increase in the state-aid payments, the Norman County budget is balanced for 2015.

- 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, 2015

| | | |
|---|---|---|
| **Assets** | | |
| Cash and pooled investments | $ | 5,803,669 |
| Taxes receivable - delinquent | | 74,295 |
| Special assessments receivable | | |
| Prior - net | | 38,948 |
| Deferred - net | | 112,117 |
| Accounts receivable | | 74,091 |
| Accrued interest receivable | | 787 |
| Due from other governments | | 3,444,744 |
| Inventories | | 690,479 |
| Advance to watershed | | 124,128 |
| Capital assets | | |
| Non-depreciable | | 928,653 |
| Depreciable - net of accumulated depreciation | | 55,957,435 |
| **Total Assets** | **$** | **67,249,346** |
| **Deferred Outflows of Resources** | | |
| Deferred pension outflows | **$** | **438,497** |
| **Liabilities** | | |
| Accounts payable | $ | 154,040 |
| Salaries payable | | 21,479 |
| Contracts payable | | 217,870 |
| Due to other governments | | 94,871 |
| Customer deposits | | 5,425 |
| Accrued interest payable | | 3,631 |
| Long-term liabilities | | |
| Due within one year | | 146,312 |
| Due in more than one year | | 693,425 |
| Net pension liability | | 2,759,914 |
| **Total Liabilities** | **$** | **4,096,967** |
| **Deferred Inflows of Resources** | | |
| Deferred pension inflows | **$** | **333,811** |
| **Net Position** | | |
| Investment in capital assets | $ | 56,886,088 |
| Restricted for | | |
| General government | | 263,334 |
| Public safety | | 191,742 |
| Highways and streets | | 3,019,125 |
| Conservation of natural resources | | 321,281 |
| Unrestricted | | 2,575,495 |
| **Total Net Position** | **$** | **63,257,065** |

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

*EXHIBIT 2*

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

| | Expenses | Program Revenues: Fees, Charges, Fines, and Other | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| **Functions/Programs** | | | | | |
| **Primary government** | | | | | |
| **Governmental activities** | | | | | |
| General government | $ 1,738,411 | $ 212,083 | $ 121,405 | $ - | $ (1,404,923) |
| Public safety | 1,523,740 | 91,082 | 143,811 | - | (1,288,847) |
| Highways and streets | 4,330,717 | 24,656 | 4,208,286 | 1,539,022 | 1,441,247 |
| Sanitation | 398,696 | 281,597 | 69,692 | - | (47,407) |
| Human services | 2,298,381 | 326,838 | 1,290,836 | - | (680,707) |
| Health | 317,518 | 216,100 | - | - | (101,418) |
| Culture and recreation | 110,279 | - | - | - | (110,279) |
| Conservation of natural resources | 304,558 | 81,972 | 95,637 | - | (126,949) |
| Economic development | 10,507 | - | - | 10,507 | - |
| Interest | 8,780 | - | - | - | (8,780) |
| **Total Governmental Activities** | **$ 11,041,587** | **$ 1,234,328** | **$ 5,929,667** | **$ 1,549,529** | **$ (2,328,063)** |

| | |
|---|---|
| **General Revenues** | |
| Property taxes | $ 5,139,111 |
| Gravel taxes | 62,565 |
| Wheelage taxes | 84,952 |
| Grants and contributions not restricted to specific programs | 341,974 |
| Payments in lieu of tax | 40,244 |
| Investment earnings | 4,743 |
| Miscellaneous | 220,363 |
| **Total general revenues** | **$ 5,893,952** |
| **Change in net position** | **$ 3,565,889** |
| **Net Position - Beginning, as restated (Note 1.E.)** | **59,691,176** |
| **Net Position - Ending** | **$ 63,257,065** |

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

# 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, 2015**

| | General | Road and Bridge | Social Services | Nonmajor Funds | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and pooled investments | $ 4,127,090 | $ 55,493 | $ 985,122 | $ 480,873 | $ 5,648,578 |
| Petty cash and change funds | 4,700 | 200 | - | - | 4,900 |
| Undistributed cash in agency funds | 88,688 | 29,075 | 13,386 | 19,042 | 150,191 |
| Taxes receivable - delinquent | 44,318 | 19,723 | 9,539 | 715 | 74,295 |
| Special assessments receivable | | | | | |
| Delinquent | 36,733 | - | - | 2,215 | 38,948 |
| Noncurrent | - | - | - | 112,117 | 112,117 |
| Accounts receivable | 26,534 | 2,069 | 152 | 45,336 | 74,091 |
| Accrued interest receivable | 787 | - | - | - | 787 |
| Due from other funds | 804 | 9,351 | 2,183 | - | 12,338 |
| Due from other governments | 18,921 | 3,255,151 | 169,868 | - | 3,443,940 |
| Inventories | - | 690,479 | - | - | 690,479 |
| Advance to watershed | - | - | - | 124,128 | 124,128 |
| **Total Assets** | **$ 4,348,575** | **$ 4,061,541** | **$ 1,180,250** | **$ 784,426** | **$ 10,374,792** |

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

NORMAN COUNTY
ADA, MINNESOTA

*EXHIBIT 3*
*(Continued)*

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

| | General | Road and Bridge | Social Services | Nonmajor Funds | Total |
|---|---|---|---|---|---|
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable | $ 74,811 | $ 10,785 | $ 49,970 | $ 18,474 | $ 154,040 |
| Salaries payable | 17,071 | - | 4,408 | - | 21,479 |
| Contracts payable | - | 217,870 | - | - | 217,870 |
| Due to other funds | 10,453 | - | - | 1,081 | 11,534 |
| Due to other governments | 19,316 | 533 | 26,223 | 48,799 | 94,871 |
| Customer deposits | 1,100 | - | - | 4,325 | 5,425 |
| **Total Liabilities** | **$ 122,751** | **$ 229,188** | **$ 80,601** | **$ 72,679** | **$ 505,219** |
| **Deferred Inflows of Resources** | | | | | |
| Unavailable revenue | **$ 70,231** | **$ 3,209,527** | **$ 7,896** | **$ 154,701** | **$ 3,442,355** |
| **Fund Balances** | | | | | |
| Nonspendable | | | | | |
| Inventories | $ - | $ 690,479 | $ - | $ - | $ 690,479 |
| Advance to watershed | - | - | - | 124,128 | 124,128 |
| Restricted for | | | | | |
| Debt service | - | - | - | 55,289 | 55,289 |
| Law library | 46,539 | - | - | - | 46,539 |
| Recorder's technology equipment | 85,089 | - | - | - | 85,089 |
| Real estate tax shortfall | 61,760 | - | - | - | 61,760 |
| E-911 | 157,517 | - | - | - | 157,517 |
| Recorder's compliance | 60,242 | - | - | - | 60,242 |
| Gravel pit postclosure | - | - | - | 105,698 | 105,698 |
| County state-aid highway system | - | 238,131 | - | - | 238,131 |
| Ditch maintenance and construction | - | - | - | 215,583 | 215,583 |
| By donors for specific purposes - K9 | 10,656 | - | - | - | 10,656 |
| Sheriff forfeitures | 23,569 | - | - | - | 23,569 |
| Attorney forfeitures | 9,704 | - | - | - | 9,704 |
| Committed to | | | | | |
| Township road restoration | - | 208,234 | - | - | 208,234 |
| Sheriff's contingencies | 5,000 | - | - | - | 5,000 |
| Assigned to | | | | | |
| Human services | - | - | 1,091,753 | - | 1,091,753 |
| County homes | - | - | - | 91,902 | 91,902 |
| Unassigned | 3,695,517 | (514,018) | - | (35,554) | 3,145,945 |
| **Total Fund Balances** | **$ 4,155,593** | **$ 622,826** | **$ 1,091,753** | **$ 557,046** | **$ 6,427,218** |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | **$ 4,348,575** | **$ 4,061,541** | **$ 1,180,250** | **$ 784,426** | **$ 10,374,792** |

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

**NORMAN COUNTY**
**ADA, MINNESOTA**

***EXHIBIT 4***

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

| | | |
|---|---|---|
| **Fund balances - total governmental funds (Exhibit 3)** | | **$ 6,427,218** |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | 56,886,088 |
| Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds. | | 438,497 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. | | 3,442,355 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| General obligation bonds | $ (208,300) | |
| Accrued interest payable | (3,631) | |
| Compensated absences | (367,417) | |
| Net OPEB liability | (264,020) | |
| Net pension liability | (2,759,914) | (3,603,282) |
| Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | (333,811) |
| **Net Position of Governmental Activities (Exhibit 1)** | | **$ 63,257,065** |

*EXHIBIT 5*

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

| | General | Road and Bridge | Social Services | Nonmajor Funds | Total |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $ 3,052,709 | $ 1,521,893 | $ 635,789 | $ 83,174 | $ 5,293,565 |
| Special assessments | 213,294 | - | - | 113,215 | 326,509 |
| Licenses and permits | 10,895 | - | - | 600 | 11,495 |
| Intergovernmental | 597,783 | 4,997,512 | 1,341,757 | 73,079 | 7,010,131 |
| Charges for services | 234,832 | 31,519 | 232,432 | 281,991 | 780,774 |
| Fines and forfeits | 9,154 | - | - | - | 9,154 |
| Gifts and contributions | 7,529 | - | - | - | 7,529 |
| Investment earnings | 4,743 | - | - | - | 4,743 |
| Miscellaneous | 89,420 | 135,279 | 88,383 | 35,577 | 348,659 |
| **Total Revenues** | **$ 4,220,359** | **$ 6,686,203** | **$ 2,298,361** | **$ 587,636** | **$ 13,792,559** |
| **Expenditures** | | | | | |
| **Current** | | | | | |
| General government | $ 1,678,974 | $ - | $ - | $ 13,172 | $ 1,692,146 |
| Public safety | 1,440,310 | - | - | - | 1,440,310 |
| Highways and streets | - | 6,117,722 | - | - | 6,117,722 |
| Sanitation | - | - | - | 393,368 | 393,368 |
| Human services | 2,750 | - | 2,259,827 | - | 2,262,577 |
| Health | 317,518 | - | - | - | 317,518 |
| Culture and recreation | 103,128 | - | - | - | 103,128 |
| Conservation of natural resources | 226,240 | - | - | 78,148 | 304,388 |
| Economic development | 10,507 | - | - | - | 10,507 |
| **Intergovernmental** | | | | | |
| Highways and streets | - | 349,493 | - | - | 349,493 |
| **Debt service** | | | | | |
| Principal | - | - | 1,335 | 11,000 | 12,335 |
| Interest | - | - | 45 | 8,832 | 8,877 |
| **Total Expenditures** | **$ 3,779,427** | **$ 6,467,215** | **$ 2,261,207** | **$ 504,520** | **$ 13,012,369** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 440,932** | **$ 218,988** | **$ 37,154** | **$ 83,116** | **$ 780,190** |
| **Fund Balance - January 1** | **3,714,661** | **377,772** | **1,054,599** | **473,930** | **5,620,962** |
| **Increase (decrease) in inventories** | **-** | **26,066** | **-** | **-** | **26,066** |
| **Fund Balance - December 31** | **$ 4,155,593** | **$ 622,826** | **$ 1,091,753** | **$ 557,046** | **$ 6,427,218** |

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

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, 2015**

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds (Exhibit 5)** | | **$ 780,190** |
| 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 | $ 3,946,250 | |
| Current year depreciation | (1,881,063) | 2,065,187 |
| In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue. | | |
| Unavailable revenue - December 31 | $ 3,442,355 | |
| Unavailable revenue - January 1 | (2,630,498) | 811,857 |
| 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 | 1,334 | 12,334 |
| 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 | $ 98 | |
| Change in compensated absences | (5,680) | |
| Change in net OPEB liability | (47,741) | |
| Change in net pension liability, as restated | (60,854) | |
| Change in deferred outflows of resources, as restated | 318,243 | |
| Change in deferred inflows of resources | (333,811) | |
| Change in inventories | 26,066 | (103,679) |
| **Change in Net Position of Governmental Activities (Exhibit 2)** | | **$ 3,565,889** |

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

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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, 2015**

| | Children's Collaborative Investment Trust | Agency |
|---|---|---|
| **Assets** | | |
| Cash and pooled investments | **$ 21,661** | **$ 233,555** |
| **Liabilities** | | |
| Due to other funds | $ - | $ 804 |
| Due to other governments | - | 192,156 |
| Funds held in trust | - | 40,595 |
| **Total Liabilities** | **$ -** | **$ 233,555** |
| **Net Position** | | |
| Net position held in trust for pool participants | **$ 21,661** | |

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

# NORMAN COUNTY
# ADA, MINNESOTA

*EXHIBIT 8*

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## FOR THE YEAR ENDED DECEMBER 31, 2015

| | | Children's Collaborative Investment Trust |
|---|---|---|
| **Additions** | | |
| Contributions from participants | $ | 29,315 |
| **Deductions** | | |
| Pool participant withdrawals | | 26,582 |
| **Change in Net Position** | **$** | **2,733** |
| **Net Position - Beginning of the Year** | | **18,928** |
| **Net Position - End of the Year** | **$** | **21,661** |

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

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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.

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.

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.

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, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2015 were $4,743.

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

1. Summary of Significant Accounting Policies

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

      2. External Investment Pools (Continued)

         regulatory oversight, and the fair value of the position in the pool is the same as the pool shares. Fair value amounts are determined at year-end. The County has not provided or obtained any legally binding guarantees to support the value of the pool.

      3. Receivables and Payables

         Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). 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 because such amounts are not expected to be material.

         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.

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, 2015, was $124,128. 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:

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 and are charged to the department from which the employee resigned or retired.

1. Summary of Significant Accounting Policies

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

9. Pension Plan

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

10. 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 one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and deferred special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred

1. Summary of Significant Accounting Policies

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

10. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly are reported only in the statement of net position.

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

11. 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.

12. Classification of Net Position

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

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.

1. Summary of Significant Accounting Policies

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

13. 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.

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.

1. Summary of Significant Accounting Policies

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

13. Classification of Fund Balances (Continued)

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

14. 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.

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.

15. 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.

1. Summary of Significant Accounting Policies (Continued)

E. Change in Accounting Principles

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

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

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

| | Governmental Activities |
|---|---|
| Net Position, January 1, 2015, as previously reported | $ 62,269,982 |
| Change in accounting principles | (2,578,806) |
| Net Position, January 1, 2015, as restated | $ 59,691,176 |

## 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 $7,690 as of December 31, 2015. The fund balance deficit will be eliminated through future collections.

#### Ditch Fund Deficits

Of 36 drainage systems, 3 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, 2015:

| | | |
|---|---|---|
| Nonspendable fund balance | $ | 124,128 |
| Restricted fund balances | | 270,872 |
| Unassigned fund balances | | (27,864) |
| Total Fund Balances | $ | 367,136 |

### B. Excess of Expenditures Over Budget

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

| | Expenditures | Budget | Excess |
|---|---|---|---|
| Solid Waste Special Revenue Fund | $ 393,368 | $ 370,612 | $ 22,756 |

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

The County's total cash and investments follows:

| | | |
|---|---|---|
| Governmental activities | | |
| Cash and pooled investments | $ | 5,803,669 |
| Fiduciary funds | | |
| Cash and pooled investments | | |
| Investment trust fund | | 21,661 |
| Agency funds | | 233,555 |
| Total Cash and Investments | $ | 6,058,885 |

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, 2015, the County's deposits were not exposed to custodial credit risk.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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, 2015, the County had no investments.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

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

| | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|---|---|---|
| Taxes | $ 74,295 | $ - |
| Special assessments | 151,065 | 112,117 |
| Accounts | 74,091 | - |
| Interest | 787 | - |
| Due from other governments | 3,444,744 | - |
| Advance to watershed | 124,128 | 89,678 |
| Total | $ 3,869,110 | $ 201,795 |

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---|---|---|---|---|
| Capital assets not depreciated | | | | |
| Land | $ 928,653 | $ - | $ - | $ 928,653 |
| Capital assets depreciated | | | | |
| Buildings | $ 4,043,756 | $ - | $ - | $ 4,043,756 |
| Machinery, furniture, and equipment | 5,542,298 | 645,768 | 446,918 | 5,741,148 |
| Infrastructure | 68,742,256 | 3,300,482 | - | 72,042,738 |
| Total capital assets depreciated | $ 78,328,310 | $ 3,946,250 | $ 446,918 | $ 81,827,642 |
| Less: accumulated depreciation for | | | | |
| Buildings | $ 1,724,466 | $ 106,648 | $ - | $ 1,831,114 |
| Machinery, furniture, and equipment | 3,404,528 | 443,154 | 446,918 | 3,400,764 |
| Infrastructure | 19,307,068 | 1,331,261 | - | 20,638,329 |
| Total accumulated depreciation | $ 24,436,062 | $ 1,881,063 | $ 446,918 | $ 25,870,207 |
| Total capital assets depreciated, net | $ 53,892,248 | $ 2,065,187 | $ - | $ 55,957,435 |
| Governmental Activities Capital Assets, Net | $ 54,820,901 | $ 2,065,187 | $ - | $ 56,886,088 |

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

| | | |
|---|---|---|
| General government | $ | 75,027 |
| Public safety | | 74,210 |
| Culture and recreation | | 7,151 |
| Highways and streets, including depreciation of infrastructure assets | | 1,692,553 |
| Human services | | 32,122 |
| Total Depreciation Expense | $ | 1,881,063 |

4. Deferred Outflows of Resources

Deferred outflows of resources - deferred pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. Deferred pension outflows for the year ended December 31, 2015, were $438,497.

B. Interfund Receivables and Payables

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

Due To/From Other Funds

| Receivable Fund | Payable Fund | | Amount |
|---|---|---|---|
| General Fund | Agency funds | $ | 804 |
| Road and Bridge Special Revenue Fund | General Fund | $ | 8,270 |
| | Ditch Special Revenue Fund | | 1,081 |
| Total due to Road and Bridge Special Revenue Fund | | $ | 9,351 |
| Human Services Special Revenue Fund | General Fund | $ | 2,183 |
| Total Due To/From Other Funds | | $ | 12,338 |

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

Due To/From Other Funds (Continued)

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 and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

| | |
|---|---|
| Accounts | $ 154,040 |
| Salaries | 21,479 |
| Contracts | 217,870 |
| Due to other governments | 94,871 |
| Customer deposits | 5,425 |
| Total Payables | $ 493,685 |

2. Long-Term Debt

Bonds Payable

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2015 |
|---|---|---|---|---|---|
| General obligation bonds | | | | | |
| 2010A G.O. Watershed Bonds | 2031 | $6,000 - $15,000 | 1.00 - 5.25 | $ 247,300 | $ 208,300 |

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

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

| Year Ending December 31 | General Obligation Bonds Principal | Interest |
|---|---|---|
| 2016 | $ 12,000 | $ 8,564 |
| 2017 | 12,000 | 8,246 |
| 2018 | 13,000 | 7,876 |
| 2019 | 14,000 | 7,440 |
| 2020 | 14,000 | 6,953 |
| 2021 - 2025 | 59,500 | 27,439 |
| 2026 - 2030 | 69,000 | 12,895 |
| 2031 | 14,800 | 388 |
| Total | $ 208,300 | $ 79,801 |

Payments on the bonds are made by the Ditch Debt Service Fund.

4. Changes in Long-Term Liabilities

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

| | Beginning Balance (Restated) Note 1.E. | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| General obligation bonds | $ 219,300 | $ - | $ 11,000 | $ 208,300 | $ 12,000 |
| Capital lease | 1,335 | - | 1,335 | - | - |
| Compensated absences | 361,737 | 298,735 | 293,055 | 367,417 | 134,312 |
| Net OPEB liability | 216,279 | 47,741 | - | 264,020 | - |
| Net pension liability | 2,578,806 | 181,108 | - | 2,759,914 | - |
| Total Long-Term Liabilities | $ 3,377,457 | $ 527,584 | $ 305,390 | $ 3,599,651 | $ 146,312 |

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Deferred Inflows of Resources

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 | $ 36,683 | $ 33,548 | $ - | $ - | $ 70,231 |
| Special Revenue | | | | | |
| Road and Bridge | 16,159 | - | 3,192,515 | 853 | 3,209,527 |
| Social Services | 7,896 | - | - | - | 7,896 |
| Nonmajor governmental funds | | | | | |
| Ditch Special Revenue | 218 | 65,034 | - | - | 65,252 |
| Ditch Debt Service | 1,833 | 47,083 | - | - | 48,916 |
| Solid Waste | 593 | 39,940 | - | - | 40,533 |
| Total | $ 63,382 | $ 185,605 | $ 3,192,515 | $ 853 | $ 3,442,355 |

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. 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. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      1. Plan Description (Continued)

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

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

      2. Benefits Provided

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

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

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      2. Benefits Provided (Continued)

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

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

3. Contributions

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

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

| | |
|---|---|
| General Employees Retirement Fund | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 7.50 |
| Public Employees Police and Fire Fund | 16.20 |

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

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

| | | |
|---|---|---|
| General Employees Retirement Fund | $ | 202,929 |
| Public Employees Police and Fire Fund | | 52,223 |

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of $2,373,594 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0458 percent. It was 0.0501 percent measured as of June 30, 2014. The County recognized pension expense of $264,961 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ - | $ 119,669 |
| Difference between projected and actual investment earnings | 224,697 | - |
| Changes in proportion | - | 151,494 |
| Contributions paid to PERA subsequent to the measurement date | 102,466 | - |
| Total | $ 327,163 | $ 271,163 |

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

A total of $102,466 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2016 | $ (34,214) |
| 2017 | (34,214) |
| 2018 | (34,214) |
| 2019 | 56,174 |

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of $386,320 for its proportionate share of the Public Employees Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the County’s proportion was 0.0340 percent. It was 0.0320 percent measured as of June 30, 2014. The County recognized pension expense of $69,673 for its proportionate share of the Public Employees Police and Fire Fund’s pension expense.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The County also recognized $3,060 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ - | $ 62,648 |
| Difference between projected and actual investment earnings | 67,310 | - |
| Changes in proportion | 18,001 | - |
| Contributions paid to PERA subsequent to the measurement date | 26,023 | - |
| Total | $ 111,334 | $ 62,648 |

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

A total of $26,023 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2016 | $ 7,898 |
| 2017 | 7,898 |
| 2018 | 7,898 |
| 2019 | 7,898 |
| 2020 | (8,929) |

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended June 30, 2015, was $334,634.

5. Actuarial Assumptions

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

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

4. Pension Plans and Other Postemployment Benefits

   A. Defined Benefit Pension Plans

      5. Actuarial Assumptions (Continued)

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

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

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

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

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

| | 1% Decrease in Discount Rate (6.9%) | Discount Rate (7.9%) | 1% Increase in Discount Rate (8.9%) |
|---|---|---|---|
| Proportionate share of the General Employees Retirement Fund net pension liability | $ 3,732,133 | $ 2,373,594 | $ 1,251,649 |
| Public Employees Police and Fire Fund net pension liability | 752,941 | 386,320 | 83,426 |

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

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

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.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

| | Employee | Employer |
|---|---|---|
| Contribution amount | $ 1,821 | $ 1,821 |
| Percentage of covered payroll | 5% | 5% |

4. Pension Plans and Other Postemployment Benefits (Continued)

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 2015, there were 73 participants in the plan. Currently, no retirees participate in the plan.

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 | $ | 72,127 |
| Interest on net OPEB obligation | | 8,651 |
| Adjustment to ARC | | (12,939) |
| Annual OPEB cost (expense) | $ | 67,839 |
| Contributions made | | (20,098) |
| Increase in net OPEB obligation | $ | 47,741 |
| Net OPEB Obligation - Beginning of Year | | 216,279 |
| Net OPEB Obligation - End of Year | $ | 264,020 |

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost for the year ended December 31, 2015, was $67,839. The percentage of annual OPEB cost contributed to the plan was 29.6 percent, and the net OPEB obligation for 2015 was $264,020. The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2013, 2014, and 2015, was as follows:

| Fiscal Year-End | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| December 31, 2013 | $ 77,474 | $ 44,299 | 57.2% | $ 197,709 |
| December 31, 2014 | 76,797 | 58,227 | 75.8 | 216,279 |
| December 31, 2015 | 67,839 | 20,098 | 29.6 | 264,020 |

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $494,630, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $494,630. The covered payroll (annual payroll of active employees covered by the plan) was $3,123,086, and the ratio of the UAAL to the covered payroll was 15.8 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, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

4. Pension Plans and Other Postemployment Benefits

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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Norman County's implicit rate of return on the General Fund. The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 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, 2015, was 24 years.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. 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 $490,000 per claim in 2015 and $500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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.

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 2015 was $445,045.

      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.

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 2015 was $99,168.

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.

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 2015 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, Mahnomen, 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.

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. Norman County's contribution for 2015 was $2,500.

      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.

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.

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 $29,660 to this organization in 2015.

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.

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.

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, Mahnomen, 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.

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, Mahnomen, 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 $90,135 to the Agassiz Regional Library during 2015.

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, Mahnomen, 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.

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 2015.

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.

6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Polk-Norman-Mahnomen Community Health Board

The Polk-Norman-Mahnomen Community Health Board was established in 2012 under the authority of Minn. Stat. ch. 145A and Minn. Stat. § 471.59. The Community Health Board includes the Polk County Board of Health and the Norman-Mahnomen Board of Health. The purpose of the Community Health Board is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control of the Community Health Board is vested in a seven-member board with Polk, Norman, and Mahnomen Counties each appointing one member and the Polk County Board of Health and the Norman-Mahnomen Board of Health each appointing two members.

In the event of withdrawal from the Community Health Board, the withdrawing party shall give a one-year notice. Should the Community Health Board cease to exist, all property, real and personal, held by the Community Health Board at the time of termination shall be distributed to each joint participant in proportion to its relative financial contributions.

Financing is provided by state and federal grants. Polk County is the fiscal agent for the Community Health Board. During 2015, Norman County did not contribute to the Community Health Board.

F. Subsequent Event

Effective January 1, 2016, Norman County will assume the public health responsibilities from the Norman-Mahnomen Board of Health. The Norman-Mahnomen Board of Health, doing business under the name Norman-Mahnomen Public Health, will be dissolved as of that date. Norman County will account for the activities of public health as a new special revenue fund. Mahnomen County will contract with Norman County for services as needed.

## 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, 2015**

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 3,150,898 | $ 3,150,898 | $ 3,052,709 | $ (98,189) |
| Special assessments | 200,000 | 200,000 | 213,294 | 13,294 |
| Licenses and permits | 12,702 | 12,702 | 10,895 | (1,807) |
| Intergovernmental | 359,587 | 359,587 | 597,783 | 238,196 |
| Charges for services | 226,039 | 226,039 | 234,832 | 8,793 |
| Fines and forfeits | - | - | 9,154 | 9,154 |
| Gifts and contributions | 1,000 | 1,000 | 7,529 | 6,529 |
| Investment earnings | 7,522 | 7,522 | 4,743 | (2,779) |
| Miscellaneous | 61,800 | 61,800 | 89,420 | 27,620 |
| **Total Revenues** | **$ 4,019,548** | **$ 4,019,548** | **$ 4,220,359** | **$ 200,811** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **General government** | | | | |
| Commissioners | $ 182,110 | $ 182,110 | $ 175,571 | $ 6,539 |
| Courts | 50,000 | 50,000 | 4,948 | 45,052 |
| Law library | 6,845 | 6,845 | 7,381 | (536) |
| County auditor-treasurer | 246,590 | 246,590 | 235,400 | 11,190 |
| County assessor | 198,700 | 198,700 | 187,515 | 11,185 |
| Elections | 400 | 400 | 83 | 317 |
| Human resources | 52,440 | 52,440 | 73,665 | (21,225) |
| Accounting and auditing | 55,000 | 55,000 | 49,729 | 5,271 |
| Data processing | 62,700 | 62,700 | 69,362 | (6,662) |
| Attorney | 176,636 | 176,636 | 167,049 | 9,587 |
| Victim assistance | 35,111 | 35,111 | 37,275 | (2,164) |
| Recorder | 275,587 | 275,587 | 276,989 | (1,402) |
| Planning and zoning | 34,516 | 34,516 | 29,552 | 4,964 |
| County buildings | 112,000 | 112,000 | 32,221 | 79,779 |
| Buildings and plant | 156,665 | 156,665 | 143,869 | 12,796 |
| Veterans service officer | 53,120 | 53,120 | 57,367 | (4,247) |
| Cemeteries | 75 | 75 | 75 | - |
| Unallocated - general government | 98,200 | 98,200 | 130,923 | (32,723) |
| **Total general government** | **$ 1,796,695** | **$ 1,796,695** | **$ 1,678,974** | **$ 117,721** |

The notes to the required supplementary information are an integral part of this schedule.

NORMAN COUNTY
ADA, MINNESOTA

*EXHIBIT A-1*
*(Continued)*

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

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Expenditures** | | | | |
| **Current (Continued)** | | | | |
| **Public safety** | | | | |
| Sheriff | $ 901,443 | $ 901,443 | $ 842,415 | $ 59,028 |
| K-9 | - | - | 7,500 | (7,500) |
| Coroner | 19,738 | 19,738 | 7,514 | 12,224 |
| Radio tower | 250 | 250 | (156) | 406 |
| Hazardous materials training | 10,300 | 10,300 | 6,895 | 3,405 |
| Safety coordinator | 5,861 | 5,861 | 9,546 | (3,685) |
| E-911 system | 59,060 | 59,060 | 32,598 | 26,462 |
| Community corrections | 435,875 | 435,875 | 445,045 | (9,170) |
| Civil defense | 40,334 | 40,334 | 69,774 | (29,440) |
| Police and fire | 700 | 700 | 4,728 | (4,028) |
| Other public safety | 23,200 | 23,200 | 14,451 | 8,749 |
| **Total public safety** | **$ 1,496,761** | **$ 1,496,761** | **$ 1,440,310** | **$ 56,451** |
| **Human services** | | | | |
| Senior citizen centers | $ 1,750 | $ 1,750 | $ 1,750 | $ - |
| Retired senior volunteer program | 1,500 | 1,500 | 1,000 | 500 |
| **Total human services** | **$ 3,250** | **$ 3,250** | **$ 2,750** | **$ 500** |
| **Health** | | | | |
| Nursing service | $ 125,968 | $ 125,968 | $ 95,792 | $ 30,176 |
| Ambulance | 240,000 | 240,000 | 221,726 | 18,274 |
| **Total health** | **$ 365,968** | **$ 365,968** | **$ 317,518** | **$ 48,450** |
| **Culture and recreation** | | | | |
| Historical society | $ 7,650 | $ 7,650 | $ 7,650 | $ - |
| Agassiz trail project | 3,000 | 3,000 | 4,123 | (1,123) |
| Winter shows | 800 | 800 | 800 | - |
| County library | 90,135 | 90,135 | 90,135 | - |
| Celebrations | 420 | 420 | 420 | - |
| **Total culture and recreation** | **$ 102,005** | **$ 102,005** | **$ 103,128** | **$ (1,123)** |

The notes to the required supplementary information are an integral part of this schedule.

# NORMAN COUNTY
# ADA, MINNESOTA

*EXHIBIT A-1*
*(Continued)*

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

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Expenditures** | | | | |
| **Current (Continued)** | | | | |
| **Conservation of natural resources** | | | | |
| Cooperative extension | $ 148,988 | $ 148,988 | $ 96,801 | $ 52,187 |
| Soil and water conservation | 62,200 | 62,200 | 62,200 | - |
| Agricultural society | 12,150 | 12,150 | 12,150 | - |
| Aquatic invasive species | - | - | 8,676 | (8,676) |
| Forfeited tax | - | - | 3,193 | (3,193) |
| Weed control | 150 | 150 | 720 | (570) |
| Predator control | 5,686 | 5,686 | 2,095 | 3,591 |
| Water planning | - | - | 40,405 | (40,405) |
| **Total conservation of natural resources** | **$ 229,174** | **$ 229,174** | **$ 226,240** | **$ 2,934** |
| **Economic development** | | | | |
| Northwest Minnesota Multi-County Housing and Redevelopment Authority | **$ -** | **$ -** | **$ 10,507** | **$ (10,507)** |
| **Total Expenditures** | **$ 3,993,853** | **$ 3,993,853** | **$ 3,779,427** | **$ 214,426** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 25,695** | **$ 25,695** | **$ 440,932** | **$ 415,237** |
| **Fund Balance - January 1** | **3,714,661** | **3,714,661** | **3,714,661** | **-** |
| **Fund Balance - December 31** | **$ 3,740,356** | **$ 3,740,356** | **$ 4,155,593** | **$ 415,237** |

The notes to the required supplementary information are an integral part of this schedule.

NORMAN COUNTY
ADA, MINNESOTA

*EXHIBIT A-2*

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

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 1,555,344 | $ 1,555,344 | $ 1,521,893 | $ (33,451) |
| Intergovernmental | 6,907,656 | 6,907,656 | 4,997,512 | (1,910,144) |
| Charges for services | 7,000 | 7,000 | 31,519 | 24,519 |
| Miscellaneous | 75,000 | 75,000 | 135,279 | 60,279 |
| **Total Revenues** | **$ 8,545,000** | **$ 8,545,000** | **$ 6,686,203** | **$ (1,858,797)** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Highways and streets** | | | | |
| Administration | $ 404,090 | $ 404,090 | $ 318,282 | $ 85,808 |
| Maintenance | 1,912,950 | 1,912,950 | 1,871,743 | 41,207 |
| Construction | 5,670,140 | 5,670,140 | 3,464,611 | 2,205,529 |
| Equipment and maintenance shop | 629,432 | 629,432 | 463,086 | 166,346 |
| **Total highways and streets** | **$ 8,616,612** | **$ 8,616,612** | **$ 6,117,722** | **$ 2,498,890** |
| **Intergovernmental** | | | | |
| Highways and streets | - | - | 349,493 | (349,493) |
| **Total Expenditures** | **$ 8,616,612** | **$ 8,616,612** | **$ 6,467,215** | **$ 2,149,397** |
| **Excess of Revenues Over (Under) Expenditures** | **$ (71,612)** | **$ (71,612)** | **$ 218,988** | **$ 290,600** |
| **Fund Balance - January 1** | **377,772** | **377,772** | **377,772** | **-** |
| **Increase (decrease) in inventories** | **-** | **-** | **26,066** | **26,066** |
| **Fund Balance - December 31** | **$ 306,160** | **$ 306,160** | **$ 622,826** | **$ 316,666** |

The notes to the required supplementary information are an integral part of this schedule.

NORMAN COUNTY
ADA, MINNESOTA

*EXHIBIT A-3*

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

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | **Original** | **Final** | **Amounts** | **Final Budget** |
| **Revenues** | | | | |
| Taxes | $ 658,955 | $ 658,955 | $ 635,789 | $ (23,166) |
| Intergovernmental | 1,276,997 | 1,276,997 | 1,341,757 | 64,760 |
| Charges for services | 262,830 | 262,830 | 232,432 | (30,398) |
| Miscellaneous | 60,570 | 60,570 | 88,383 | 27,813 |
| **Total Revenues** | **$ 2,259,352** | **$ 2,259,352** | **$ 2,298,361** | **$ 39,009** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Human services** | | | | |
| Income maintenance | $ 864,284 | $ 864,284 | $ 785,468 | $ 78,816 |
| Social services | 1,529,271 | 1,529,271 | 1,474,359 | 54,912 |
| **Total human services** | **$ 2,393,555** | **$ 2,393,555** | **$ 2,259,827** | **$ 133,728** |
| **Debt service** | | | | |
| Principal | $ 1,334 | $ 1,334 | $ 1,335 | $ (1) |
| Interest | 45 | 45 | 45 | - |
| **Total debt service** | **$ 1,379** | **$ 1,379** | **$ 1,380** | **$ (1)** |
| **Total Expenditures** | **$ 2,394,934** | **$ 2,394,934** | **$ 2,261,207** | **$ 133,727** |
| **Excess of Revenues Over (Under) Expenditures** | **$ (135,582)** | **$ (135,582)** | **$ 37,154** | **$ 172,736** |
| **Fund Balance - January 1** | **1,054,599** | **1,054,599** | **1,054,599** | **-** |
| **Fund Balance - December 31** | **$ 919,017** | **$ 919,017** | **$ 1,091,753** | **$ 172,736** |

The notes to the required supplementary information are an integral part of this schedule.

***EXHIBIT A-4***

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

| 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 |
| January 1, 2015 | - | 494,630 | 494,630 | 0.0 | 3,123,086 | 15.8 |

The notes to the required supplementary information are an integral part of this schedule.

## NORMAN COUNTY
## ADA, MINNESOTA

***EXHIBIT A-5***

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

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| June 30, 2015 | 0.0458% | $ 2,373,594 | $ 2,689,645 | 88.25% | 78.20% |

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

## NORMAN COUNTY
## ADA, MINNESOTA

***EXHIBIT A-6***

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

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b-a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| December 31, 2015 | $ 202,928 | $ 202,928 | $ - | $ 2,705,708 | 7.50% |

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

## NORMAN COUNTY
## ADA, MINNESOTA

***EXHIBIT A-7***

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

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| June 30, 2015 | 0.034% | $ 386,320 | $ 307,937 | 125.45% | 86.60% |

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

## NORMAN COUNTY
## ADA, MINNESOTA

***EXHIBIT A-8***

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

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b-a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| December 31, 2015 | $ 52,223 | $ 52,223 | $ - | $ 322,361 | 16.20% |

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

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

1. <u>Budgetary Information</u>

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. <u>Other Postemployment Benefits Funding Status</u>

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.

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.

3. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2015

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases. This change caused a decrease in the liability.

- Mortality assumptions were updated to include the RP-2014 tables, including the generational improvement scale, to include future mortality improvement. This change caused an increase in the liability.

- The discount rate was changed from 4.5 percent to 4.0 percent. This change caused a decrease in the liability.

**SUPPLEMENTARY INFORMATION**

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

<u>County Homes Fund</u> - to account for the collection of rents and payment of expenses on small homes owned by Norman County, which are rented to senior citizens.

<u>Ditch Fund</u> - to account for the financing and costs relating to all County ditches.

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

<u>Solid Waste Fund</u> - 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

<u>Ditch Fund</u> - 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, 2015**

| | Special Revenue (Exhibit C-1) | Ditch Debt Service | Total (Exhibit 3) |
|---|---|---|---|
| **Assets** | | | |
| Cash and pooled investments | $ 426,791 | $ 54,082 | $ 480,873 |
| Undistributed cash in agency funds | 17,983 | 1,059 | 19,042 |
| Taxes receivable - delinquent | 715 | - | 715 |
| Special assessments receivable | | | |
| Delinquent | 234 | 1,981 | 2,215 |
| Noncurrent | 65,034 | 47,083 | 112,117 |
| Accounts receivable | 45,336 | - | 45,336 |
| Advance to watershed | - | 124,128 | 124,128 |
| **Total Assets** | **$ 556,093** | **$ 228,333** | **$ 784,426** |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts payable | $ 18,474 | $ - | $ 18,474 |
| Due to other funds | 1,081 | - | 1,081 |
| Due to other governments | 48,799 | - | 48,799 |
| Customer deposits | 4,325 | - | 4,325 |
| **Total Liabilities** | **$ 72,679** | **$ -** | **$ 72,679** |
| **Deferred Inflows of Resources** | | | |
| Unavailable revenue | **$ 105,785** | **$ 48,916** | **$ 154,701** |
| **Fund Balances** | | | |
| Nonspendable | | | |
| Advance to watershed | $ - | $ 124,128 | $ 124,128 |
| Restricted for | | | |
| Debt service | - | 55,289 | 55,289 |
| Gravel pit postclosure | 105,698 | - | 105,698 |
| Ditch maintenance and construction | 215,583 | - | 215,583 |
| Assigned to | | | |
| County homes | 91,902 | - | 91,902 |
| Unassigned | (35,554) | - | (35,554) |
| **Total Fund Balances** | **$ 377,629** | **$ 179,417** | **$ 557,046** |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | **$ 556,093** | **$ 228,333** | **$ 784,426** |

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, 2015**

| | Special Revenue (Exhibit C-2) | Ditch Debt Service | Total (Exhibit 5) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 83,174 | $ - | $ 83,174 |
| Special assessments | 99,553 | 13,662 | 113,215 |
| Licenses and permits | 600 | - | 600 |
| Intergovernmental | 73,079 | - | 73,079 |
| Charges for services | 276,874 | 5,117 | 281,991 |
| Miscellaneous | 35,577 | - | 35,577 |
| **Total Revenues** | **$ 568,857** | **$ 18,779** | **$ 587,636** |
| **Expenditures** | | | |
| **Current** | | | |
| General government | $ 13,172 | $ - | $ 13,172 |
| Sanitation | 393,368 | - | 393,368 |
| Conservation of natural resources | 78,148 | - | 78,148 |
| **Debt service** | | | |
| Principal | - | 11,000 | 11,000 |
| Interest | - | 8,832 | 8,832 |
| **Total Expenditures** | **$ 484,688** | **$ 19,832** | **$ 504,520** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 84,169** | **$ (1,053)** | **$ 83,116** |
| **Fund Balance - January 1** | **293,460** | **180,470** | **473,930** |
| **Fund Balance - December 31** | **$ 377,629** | **$ 179,417** | **$ 557,046** |

# NORMAN COUNTY
# ADA, MINNESOTA

*EXHIBIT C-1*

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

| | County Homes | Ditch | Gravel Reserve Tax | Solid Waste | Total (Exhibit B-1) |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and pooled investments | $ 96,454 | $ 188,260 | $ 134,988 | $ 7,089 | $ 426,791 |
| Undistributed cash in agency funds | - | 524 | - | 17,459 | 17,983 |
| Taxes receivable - delinquent | - | - | - | 715 | 715 |
| Special assessments receivable | | | | | |
| Delinquent | - | 234 | - | - | 234 |
| Noncurrent | - | 65,034 | - | - | 65,034 |
| Accounts receivable | 52 | - | 1,589 | 43,695 | 45,336 |
| **Total Assets** | **$ 96,506** | **$ 254,052** | **$ 136,577** | **$ 68,958** | **$ 556,093** |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | | | |
| **Liabilities** | | | | | |
| Accounts payable | $ 279 | $ - | $ - | $ 18,195 | $ 18,474 |
| Due to other funds | - | 1,081 | - | - | 1,081 |
| Due to other governments | - | - | 30,879 | 17,920 | 48,799 |
| Customer deposits | 4,325 | - | - | - | 4,325 |
| **Total Liabilities** | **$ 4,604** | **$ 1,081** | **$ 30,879** | **$ 36,115** | **$ 72,679** |
| **Deferred Inflows of Resources** | | | | | |
| Unavailable revenue | **$ -** | **$ 65,252** | **$ -** | **$ 40,533** | **$ 105,785** |
| **Fund Balances** | | | | | |
| Restricted for | | | | | |
| Gravel pit postclosure | $ - | $ - | $ 105,698 | $ - | $ 105,698 |
| Ditch maintenance and construction | - | 215,583 | - | - | 215,583 |
| Assigned to | | | | | |
| County homes | 91,902 | - | - | - | 91,902 |
| Unassigned | - | (27,864) | - | (7,690) | (35,554) |
| **Total Fund Balances** | **$ 91,902** | **$ 187,719** | **$ 105,698** | **$ (7,690)** | **$ 377,629** |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | **$ 96,506** | **$ 254,052** | **$ 136,577** | **$ 68,958** | **$ 556,093** |

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, 2015**

| | County Homes | Ditch | Gravel Reserve Tax | Solid Waste | Total (Exhibit B-2) |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $ - | $ - | $ 35,960 | $ 47,214 | $ 83,174 |
| Special assessments | - | 99,553 | - | - | 99,553 |
| Licenses and permits | - | - | - | 600 | 600 |
| Intergovernmental | - | - | - | 73,079 | 73,079 |
| Charges for services | - | - | - | 276,874 | 276,874 |
| Miscellaneous | 35,577 | - | - | - | 35,577 |
| **Total Revenues** | **$ 35,577** | **$ 99,553** | **$ 35,960** | **$ 397,767** | **$ 568,857** |
| **Expenditures** | | | | | |
| **Current** | | | | | |
| General government | $ 13,172 | $ - | $ - | $ - | $ 13,172 |
| Sanitation | - | - | - | 393,368 | 393,368 |
| Conservation of natural resources | - | 41,074 | 37,074 | - | 78,148 |
| **Total Expenditures** | **$ 13,172** | **$ 41,074** | **$ 37,074** | **$ 393,368** | **$ 484,688** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 22,405** | **$ 58,479** | **$ (1,114)** | **$ 4,399** | **$ 84,169** |
| **Fund Balance - January 1** | **69,497** | **129,240** | **106,812** | **(12,089)** | **293,460** |
| **Fund Balance - December 31** | **$ 91,902** | **$ 187,719** | **$ 105,698** | **$ (7,690)** | **$ 377,629** |

**NORMAN COUNTY**
**ADA, MINNESOTA**

***EXHIBIT C-3***

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

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | **Original** | **Final** | **Amounts** | **Final Budget** |
| **Revenues** | | | | |
| Miscellaneous | $ 27,720 | $ 27,720 | $ 35,577 | $ 7,857 |
| **Expenditures** | | | | |
| **Current** | | | | |
| **General government** | | | | |
| Low-income housing | 24,100 | 24,100 | 13,172 | 10,928 |
| **Excess of Revenues Over (Under) Expenditures** | **$ 3,620** | **$ 3,620** | **$ 22,405** | **$ 18,785** |
| **Fund Balance - January 1** | **69,497** | **69,497** | **69,497** | **-** |
| **Fund Balance - December 31** | **$ 73,117** | **$ 73,117** | **$ 91,902** | **$ 18,785** |

# NORMAN COUNTY
# ADA, MINNESOTA

*EXHIBIT C-4*

## BUDGETARY COMPARISON SCHEDULE
## SOLID WASTE SPECIAL REVENUE FUND
## FOR THE YEAR ENDED DECEMBER 31, 2015

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 49,076 | $ 49,076 | $ 47,214 | $ (1,862) |
| Licenses and permits | 400 | 400 | 600 | 200 |
| Intergovernmental | 74,044 | 74,044 | 73,079 | (965) |
| Charges for services | 275,000 | 275,000 | 276,874 | 1,874 |
| **Total Revenues** | **$ 398,520** | **$ 398,520** | **$ 397,767** | **$ (753)** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Sanitation** | | | | |
| Recycling | $ 89,521 | $ 89,521 | $ 81,813 | $ 7,708 |
| Landfill | 22,000 | 22,000 | 23,709 | (1,709) |
| Fosston incinerator | 240,925 | 240,925 | 237,192 | 3,733 |
| Household hazardous waste | 18,166 | 18,166 | 50,654 | (32,488) |
| **Total Expenditures** | **$ 370,612** | **$ 370,612** | **$ 393,368** | **$ (22,756)** |
| **Excess of Revenues Over (Under) Expenditures** | **$ 27,908** | **$ 27,908** | **$ 4,399** | **$ (23,509)** |
| **Fund Balance - January 1** | **(12,089)** | **(12,089)** | **(12,089)** | **-** |
| **Fund Balance - December 31** | **$ 15,819** | **$ 15,819** | **$ (7,690)** | **$ (23,509)** |

**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 payment 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, 2015**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|---|---|---|---|
| **STATE REVENUE** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 12,796** | **$ 429,619** | **$ 415,607** | **$ 26,808** |
| **Liabilities** | | | | |
| Due to other funds | $ 484 | $ 804 | $ 484 | $ 804 |
| Due to other governments | 12,312 | 428,815 | 415,123 | 26,004 |
| **Total Liabilities** | **$ 12,796** | **$ 429,619** | **$ 415,607** | **$ 26,808** |
| **TAXES AND PENALTIES** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 207,795** | **$ 5,118,472** | **$ 5,119,520** | **$ 206,747** |
| **Liabilities** | | | | |
| Due to other governments | $ 192,545 | $ 5,058,215 | $ 5,084,608 | $ 166,152 |
| Funds held in trust | 15,250 | 60,257 | 34,912 | 40,595 |
| **Total Liabilities** | **$ 207,795** | **$ 5,118,472** | **$ 5,119,520** | **$ 206,747** |
| **WATERSHED** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ -** | **$ 550,249** | **$ 550,249** | **$ -** |
| **Liabilities** | | | | |
| Due to other governments | **$ -** | **$ 550,249** | **$ 550,249** | **$ -** |

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, 2015**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|---|---|---|---|
| **TOTAL ALL AGENCY FUNDS** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 220,591** | **$ 6,098,340** | **$ 6,085,376** | **$ 233,555** |
| **Liabilities** | | | | |
| Due to other funds | $ 484 | $ 804 | $ 484 | $ 804 |
| Due to other governments | 204,857 | 6,037,279 | 6,049,980 | 192,156 |
| Funds held in trust | 15,250 | 60,257 | 34,912 | 40,595 |
| **Total Liabilities** | **$ 220,591** | **$ 6,098,340** | **$ 6,085,376** | **$ 233,555** |

# SCHEDULES

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## NORMAN COUNTY
## ADA, MINNESOTA

*EXHIBIT E-1*

### SCHEDULE OF DEPOSITS AND INVESTMENTS
### DECEMBER 31, 2015

| | Interest Rate (%) | Maturity Date | | Fair Value |
|---|---|---|---|---|
| **Deposits and Investments** | | | | |
| **Unrestricted** | | | | |
| Cash on hand | N/A | N/A | $ | 4,900 |
| Noninterest-bearing checking (1) | N/A | Continuous | | 21,661 |
| Interest-bearing checking (2) | 0.01% | Continuous | | 2,970,564 |
| Money market checking (1) | 0.15% | Continuous | | 2,000,000 |
| Certificates of deposit (2) | 0.13% to 0.15% | June 16, 2016 to June 30, 2016 | | 1,000,000 |
| **Total unrestricted** | | | **$** | **5,997,125** |
| **Restricted for real estate tax shortfall** | | | | |
| Certificates of deposit (3) | 0.12% to 0.17% | December 22, 2016 | | 61,760 |
| **Total Deposits and Investments** | | | **$** | **6,058,885** |

**NORMAN COUNTY**
**ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH**
**DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS**
**DECEMBER 31, 2015**

| | Assets | | | | | |
|---|---|---|---|---|---|---|
| | Cash and Pooled Investments | Undistributed Cash | Special Assessments Receivable Delinquent | Special Assessments Receivable Noncurrent | Advance to Watershed | Total |
| **County Ditches** | | | | | | |
| 5 | $ 3,900 | $ - | $ 5 | $ 1,267 | $ - | $ 5,172 |
| 6 | (3,124) | 2 | 2 | 3,010 | - | (110) |
| 7 | 15,909 | - | - | - | - | 15,909 |
| 8 | (14,884) | 130 | - | 5,600 | - | (9,154) |
| 9 | 697 | - | - | 2,415 | - | 3,112 |
| 14 | 2,583 | - | - | 302 | - | 2,885 |
| 17 | 3,005 | 1 | - | 160 | - | 3,166 |
| 22 | 10,157 | 10 | - | 2,116 | - | 12,283 |
| 23 | 2,734 | - | - | - | - | 2,734 |
| 24 | 3,317 | 1 | - | - | - | 3,318 |
| 25 | 9,690 | - | - | 3,357 | - | 13,047 |
| 26 | 207 | 2 | - | 63 | - | 272 |
| 28 & 3 | 470 | - | - | 68 | - | 538 |
| 29 | 1,344 | 39 | - | 748 | - | 2,131 |
| 29 Lat. 1 | 3,456 | 27 | 3 | 647 | - | 4,133 |
| 31 | 4,177 | - | - | - | - | 4,177 |
| 33 | 27,864 | - | 59 | 4,420 | - | 32,343 |
| 34 | 27,755 | 4 | - | 505 | - | 28,264 |
| 36 | 3,731 | - | - | 166 | - | 3,897 |
| 39 | 389 | - | - | 154 | - | 543 |
| 40 | 4,263 | 3 | - | 559 | - | 4,825 |
| 41 | 140 | - | - | 1,725 | - | 1,865 |
| 42 | (9,988) | - | - | 14,481 | - | 4,493 |
| 46 | 1,109 | - | - | - | - | 1,109 |
| 47 | 6,229 | - | - | 4,806 | - | 11,035 |
| 49 | 4,362 | 16 | 88 | 511 | - | 4,977 |
| 62 | 3,313 | 8 | 43 | 282 | - | 3,646 |
| 65 | 5,923 | - | - | 1,021 | - | 6,944 |
| 69 | 9,017 | 13 | - | 1,542 | - | 10,572 |
| 73 | 17,292 | - | - | 1,963 | - | 19,255 |
| 75 | 2,627 | - | - | 738 | - | 3,365 |
| **Borup State Ditch** | 59 | - | - | - | - | 59 |
| **Judicial Ditches** | | | | | | |
| 54 South | 26,218 | 268 | 34 | 8,037 | - | 34,557 |
| 55 | 14,319 | - | - | 4,371 | - | 18,690 |
| **Watershed Ditches** | | | | | | |
| Project 43 - Perley | 12,185 | 128 | 725 | 8,561 | 3,029 | 24,628 |
| Project 44 - Hendum | 41,897 | 931 | 1,256 | 38,522 | 121,099 | 203,705 |
| **Total** | **$ 242,342** | **$ 1,583** | **$ 2,215** | **$ 112,117** | **$ 124,128** | **$ 482,385** |

*EXHIBIT E-2*

| Liabilities and Deferred Inflows of Resources | | | Fund Balances | | | | | Total Liabilities, Deferred Inflows, and Fund Balances |
|---|---|---|---|---|---|---|---|---|
| Due to Other Funds | Unavailable Revenue | Total | Nonspendable Advance to Watershed | Restricted for Debt Service | Restricted for Ditch Maintenance and Construction | Unassigned | Total | |
| $ - | $ 1,272 | $ 1,272 | $ - | $ - | $ 3,900 | $ - | $ 3,900 | $ 5,172 |
| - | 3,012 | 3,012 | - | - | - | (3,122) | (3,122) | (110) |
| - | - | - | - | - | 15,909 | - | 15,909 | 15,909 |
| - | 5,600 | 5,600 | - | - | - | (14,754) | (14,754) | (9,154) |
| - | 2,415 | 2,415 | - | - | 697 | - | 697 | 3,112 |
| - | 302 | 302 | - | - | 2,583 | - | 2,583 | 2,885 |
| - | 160 | 160 | - | - | 3,006 | - | 3,006 | 3,166 |
| - | 2,116 | 2,116 | - | - | 10,167 | - | 10,167 | 12,283 |
| - | - | - | - | - | 2,734 | - | 2,734 | 2,734 |
| - | - | - | - | - | 3,318 | - | 3,318 | 3,318 |
| - | 3,357 | 3,357 | - | - | 9,690 | - | 9,690 | 13,047 |
| - | 63 | 63 | - | - | 209 | - | 209 | 272 |
| - | 68 | 68 | - | - | 470 | - | 470 | 538 |
| - | 748 | 748 | - | - | 1,383 | - | 1,383 | 2,131 |
| - | 650 | 650 | - | - | 3,483 | - | 3,483 | 4,133 |
| - | - | - | - | - | 4,177 | - | 4,177 | 4,177 |
| - | 4,477 | 4,477 | - | - | 27,866 | - | 27,866 | 32,343 |
| - | 505 | 505 | - | - | 27,759 | - | 27,759 | 28,264 |
| - | 166 | 166 | - | - | 3,731 | - | 3,731 | 3,897 |
| - | 154 | 154 | - | - | 389 | - | 389 | 543 |
| - | 559 | 559 | - | - | 4,266 | - | 4,266 | 4,825 |
| - | 1,725 | 1,725 | - | - | 140 | - | 140 | 1,865 |
| - | 14,481 | 14,481 | - | - | - | (9,988) | (9,988) | 4,493 |
| - | - | - | - | - | 1,109 | - | 1,109 | 1,109 |
| 82 | 4,806 | 4,888 | - | - | 6,147 | - | 6,147 | 11,035 |
| - | 591 | 591 | - | - | 4,386 | - | 4,386 | 4,977 |
| - | 319 | 319 | - | - | 3,327 | - | 3,327 | 3,646 |
| - | 1,021 | 1,021 | - | - | 5,923 | - | 5,923 | 6,944 |
| - | 1,542 | 1,542 | - | - | 9,030 | - | 9,030 | 10,572 |
| - | 1,963 | 1,963 | - | - | 17,292 | - | 17,292 | 19,255 |
| - | 738 | 738 | - | - | 2,627 | - | 2,627 | 3,365 |
| - | - | - | - | - | 59 | - | 59 | 59 |
| | | | | | | | | |
| 999 | 8,071 | 9,070 | - | - | 25,487 | - | 25,487 | 34,557 |
| - | 4,371 | 4,371 | - | - | 14,319 | - | 14,319 | 18,690 |
| | | | | | | | | |
| - | 9,248 | 9,248 | 3,029 | 12,351 | - | - | 15,380 | 24,628 |
| - | 39,668 | 39,668 | 121,099 | 42,938 | - | - | 164,037 | 203,705 |
| **$ 1,081** | **$ 114,168** | **$ 115,249** | **$ 124,128** | **$ 55,289** | **$ 215,583** | **$ (27,864)** | **$ 367,136** | **$ 482,385** |

## NORMAN COUNTY
## ADA, MINNESOTA

### BALANCE SHEET - BY DITCH
### DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
### DECEMBER 31, 2015

| | Assets | | | | | |
|---|---|---|---|---|---|---|
| | Cash and Pooled Investments | Undistributed Cash | Special Assessments Receivable - Delinquent | Special Assessments Receivable - Noncurrent | Advance to Watershed | Total |
| **Presented as** | | | | | | |
| Ditch Special Revenue Fund | $ 188,260 | $ 524 | $ 234 | $ 65,034 | $ - | $ 254,052 |
| Ditch Debt Service Fund | 54,082 | 1,059 | 1,981 | 47,083 | 124,128 | 228,333 |
| **Total** | **$ 242,342** | **$ 1,583** | **$ 2,215** | **$ 112,117** | **$ 124,128** | **$ 482,385** |

*EXHIBIT E-2*
*(Continued)*

| Liabilities and Deferred Inflows of Resources | | | Fund Balances | | | | | | Total Liabilities, Deferred Inflows, and Fund Balances |
|---|---|---|---|---|---|---|---|---|---|
| **Due to Other Funds** | **Unavailable Revenue** | **Total** | **Nonspendable Advance to Watershed** | **Restricted for Debt Service** | **Restricted for Ditch Maintenance and Construction** | **Unassigned** | **Total** | | |
| $ 1,081 | $ 65,252 | $ 66,333 | $ - | $ - | $ 215,583 | $ (27,864) | $ 187,719 | | $ 254,052 |
| - | 48,916 | 48,916 | 124,128 | 55,289 | - | - | 179,417 | | 228,333 |
| **$ 1,081** | **$ 114,168** | **$ 115,249** | **$ 124,128** | **$ 55,289** | **$ 215,583** | **$ (27,864)** | **$ 367,136** | | **$ 482,385** |

**NORMAN COUNTY**
**ADA, MINNESOTA**

***EXHIBIT E-3***

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

| | | |
|---|---|---|
| **Shared Revenue** | | |
| **State** | | |
| Highway users tax | $ | 3,352,822 |
| County program aid | | 128,591 |
| PERA rate reimbursement | | 13,183 |
| Disparity reduction aid | | 15,681 |
| Police aid | | 35,642 |
| Aquatic invasive species aid | | 8,676 |
| Market value credit | | 181,459 |
| **Total shared revenue** | **$** | **3,736,054** |
| **Reimbursement for Services** | | |
| **State** | | |
| Minnesota Department of Human Services | **$** | **239,993** |
| **Payments** | | |
| **Local** | | |
| Payments in lieu of taxes | **$** | **40,244** |
| **Grants** | | |
| **State** | | |
| Minnesota Department/Board of | | |
| Public Safety | $ | 108,818 |
| Transportation | | 18,910 |
| Natural Resources | | 30,275 |
| Human Services | | 500,199 |
| Veterans Affairs | | 7,500 |
| Labor and Industry | | 4,500 |
| Water and Soil Resources | | 86,961 |
| Pollution Control Agency | | 69,692 |
| Peace Officer Standards and Training Board | | 1,966 |
| **Total state** | **$** | **828,821** |
| **Federal** | | |
| Department of | | |
| Agriculture | $ | 78,515 |
| Housing and Urban Development | | 10,507 |
| Transportation | | 1,533,462 |
| Health and Human Services | | 519,694 |
| Homeland Security | | 22,841 |
| **Total federal** | **$** | **2,165,019** |
| **Total state and federal grants** | **$** | **2,993,840** |
| **Total Intergovernmental Revenue** | **$** | **7,010,131** |

NORMAN COUNTY
ADA, MINNESOTA

*EXHIBIT E-4*

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

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Pass-Through Grant Number | Expenditures | Passed Through to Subrecipients |
|---|---|---|---|---|
| **U.S. Department of Agriculture** | | | | |
| Passed Through Minnesota Department of Human Services | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 16162MN10152514 | **$ 78,515** | **$ -** |
| **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 | CDAP-11-0065-O-FY12 | **$ 10,507** | **$ 10,507** |
| **U.S. Department of Transportation** | | | | |
| Passed Through Minnesota Department of Transportation | | | | |
| Highway Planning and Construction | 20.205 | 00054 | $ 1,526,028 | **$** - |
| Passed Through Minnesota Department of Public Safety | | | | |
| Highway Safety Cluster | | | | |
| State and Community Highway Safety | 20.600 | A-ENFRC15-2015-NORMANSO-00066 | 2,022 | - |
| National Priority Safety Programs | 20.616 | A-ENFRC15-2015-NORMANSO-00066 | 2,599 | - |
| (Total expenditures for Highway Safety Cluster $4,621) | | | | |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | A-ENFRC15-2015-NORMANSO-00066 | 3,561 | - |
| **Total U.S. Department of Transportation** | | | **$ 1,534,210** | **$ -** |
| **U.S. Department of Health and Human Services** | | | | |
| Passed Through Minnesota Department of Human Services | | | | |
| Promoting Safe and Stable Families | 93.556 | 1401MNFPSS | $ 1,273 | $ - |
| Temporary Assistance for Needy Families | 93.558 | 1502MNTANF | 72,932 | - |
| Child Support Enforcement | 93.563 | 1504MN4005 | 82,013 | - |
| Refugee and Entrant Assistance - State-Administered Programs | 93.566 | 1501MNRCMA | 115 | - |
| Child Care and Development Block Grant | 93.575 | G1501MNCCDF | 2,396 | - |
| Community-Based Child Abuse Prevention Grants | 93.590 | 1302MNFRPG | 2,900 | - |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 1401MNCWSS | 1,848 | - |
| Foster Care Title IV-E | 93.658 | 1501MNFOST | 24,002 | - |
| Social Services Block Grant | 93.667 | 1501MNSOSR | 74,348 | - |
| Chafee Foster Care Independence Program | 93.674 | 1401MN1420 | 3,670 | - |
| Children's Health Insurance Program | 93.767 | 1405MN5021 | 37 | - |
| Medical Assistance Program | 93.778 | 1505MN5ADM | 254,160 | - |
| **Total U.S. Department of Health and Human Services** | | | **$ 519,694** | **$ -** |

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

NORMAN COUNTY
ADA, MINNESOTA

*EXHIBIT E-4*
*(Continued)*

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

| Federal Grantor<br>Pass-Through Agency<br>Grant Program Title | Federal CFDA Number | Pass-Through Grant Number | Expenditures | Passed Through to Subrecipients |
|---|---|---|---|---|
| **U.S. Department of Homeland Security** | | | | |
| Passed Through Minnesota Department of Public Safety | | | | |
| Emergency Management Performance Grants | 97.042 | A-EMPG-2014-NORMANCO-00057, A-EMPG-2015-NORMANCO-00056 | $ 22,841 | $ - |
| **Total Federal Awards** | | | **$ 2,165,767** | **$ 10,507** |

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

**NORMAN COUNTY**
**ADA, MINNESOTA**

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

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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Norman County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|---|---|
| Federal grant revenue per Schedule of Intergovernmental Revenue | $ 2,165,019 |
| Grants received more than 60 days after year-end, deferred in 2015 | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 35,177 |
| Highway Planning and Construction | 748 |
| Grants unavailable in 2014, recognized as revenue in 2015 | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | (35,177) |
| Expenditures Per Schedule of Expenditures of Federal Awards | $ 2,165,767 |

5. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

| | |
|---|---|
| Highway Safety Cluster | $ 4,621 |

6. Pass-Through Grant Numbers

The numbers provided by the Minnesota Department of Human Services are the numbers provided them by the federal government. No individual grant numbers are generated by the Minnesota Department of Human Services.

**Management and Compliance Section**

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**NORMAN COUNTY**
**ADA, MINNESOTA**

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

## I. SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **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? **No**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major program is:

| | |
|---|---|
| Highway Planning and Construction | CFDA No. 20.205 |

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

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 be aware of 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.

Client's Response:

*I emailed our IT person, and hopefully he can make this go away.*

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 two unresolved weaknesses in departmental control procedures as follows:

- During our review of collections and deposits, we noted that all fees collected for civil process since the middle of August 2015, totaling $3,858, had not been receipted or deposited as of January 20, 2016. Checks included in the collections had not been restrictively endorsed.

- During our review of evidence, we noted an item in the evidence room was 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.

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

Client's Response:

*Collections and deposits are up to date as of today's date. Evidence Inventory Listings will be checked frequently to ensure proper entry and removal.*

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

PREVIOUSLY REPORTED ITEMS RESOLVED

**Supervisory Review Over Eligibility - Intake Functions (2013-002)**

The County had no documented review process of case files by a supervisor for the Medical Assistance program.

**Resolution**

Three reviews were done in 2015, and the County plans to review at least four case files quarterly.

**Income Maintenance DHS-2550/Social Services DHS-2556 Reporting (2013-003)**

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.

**Resolution**

The County submitted a revised DHS-2550 quarterly report for the second quarter of 2014 and a revised DHS-2556 quarterly report for the fourth quarter of 2014. All DHS-2550 and DHS-2556 quarterly reports tested for 2015 were correctly reported and agreed with the accounting records.

## IV. OTHER FINDINGS AND RECOMMENDATIONS

### A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM 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:** Three of the 36 individual ditch systems had deficit cash balances totaling $27,996 at December 31, 2015. This amount decreased from the prior year, when we reported that 5 of the 36 individual ditch systems had deficit cash balances totaling $50,331.

**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 or other ditch systems and, as such, is in noncompliance with Minnesota law.

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

**Recommendation:** We recommend 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 work on this.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Special Revenue Funds Cash Balance Deficits (2011-002)**

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.

**Resolution**

At December 31, 2015, the Road and Bridge Special Revenue Fund had a positive cash balance of $55,493, and the Solid Waste Special Revenue Fund had a positive cash balance of $7,089. All of Norman County's funds had positive cash balances at December 31, 2015.

## 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, 2015, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

**Context:** Three of the 36 individual ditch systems had deficit fund balances as of December 31, 2015, totaling $27,864, with the largest being $14,754. One of the ditch systems has sufficient current levies to cover the deficit; however, the other two ditch systems do not. This is an improvement from the prior year, when we reported that 5 of the 36 individual ditch systems had deficit fund balances totaling $49,373.

**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 work on this.*

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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
Ada, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 27, 2016.

## 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 Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because 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 Counties*, except as described in the Schedule of Findings and Questioned Costs as item 1996-001. 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. We believe this recommendation to be of benefit to the County, and it is 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 Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

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|---|---|
| */s/Rebecca Otto* | */s/Greg Hierlinger* |
| REBECCA OTTO<br>STATE AUDITOR | GREG HIERLINGER, CPA<br>DEPUTY STATE AUDITOR |

April 27, 2016

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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
Ada, Minnesota

## 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) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2015. Norman County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

***Auditor's Responsibility***
Our responsibility is to express an opinion on compliance for Norman County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 the 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 its major federal program for the year ended December 31, 2015.

## 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

**Purpose of This Report**

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

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|---|---|
| */s/Rebecca Otto* | */s/Greg Hierlinger* |
| REBECCA OTTO<br>STATE AUDITOR | GREG HIERLINGER, CPA<br>DEPUTY STATE AUDITOR |

April 27, 2016