STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

WADENA COUNTY
WADENA, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension – monitors investment, financial, and actuarial reporting for approximately 600 public pension funds; and

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

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

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WADENA COUNTY
WADENA, MINNESOTA

Year Ended December 31, 2018

Audit Practice Division
Office of the State Auditor
State of Minnesota

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WADENA COUNTY
WADENA, MINNESOTA

TABLE OF CONTENTS

WADENA COUNTY
WADENA, MINNESOTA

TABLE OF CONTENTS

WADENA COUNTY
WADENA, MINNESOTA

TABLE OF CONTENTS
(Continued)

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WADENA COUNTY
WADENA, MINNESOTA

ORGANIZATION SCHEDULE
DECEMBER 31, 2018

Office	Name	District	Term Expires
Elected			
Commissioners			
Chair	Sheldon Monson	District 1	January 2019
Board Member	Jim Hofer	District 2	January 2021
Vice Chair	William Stearns	District 3	January 2019
Board Member	Charles Horsager	District 4	January 2021
Board Member	David Hillukka	District 5	January 2019
Attorney	Kyra Ladd		January 2019
Auditor/Treasurer	Judy Taves		January 2019
County Recorder	Soledad Henriksen		January 2019
Registrar of Titles	Soledad Henriksen		January 2019
County Sheriff	Michael D. Carr		January 2019
Appointed			
Assessor	Lee Brekke		December 2020
County Engineer/County Coordinator	Ryan Odden		May 2019
Community Corrections Officer	Kathryn Langer		Indefinite
Human Services Director	Tanya Leskey		Indefinite
Veterans Services Officer	David Anderson		April 2022

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Financial Section

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County, Minnesota, as of and for the year ended December 31, 2018, 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 did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2018, in which Wadena County has an equity interest. The SCHA is a joint venture discussed in Note 5.B. to the financial statements. The County's investment in the SCHA, $1,899,125, represents 2.4 percent and 2.8 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has been furnished to us. We have applied procedures on the conversion adjustments to the financial statements of the SCHA, which conform the financial reporting of the investment in joint venture to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amount included as an investment in joint venture, prior to these conversion adjustments, is based solely on the report of the other auditors. 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. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wadena County's basic financial statements. The Supplementary Information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, on our consideration of Wadena County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wadena County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wadena County's internal control over financial reporting and compliance. It does not include the South Country Health Alliance, which was audited by other auditors.

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

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 27, 2019

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Assets		
Cash and pooled investments	$	11,726,215
Taxes receivable – delinquent		340,796
Special assessments receivable – delinquent		34,884
Accounts receivable – net		402,472
Accrued interest receivable		57,797
Due from other governments		5,088,715
Advances receivable		55,000
Inventories		174,631
Investment in joint venture		1,899,125
Capital assets		
Non-depreciable		11,235,081
Depreciable – net of accumulated depreciation		48,596,681
Total Assets	**$**	**79,611,397**
Deferred Outflows of Resources		
Deferred pension outflows	$	2,604,880
Deferred other postemployment benefits outflows		48,474
Total Deferred Outflows of Resources	**$**	**2,653,354**
Liabilities		
Accounts payable	$	460,749
Salaries payable		295,996
Contracts payable		771,577
Due to other governments		1,256,354
Accrued interest payable		16,538
Customer deposits		500
Long-term liabilities		
Due within one year		600,044
Due in more than one year		1,378,558
Net pension liability		6,122,557
Other postemployment benefits liability		938,338
Total Liabilities	**$**	**11,841,211**
Deferred Inflows of Resources		
Deferred pension inflows	**$**	**3,757,717**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

<u>Net Position</u>	
Net investment in capital assets	$ 58,519,788
Restricted for	
General government	612,657
Public safety	132,770
Highways and streets	3,963,584
Human services	51,953
Health	4,314
Culture and recreation	2,500
Conservation of natural resources	91,759
Held in trust for other purposes	13,913
Unrestricted	3,272,585
Total Net Position	**$ 66,665,823**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	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	$ 5,932,969	$ 456,822	$ 251,262	$ 46,450	$ (5,178,435)
Public safety	2,524,440	116,734	152,028	-	(2,255,678)
Highways and streets	4,233,070	355,098	3,817,737	364,097	303,862
Sanitation	1,476,596	1,216,469	67,729	-	(192,398)
Human services	7,249,022	1,118,221	4,045,241	205,142	(1,880,418)
Health	1,221,731	300,408	775,175	-	(146,148)
Culture and recreation	319,269	21,719	69,835	-	(227,715)
Conservation of natural resources	325,616	5,324	164,086	-	(156,206)
Economic development	30,000	-	-	-	(30,000)
Interest	41,928	-	-	-	(41,928)
Total Governmental Activities	**$ 23,354,641**	**$ 3,590,795**	**$ 9,343,093**	**$ 615,689**	**$ (9,805,064)**

General Revenues	
Property taxes	$ 8,591,671
Transportation sales and use tax	734,363
Other taxes	10,664
Payments in lieu of tax	106,696
Grants and contributions not restricted to specific programs	2,065,764
Unrestricted investment earnings	248,399
Total general revenues	**$ 11,757,557**
Change in Net Position	**$ 1,952,493**
Net Position – Beginning, as restated (Note 1.E.)	**64,713,330**
Net Position – Ending	**$ 66,665,823**

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

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	$ 4,912,786	$ 2,046,945	$ 2,905,726	$ 1,693,122	$ 11,558,579
Petty cash and change funds	1,900	100	200	390	2,590
Undistributed cash in agency funds	107,966	16,962	27,926	12,192	165,046
Taxes receivable – delinquent	213,273	45,631	74,145	7,747	340,796
Special assessments receivable					
Delinquent	-	-	-	34,884	34,884
Accounts receivable – net	4,253	-	295,664	102,555	402,472
Accrued interest receivable	57,797	-	-	-	57,797
Due from other funds	560,249	39,108	327	2,696	602,380
Due from other governments	85,235	4,144,470	542,933	316,077	5,088,715
Inventories	-	174,631	-	-	174,631
Advances to other funds	32,500	2,500	18,750	1,250	55,000
Total Assets	**$ 5,975,959**	**$ 6,470,347**	**$ 3,865,671**	**$ 2,170,913**	**$ 18,482,890**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 193,334	$ 42,884	$ 178,758	$ 45,773	$ 460,749
Salaries payable	110,069	42,181	88,070	55,676	295,996
Contracts payable	-	771,577	-	-	771,577
Due to other funds	39,241	-	560,255	17	599,513
Due to other governments	1,163,623	22,762	67,365	5,471	1,259,221
Customer deposits	-	500	-	-	500
Total Liabilities	**$ 1,506,267**	**$ 879,904**	**$ 894,448**	**$ 106,937**	**$ 3,387,556**
Deferred Inflows of Resources					
Unavailable revenue	**$ 231,037**	**$ 2,883,979**	**$ 322,613**	**$ 226,619**	**$ 3,664,248**
Fund Balances					
Nonspendable					
Inventories	$ -	$ 174,631	$ -	$ -	$ 174,631
Advances to other funds	32,500	2,500	18,750	1,250	55,000
Missing heirs	13,913	-	-	-	13,913

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Fund Balances (Continued)					
Restricted					
County building	314,538	-	-	-	314,538
State-aid highway projects	-	272,625	-	-	272,625
Wellness	4,314	-	-	-	4,314
Sheriff donations	26,922	-	-	-	26,922
Mental health initiative	-	-	51,953	-	51,953
Capital project plan	-	247,287	-	-	247,287
Turnback fund	-	1,335,957	-	-	1,335,957
Low-income septic	27,373	-	-	-	27,373
Shoreline grant	12,066	-	-	-	12,066
Compliance fund	190,628	-	-	-	190,628
Law enforcement	12,410	-	-	-	12,410
Prosecutorial purposes	11,669	-	-	-	11,669
ISTS	52,320	-	-	-	52,320
Emergency management	479	-	-	-	479
Administering the carrying of weapons	92,959	-	-	-	92,959
Parks survey	2,500	-	-	-	2,500
Recorder's equipment	95,822	-	-	-	95,822
Committed					
Parks	188,584	-	-	-	188,584
Timber development	118,262	-	-	-	118,262
AS400	35,912	-	-	-	35,912
Solid waste	-	-	-	150,000	150,000
Sheriff's contingency	4,386	-	-	-	4,386
Assigned					
Human services	-	-	2,577,907	-	2,577,907
Road and bridge	-	673,464	-	-	673,464
MCIT	203,920	-	-	-	203,920
Plat books	13,994	-	-	-	13,994
GIS	58,866	-	-	-	58,866
Solid waste	-	-	-	660,773	660,773
Transit	-	-	-	201,915	201,915
Public health	-	-	-	823,419	823,419
Canteen	14,166	-	-	-	14,166
County agent brochures	2,318	-	-	-	2,318
Private pesticide manual	290	-	-	-	290
County agent	10,592	-	-	-	10,592
Unassigned	2,696,952	-	-	-	2,696,952
Total Fund Balances	**$ 4,238,655**	**$ 2,706,464**	**$ 2,648,610**	**$ 1,837,357**	**$ 11,431,086**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 5,975,959**	**$ 6,470,347**	**$ 3,865,671**	**$ 2,170,913**	**$ 18,482,890**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

Fund balances – total governmental funds (Exhibit 3)		**$ 11,431,086**
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.		59,831,762
Investment in joint venture is not available to pay for current period expenditures and, therefore, is not reported in the governmental funds.		1,899,125
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		2,604,880
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,664,248
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (915,000)	
Capital leases payable	(387,905)	
Bond premium	(9,069)	
Accrued interest payable	(16,538)	
Compensated absences	(666,628)	
Other postemployment benefits liability	(938,338)	
Net pension liability	(6,122,557)	(9,056,035)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(3,757,717)
Deferred outflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		48,474
Net Position of Governmental Activities (Exhibit 1)		**$ 66,665,823**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 5,476,921	$ 1,823,013	$ 1,866,101	$ 198,127	$ 9,364,162
Special assessments	-	-	-	460,489	460,489
Licenses and permits	63,329	-	-	40,669	103,998
Intergovernmental	2,127,227	3,939,165	4,003,119	1,818,109	11,887,620
Charges for services	225,599	-	415,594	1,136,859	1,778,052
Fines and forfeits	22,749	-	-	-	22,749
Gifts and contributions	29,034	-	-	5,675	34,709
Investment earnings	207,243	-	-	1,026	208,269
Miscellaneous	259,631	316,362	180,591	91,027	847,611
Total Revenues	**$ 8,411,733**	**$ 6,078,540**	**$ 6,465,405**	**$ 3,751,981**	**$ 24,707,659**
Expenditures					
Current					
General government	$ 5,771,029	$ -	$ -	$ -	$ 5,771,029
Public safety	2,619,456	-	-	-	2,619,456
Highways and streets	-	11,772,547	-	-	11,772,547
Sanitation	-	-	-	1,385,645	1,385,645
Human services	-	-	6,420,982	1,088,167	7,509,149
Health	481	-	-	1,218,902	1,219,383
Culture and recreation	319,457	-	-	-	319,457
Conservation of natural resources	328,807	-	-	-	328,807
Economic development	30,000	-	-	-	30,000
Intergovernmental					
Highways and streets	-	240,271	-	-	240,271
Debt service					
Principal	-	104,341	-	40,000	144,341
Interest	-	17,176	-	27,038	44,214
Total Expenditures	**$ 9,069,230**	**$ 12,134,335**	**$ 6,420,982**	**$ 3,759,752**	**$ 31,384,299**
Excess of Revenues Over (Under) Expenditures	**$ (657,497)**	**$ (6,055,795)**	**$ 44,423**	**$ (7,771)**	**$ (6,676,640)**
Other Financing Sources (Uses)					
Transfers in	$ 556,180	$ -	$ -	$ -	$ 556,180
Transfers out	-	-	(556,180)	-	(556,180)
Total Other Financing Sources (Uses)	**$ 556,180**	**$ -**	**$ (556,180)**	**$ -**	**$ -**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 5
(Continued)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Road and Bridge	Social Services	Other Governmental Funds	Total Governmental Funds
Net Change in Fund Balance	$ (101,317)	$ (6,055,795)	$ (511,757)	$ (7,771)	$ (6,676,640)
Fund Balance – January 1	4,339,972	8,931,677	3,160,367	1,845,128	18,277,144
Increase (decrease) in inventories	-	(169,418)	-	-	(169,418)
Fund Balance – December 31	$ 4,238,655	$ 2,706,464	$ 2,648,610	$ 1,837,357	$ 11,431,086

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balance – total governmental funds (Exhibit 5)			**$ (6,676,640)**
Amounts reported for governmental activities in the statement of activities are different because:			
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.			
Unavailable revenue – December 31	$	3,664,248	
Unavailable revenue – January 1		(3,068,847)	595,401
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.			
Expenditures for general capital assets and infrastructure	$	9,922,202	
Current year depreciation		(2,084,391)	7,837,811
In the statement of net position, an asset is reported for the equity interest in joint ventures. The change in net position differs from the change in fund balance by the increases and decreases in the investment in joint venture.			137,810
Principal repayments			
General obligation bonds	$	40,000	
Capital lease		104,341	
Amortization of premium on bonds		531	144,872

EXHIBIT 6
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

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	$ 1,755	
Change in compensated absences	(67,625)	
Change in inventories	(169,418)	
Change in other postemployment benefits liability	(39,350)	
Change in net pension liability	1,904,418	
Change in deferred pension outflows of resources	(1,093,464)	
Change in deferred pension inflows of resources	(671,551)	
Change in deferred other postemployment benefits outflows	48,474	(86,761)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 1,952,493**

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FIDUCIARY FUNDS

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust	Agency Funds
Assets			
Cash and pooled investments	$ 290,980	$ 240,121	$ 165,570
Receivables			
Accounts	1,596	-	-
Due from other governments	13,199	-	-
Total Assets	**$ 305,775**	**$ 240,121**	**$ 165,570**
Liabilities and Net Position			
Liabilities			
Accounts payable	$ 2,634	$ -	$ -
Due to governmental funds	2,867	-	-
Due to other governments	-	-	165,570
Advances from governmental funds	-	55,000	-
Total Liabilities	**$ 5,501**	**$ 55,000**	**$ 165,570**
Net Position			
Net position, held in trust for pool participants	$ 300,274	$ -	
Net position, held in trust for employees	-	185,121	
Total Net Position	**$ 300,274**	**$ 185,121**	

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

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Family Service Collaborative Investment Trust	Health Reimbursement Employee Benefit Trust
Additions		
Contributions from employers	$ -	$ 49,063
Contributions from participants	59,471	-
Investment earnings		
Interest	2,218	-
Total Additions	**$ 61,689**	**$ 49,063**
Deductions		
Benefit payments	$ -	$ 50,619
Pool participant withdrawals	25,421	-
Total Deductions	**$ 25,421**	**$ 50,619**
Change in Net Position	**$ 36,268**	**$ (1,556)**
Net Position – Beginning of the Year	**264,006**	**186,677**
Net Position – End of the Year	**$ 300,274**	**$ 185,121**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Wadena County was established June 11, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor/Treasurer serves as clerk of the Board of Commissioners, but has no vote.

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

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

      Additionally, the County reports the following fiduciary fund types:

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

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

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

   C. Measurement Focus and Basis of Accounting

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

   Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Wadena County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds receive interest earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2018 were $250,617.

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

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

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2013 through 2018. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

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

3. Inventories

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

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

Assets	Capitalization Threshold
Land	$ 1
Land improvements	25,000
Buildings	25,000
Building improvements	25,000
Machinery, furniture, and equipment	10,000
Infrastructure	50,000

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

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

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

Assets	Years
Buildings	25 – 40
Building improvements	40
Public domain infrastructure	15 – 75
Landfill disposal systems	25
Machinery, furniture, and equipment	3 – 10

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Long-Term Obligations

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

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

1. Summary of Significant Accounting Policies

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

7. Pension Plan

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

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has two types of deferred inflows, unavailable revenue and deferred pension inflows, that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

receivable, delinquent special assessments receivable, grant monies, charges for services, and miscellaneous revenue, for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

9. Classification of Net Position

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

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

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

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

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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

11. Minimum Fund Balance

Wadena County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than three months of operating expenditures. At December 31, 2018, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

12. Use of Estimates

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

1. Summary of Significant Accounting Policies (Continued)

E. Restatement of Net Position

Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes the amount employers report as OPEB expense and defers some allocations of expenses to future years as deferred outflows or inflows of resources. This statement also requires additional note disclosures and schedules in the required supplementary information. Beginning net position has been restated to reflect this change.

	Governmental Activities
Net Position, January 1, 2018, as previously reported	$ 65,128,415
Change in accounting principles	(415,085)
Net Position, January 1, 2018, as restated.	$ 64,713,330

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following individual nonmajor funds had expenditures in excess of budget for the year ended December 31, 2018.

	Expenditures	Final Budget	Excess
Public Health Nurse Special Revenue Fund	$ 1,218,902	$ 1,197,895	$ 21,007
Transit Special Revenue Fund	1,088,167	936,217	151,950
Solid Waste Special Revenue Fund	1,452,683	1,358,840	93,843

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	11,726,215
Statement of fiduciary net position		
Cash and pooled investments		
Family Service Collaborative Investment Trust Fund		290,980
Health Reimbursement Employee Benefit Trust Fund		240,121
Agency funds		165,570
Total Cash and Cash Equivalents	$	12,422,886

Deposits		
Checking	$	729,496
Savings		1,949,501
Non-negotiable certificates of deposit		3,175,000
Invested in MAGIC Fund		6,566,299
Petty cash and change funds		2,590
Total Deposits and Cash on Hand	$	12,422,886

a. Deposits

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

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

3. Detailed Notes on All Funds,

   A. Assets and Deferred Outflows of Resources

      1. Deposits and Investments

         a. Deposits (Continued)

         account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

         Custodial Credit Risk

         Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize its exposure to custodial credit risk by requiring all deposits to be insured or collateralized in accordance to Minn. Stat. § 118A.03. As of December 31, 2018, the County's deposits were not exposed to custodial credit risk.

         b. Investments

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

         (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

         (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

         (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;

3. Detailed Notes on All Funds,

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal policy to mitigate interest rate risk. As of December 31, 2018, all of the County's investments were in the MAGIC Fund.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County does not have a policy to mitigate credit risk. At December 31, 2018, the County's investments were in an external investment pool and, therefore, not subject to credit risk disclosure.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities in the possession of an outside party. The County does not have a policy to mitigate custodial credit risk. At December 31, 2018, none of the County's investments were exposed to custodial credit risk.

3. Detailed Notes on All Funds

   A. Assets and Deferred Outflows of Resources

      1. Deposits and Investments

         b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to make investments which shall suggest diversification to avoid risks. At December 31, 2018, the County's investments were in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

Fair Value of Investments

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. At December 31, 2018, the County had recurring fair value measurements, as discussed as follows.

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

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical. At December 31, 2018, the County had $16,299 invested in the MAGIC Portfolio.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments

Fair Value of Investments (Continued)

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any. At December 31, 2018, the County had $6,550,000 invested in MAGIC Term.

2. Receivables

Receivables as of December 31, 2018, for the County's governmental activities, including the applicable allowances for uncollectibles (Social Services Special Revenue Fund) accounts, are as follows:

	Receivable (Gross)	Less: Allowance for Uncollectible Amounts	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	$ 340,796	$ -	$ 340,796	$ -
Special assessments	34,884	-	34,884	-
Accounts	561,617	159,145	402,472	-
Accrued interest	57,797	-	57,797	-
Due from other governments	5,088,715	-	5,088,715	-
Total Governmental Activities	$ 6,083,809	$ 159,145	$ 5,924,664	$ -

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 797,127	$ 12,256	$ -	$ 809,383
Construction in progress	4,803,835	9,297,072	3,675,209	10,425,698
Total capital assets not depreciated	$ 5,600,962	$ 9,309,328	$ 3,675,209	$ 11,235,081
Capital assets depreciated				
Buildings	$ 8,562,530	$ -	$ -	$ 8,562,530
Building improvements	1,756,855	-	-	1,756,855
Machinery, furniture, and equipment	6,402,055	624,916	114,041	6,912,930
Infrastructure	61,475,204	3,663,167	-	65,138,371
Total capital assets depreciated	$ 78,196,644	$ 4,288,083	$ 114,041	$ 82,370,686
Less: accumulated depreciation for				
Buildings	$ 3,918,738	$ 152,347	$ -	$ 4,071,085
Building improvements	208,469	58,782	-	267,251
Machinery, furniture, and equipment	4,281,263	460,664	114,041	4,627,886
Infrastructure	23,395,185	1,412,598	-	24,807,783
Total accumulated depreciation	$ 31,803,655	$ 2,084,391	$ 114,041	$ 33,774,005
Total capital assets depreciated, net	$ 46,392,989	$ 2,203,692	$ -	$ 48,596,681
Governmental Activities Capital Assets, Net	$ 51,993,951	$ 11,513,020	$ 3,675,209	$ 59,831,762

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

Governmental Activities	
General government	$ 168,387
Public safety	86,354
Highways and streets, including depreciation of infrastructure assets	1,659,850
Sanitation	93,677
Human services	72,372
Health	3,751
Total Depreciation Expense – Governmental Activities	$ 2,084,391

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	$ 560,249
Road and Bridge Special Revenue Fund	General Fund	$ 39,091
	Other governmental funds	17
Total due to Road and Bridge Special Revenue Fund		$ 39,108
Social Services Special Revenue Fund	Family Services Collaborative Investment Trust Fund	$ 327
Other governmental funds	General Fund	$ 150
	Social Services Special Revenue Fund	6
	Family Service Collaborative Investment Trust Fund	2,540
Total due to other governmental funds		$ 2,696
Total Due To/From Other Funds		$ 602,380

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

3. Detailed Notes on All Funds

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

      2. Advances To/From Other Funds

The composition of interfund balances as of December 31, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Health Reimbursement Employee Benefit Trust Fund	$ 32,500
Road and Bridge Special Revenue Fund	Health Reimbursement Employee Benefit Trust Fund	2,500
Social Services Special Revenue Fund	Health Reimbursement Employee Benefit Trust Fund	18,750
Other governmental funds	Health Reimbursement Employee Benefit Trust Fund	1,250
Total Advances To/From Other Funds		$ 55,000

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

      3. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfer to General Fund from Social Services Special Revenue Fund	$ 556,180	Share of cash call from South Country Health Alliance.

3. Detailed Notes on All Funds (Continued)

   C. Liabilities and Deferred Inflows of Resources

      1. Payables

         Payables at December 31, 2018, were as follows:

	Governmental Activities
Accounts	$ 460,749
Salaries	295,996
Contracts payable	771,577
Due to other governments	1,256,354
Interest	16,538
Customer deposits	500
Total Payables	$ 2,801,714

      2. Construction Commitments

         The County has active construction projects and commitments as of December 31, 2018.

	Spent-to-Date	Remaining Commitment
County Road 130 Project	$ 306,257	$ 20,425
Courthouse Bathroom Remodel Project	-	185,103
Total	$ 306,257	$ 205,528

         Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2018.

      3. Health Reimbursement Account

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Health Reimbursement Account (Continued)

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

As of December 31, 2018, 26 employees had health reimbursement accounts. The County advanced $55,000 to the Health Reimbursement Employee Benefit Trust Fund as of December 31, 2018.

4. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition for highway equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Payments on these lease agreements are made from the Road and Bridge Special Revenue Fund. These capital leases consist of the following at December 31, 2018:

Lease	Maturity	Installment	Payment Amount	Original	Balance
2016 CAT 316 EL Excavator	2021	Annual	$ 36,108	$ 203,640	$ 102,560
2016 CAT 938M Wheel Loader	2021	Annual	30,069	169,580	85,407
2017 CAT 140M3 Grader	2022	Annual	55,340	300,830	199,938
Total Capital Leases					$ 387,905

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease obligations as of December 31, 2018, were as follows:

Year Ending December 31	Governmental Activities
2019	$ 121,518
2020	121,518
2021	121,520
2022	55,342
Total minimum lease payments	$ 419,898
Less: amount representing interest	(31,993)
Present Value of Minimum Lease Payments	$ 387,905

5. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2015 G.O. Solid Waste Bonds	2036	$40,000 – $65,000	1.50 – 3.75	$ 995,000	$ 915,000
Add: unamortized premium					9,069
Total General Obligation Bonds, Net					$ 924,069

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2019	$ 40,000	$ 25,988
2020	40,000	25,388
2021	45,000	24,638
2022	45,000	23,738
2023	45,000	22,837
2024 – 2028	240,000	96,411
2029 – 2033	275,000	57,940
2034 – 2036	185,000	10,591
Total	$ 915,000	$ 287,531

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 955,000	$ -	$ 40,000	$ 915,000	$ 40,000
Add: unamortized premium	9,600	-	531	9,069	-
Total bonds payable	$ 964,600	$ -	$ 40,531	$ 924,069	$ 40,000
Capital leases	492,246	-	104,341	387,905	107,886
Compensated absences	599,003	330,250	262,625	666,628	452,158
Total Long-Term Liabilities	$ 2,055,849	$ 330,250	$ 407,497	$ 1,978,602	$ 600,044

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

8. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2018, are summarized below by fund:

	Taxes	Special Assessments	Grants and Allotments	Interest	Other	Total
Major governmental funds						
General	$ 170,447	$ -	$ 16,383	$ 40,572	$ 3,635	$ 231,037
Road and Bridge	36,921	-	2,807,427	-	39,631	2,883,979
Social Services	59,335	-	145,866	-	117,412	322,613
Nonmajor governmental funds						
Public Health Nurse	6,182	-	127,822	-	-	134,004
Transit	-	-	64,649	-	-	64,649
Solid Waste	-	27,966	-	-	-	27,966
Total Unavailable Revenue	$ 272,885	$ 27,966	$ 3,162,147	$ 40,572	$ 160,678	$ 3,664,248

D. Other Postemployment Benefits (OPEB)

Plan Description

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

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

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active plan participants	156
Total	165

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

The County's total OPEB liability of $938,338 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services expenditures.

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.25 percent, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The current year discount rate is 3.30 percent based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates are based on RP-2014 adjusted to 2006 Headcount Weighted White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018, as restated	$ 898,988
Changes for the year	
Service cost	$ 98,352
Interest	31,432
Benefit payments	(90,434)
Net change	$ 39,350
Balance at December 31, 2018	$ 938,338

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	$ 1,016,337
Current	3.30	938,338
1% Increase	4.30	866,100

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 824,776
Current	6.25% Decreasing to 5.00%	938,338
1% Increase	7.25% Decreasing to 6.00%	1,074,010

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of $39,350. The County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to the measurement date	$ 48,474

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

The $48,474 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

E. Defined Benefit Pension Plans

1. Plan Description

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

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

1. Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

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

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase, while Correctional Plan benefit recipients receive 2.50 percent. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 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 1.00 percent.

3. Detailed Notes on All Funds

   E. Defined Benefit Pension Plans

      2. Benefits Provided (Continued)

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

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

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

3. Detailed Notes on All Funds

E. 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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20
Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	$	497,907
Police and Fire Plan		125,679
Correctional Plan		39,658

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of $5,336,781 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.0962 percent. It was 0.1009 percent measured as of June 30, 2017. The County recognized pension expense of $477,705 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized $40,841 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and $6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	$	5,336,781
State of Minnesota's proportionate share of the net pension liability associated with the County		175,134
Total	$	5,511,915

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 147,848	$ 154,194
Changes in actuarial assumptions	505,027	619,696
Difference between projected and actual investment earnings	-	589,438
Changes in proportion	364,282	367,156
Contributions paid to PERA subsequent to the measurement date	252,269	-
Total	$ 1,269,426	$ 1,730,484

The $252,269 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, 2019. 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
2019	$ 190,937
2020	(272,091)
2021	(520,785)
2022	(111,388)

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2018, the County reported a liability of $748,260 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.070 percent. It was 0.071 percent measured as of June 30, 2017. The County recognized pension expense of $90,927 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $6,318 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 30,358	$ 186,466
Changes in actuarial assumptions	967,378	1,113,803
Difference between projected and actual investment earnings	-	154,383
Changes in proportion	48,489	62,510
Contributions paid to PERA subsequent to the measurement date	63,965	-
Total	$ 1,110,190	$ 1,517,162

The $63,965 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, 2019. 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
2019	$ (5,188)
2020	(38,347)
2021	(105,527)
2022	(317,611)
2023	(4,264)

3. Detailed Notes on All Funds

   E. Defined Benefit Pension Plans

      4. Pension Costs (Continued)

Correctional Plan

At December 31, 2018, the County reported a liability of $37,516 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.23 percent. It was 0.22 percent measured as of June 30, 2017. The County recognized pension expense of $44,790 for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,968	$ 3,867
Changes in actuarial assumptions	186,200	431,090
Difference between projected and actual investment earnings	-	37,425
Changes in proportion	17,314	37,689
Contributions paid to PERA subsequent to the measurement date	19,782	-
Total	$ 225,264	$ 510,071

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Correctional Plan (Continued)

The $19,782 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, 2019. 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
2019	$ 17,818
2020	(176,152)
2021	(138,400)
2022	(7,855)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was $523,842.

5. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

3. Detailed Notes on All Funds

   E. Defined Benefit Pension Plans (Continued)

      6. Discount Rate

         The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

      7. Changes in Actuarial Assumptions and Plan Provisions

         The following changes in actuarial assumptions occurred in 2018:

         General Employees Plan

         - The mortality projection scale was changed from MP-2015 to MP-2017.
         - The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

         Police and Fire Plan

         - The mortality projection scale was changed from MP-2016 to MP-2017.
         - Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

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

Correctional Plan

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

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

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 8,672,953	6.50%	$ 1,604,316	6.50%	$ 321,069
Current	7.50	5,336,781	7.50	748,260	7.50	37,516
1% Increase	8.50	2,582,867	8.50	40,337	8.50	(189,318)

9. Pension Plan Fiduciary Net Position

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

F. Defined Contribution Plan

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

3. Detailed Notes on All Funds

F. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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 Wadena County during the year ended December 31, 2018, were:

	Employee	Employer
Contribution amount	$ 5,258	$ 5,258
Percentage of covered payroll	5.00%	5.00%

4. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2018 and in 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

4. 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.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59 for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Wadena County and 22 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of $3,600,000.

Control is vested in the CPT Board, which consists of one individual appointed by each member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by each member is to be repaid from any excess in

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Counties Providing Technology (Continued)

fund balance at the end of the fiscal year, in proportion to the initial contribution. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

Financing is primarily from county member contributions. During 2018, Wadena County contributed $175,000 to CPT.

Current financial information can be obtained from:

Stevens County Auditor/Treasurer
400 Colorado Avenue, Suite 303
Morris, Minnesota 56267

Todd-Wadena Community Corrections

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

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

Wadena County's contribution for 2018 was $234,306.

Separate financial information can be obtained from:

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

5. Summary of Significant Contingencies and Other Items

   B. Joint Ventures (Continued)

      Northwestern Counties Data Processing Security Association

      The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Pennington, Polk, Roseau, and Wadena Counties. Mahnomen County withdrew from the NCDPSA in 2017. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and backup system.

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

      The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties. Wadena County did not contribute to the NCDPSA in 2018. Clearwater County, in an agent capacity, reports the cash transactions of the NCDPSA as an agency fund on its financial statements.

      Complete financial information can be obtained from:

      Clearwater County
      Auditor/Treasurer's Office
      213 North Main Avenue
      Bagley, Minnesota 56621

      West Central Minnesota Drug Task Force

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Wadena County contributed $1,000 to the Task Force in 2018.

Separate financial information can be obtained from:

Douglas County Courthouse
305 – 8th Avenue West
Alexandria, Minnesota 56308

Wadena County Family Service Collaborative

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

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

In the event of withdrawal from the Wadena County Family Service Collaborative, the withdrawing party shall give a 180-day notice. The withdrawing party shall remain liable for fiscal obligations incurred prior to the effective date of withdrawal but shall incur no additional fiscal liability beyond the effective date of withdrawal. Upon termination of the Collaborative, all property and remaining funds shall be divided among the remaining

5. Summary of Significant Contingencies and Other Items

   B. Joint Ventures

      Wadena County Family Service Collaborative (Continued)

members. Distribution shall be determined on the basis of number of years of participation by each member and the proportionate contribution paid pursuant to the agreement of the Collaborative members.

Financing is provided by state grants and appropriations from its members. Wadena County, in an agent capacity, reports the cash transactions of the Wadena County Family Service Collaborative as an investment trust fund on the County's financial statements. During 2018, Wadena County contributed $200 to the Collaborative.

Morrison-Todd-Wadena Community Health Board

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

Wadena County did not contribute to the Community Health Board in 2018. Separate financial information is not available.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined in the joint venture. As of December 31, 2010, Cass, Crow Wing, and Freeborn Counties elected to opt out of the SCHA, consistent with the terms of the joint powers agreement. The agreement was in accordance with Minn. Stat. § 256B.692, which allows

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

South Country Health Alliance (Continued)

the formation of a board of directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2018, was $1,899,125. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues. Wadena County has terminated its membership with the SCHA effective December 31, 2019.

Complete financial statements for the SCHA can be obtained from:

South Country Health Alliance
110 West Fremont Street
Owatonna, Minnesota 55060

Central Minnesota Emergency Medical Services Region

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Medical Services Region (Continued)

Complete financial information can be obtained from:

Ms. Marion Larson, Regional EMS Coordinator
Central Minnesota Emergency Medical Services Region
Stearns County Administration Center
PO Box 1107
St. Cloud, Minnesota 56302

Central Minnesota Emergency Services Board

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

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

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

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

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

Complete financial information can be obtained from:

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

Prairie Lakes Municipal Solid Waste Authority

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

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

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority (Continued)

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

Wadena County did not contribute to the Prairie Lakes Municipal Solid Waste Authority during 2018.

Financial information can be obtained from:

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

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed on January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board consisting of one County Commissioner and one lay person. Wadena County appropriated $95,533 to the Library for the year ended December 31, 2018.

Separate financial information can be obtained from:

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

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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

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

The RMCEP is governed by a Board of Directors, which are comprised of representatives from a wide variety of industry sectors, education, and human services. During the year, Wadena County did not make any contributions to the RMCEP. Current financial statements are not available.

C. Jointly-Governed Organizations

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Wadena County did not make any contributions to the MCCC.

Community Health Information Collaborative

The Community Health Information Collaborative (CHIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Wadena County did not contribute to the CHIC during 2018.

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Region Four – West Central Minnesota Homeland Security Emergency Management Organization

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

Minnesota Criminal Justice Data Communications Network

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

Minnesota Rural Counties Caucus

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

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REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 5,810,289	$ 5,810,289	$ 5,476,921	$ (333,368)
Licenses and permits	52,430	52,430	63,329	10,899
Intergovernmental	1,352,335	1,356,047	2,127,227	771,180
Charges for services	262,741	262,741	225,599	(37,142)
Fines and forfeits	15,000	15,000	22,749	7,749
Gifts and contributions	-	-	29,034	29,034
Investment earnings	100,000	100,000	207,243	107,243
Miscellaneous	142,383	142,383	259,631	117,248
Total Revenues	**$ 7,735,178**	**$ 7,738,890**	**$ 8,411,733**	**$ 672,843**
Expenditures				
Current				
General government				
Commissioners	$ 196,826	$ 196,826	$ 233,262	$ (36,436)
MCIT dividends	-	-	93,444	(93,444)
Law library	27,600	27,600	24,257	3,343
County coordinator	343,677	343,677	305,342	38,335
County auditor/treasurer	630,328	630,328	541,766	88,562
Data processing	490,713	490,713	482,388	8,325
Central services	65,000	65,000	1,356,595	(1,291,595)
Elections	60,065	60,065	145,156	(85,091)
Voter registration	500	500	893	(393)
County attorney	592,474	592,474	514,584	77,890
Court-appointed attorney	81,500	81,500	73,699	7,801
County recorder	270,114	270,114	309,108	(38,994)
County assessor	467,281	467,281	430,492	36,789
Planning and zoning	180,619	180,619	207,962	(27,343)
GIS and GPS	95,219	95,219	91,477	3,742
Building and plant	621,942	621,942	608,711	13,231
Veteran services	90,395	90,395	88,099	2,296
Other general government	219,330	219,330	263,794	(44,464)
Total general government	**$ 4,433,583**	**$ 4,433,583**	**$ 5,771,029**	**$ (1,337,446)**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
911 enhancement	$ 27,153	$ 27,153	$ 32,170	$ (5,017)
County sheriff	1,960,313	1,961,409	1,878,959	82,450
Boat and water safety enforcement	2,829	3,962	5,215	(1,253)
Coroner	35,000	35,000	24,561	10,439
Snowmobile safety/safety officer	4,815	5,209	5,160	49
Forfeiture funds – sheriff	-	-	5,135	(5,135)
ATV grant	3,616	5,801	6,966	(1,165)
Safe and sober	-	-	34,507	(34,507)
Jail/800 MHz radio	268,342	268,342	289,248	(20,906)
Corrections	234,306	234,306	234,305	1
Civil defense/emergency services	98,982	98,982	103,230	(4,248)
Total public safety	**$ 2,635,356**	**$ 2,640,164**	**$ 2,619,456**	**$ 20,708**
Health				
Wellness program	**$ -**	**$ -**	**$ 481**	**$ (481)**
Culture and recreation				
County parks	$ 48,382	$ 48,382	$ 90,289	$ (41,907)
Ag society	28,000	34,000	34,000	-
Snowmobile grants	65,000	65,000	69,835	(4,835)
Humane society	5,800	5,800	5,800	-
Kitchigami library	95,533	95,533	95,533	-
Historical society	24,000	24,000	24,000	-
Total culture and recreation	**$ 266,715**	**$ 272,715**	**$ 319,457**	**$ (46,742)**
Conservation of natural resources				
Soil and water conservation	$ 198,015	$ 198,015	$ 163,063	$ 34,952
County extension	170,709	170,709	164,181	6,528
Tree planting	800	800	1,563	(763)
Total conservation of natural resources	**$ 369,524**	**$ 369,524**	**$ 328,807**	**$ 40,717**
Economic development				
West Central EDA	**$ 30,000**	**$ 30,000**	**$ 30,000**	**$ -**
Total Expenditures	**$ 7,735,178**	**$ 7,745,986**	**$ 9,069,230**	**$ (1,323,244)**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ (7,096)**	**$ (657,497)**	**$ (650,401)**
Other Financing Sources (Uses)				
Transfers in	-	-	556,180	556,180
Net Change in Fund Balance	**$ -**	**$ (7,096)**	**$ (101,317)**	**$ (94,221)**
Fund Balance – January 1	**4,339,972**	**4,339,972**	**4,339,972**	**-**
Fund Balance – December 31	**$ 4,339,972**	**$ 4,332,876**	**$ 4,238,655**	**$ (94,221)**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,898,963	$ 1,898,963	$ 1,823,013	$ (75,950)
Intergovernmental	3,796,298	3,796,298	3,939,165	142,867
Miscellaneous	41,000	41,000	316,362	275,362
Total Revenues	**$ 5,736,261**	**$ 5,736,261**	**$ 6,078,540**	**$ 342,279**
Expenditures				
Current				
Highways and streets				
Administration	$ 400,353	$ 400,353	$ 407,214	$ (6,861)
Maintenance	1,424,623	1,424,623	1,463,436	(38,813)
Construction	3,384,332	3,384,332	9,568,297	(6,183,965)
Equipment maintenance and shop	317,280	317,280	333,600	(16,320)
Total highways and streets	**$ 5,526,588**	**$ 5,526,588**	**$ 11,772,547**	**$ (6,245,959)**
Intergovernmental				
Highways and streets	**$ 209,673**	**$ 209,673**	**$ 240,271**	**$ (30,598)**
Debt service				
Principal	$ -	$ -	$ 104,341	$ (104,341)
Interest	-	-	17,176	(17,176)
Total debt service	**$ -**	**$ -**	**$ 121,517**	**$ (121,517)**
Total Expenditures	**$ 5,736,261**	**$ 5,736,261**	**$ 12,134,335**	**$ (6,398,074)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (6,055,795)**	**$ (6,055,795)**
Fund Balance – January 1	**8,931,677**	**8,931,677**	**8,931,677**	**-**
Increase (decrease) in inventories	**-**	**-**	**(169,418)**	**(169,418)**
Fund Balance – December 31	**$ 8,931,677**	**$ 8,931,677**	**$ 2,706,464**	**$ (6,225,213)**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,982,458	$ 1,982,458	$ 1,866,101	$ (116,357)
Intergovernmental	3,705,756	3,705,756	4,003,119	297,363
Charges for services	536,000	536,000	415,594	(120,406)
Miscellaneous	311,935	311,935	180,591	(131,344)
Total Revenues	**$ 6,536,149**	**$ 6,536,149**	**$ 6,465,405**	**$ (70,744)**
Expenditures				
Current				
Human services				
Income maintenance	$ 1,756,754	$ 1,756,754	$ 1,637,728	$ 119,026
Social services	4,779,395	4,779,395	4,783,254	(3,859)
Total Expenditures	**$ 6,536,149**	**$ 6,536,149**	**$ 6,420,982**	**$ 115,167**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 44,423**	**$ 44,423**
Other Financing Sources (Uses)				
Transfers out	-	-	(556,180)	(556,180)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (511,757)**	**$ (511,757)**
Fund Balance – January 1	**3,160,367**	**3,160,367**	**3,160,367**	**-**
Fund Balance – December 31	**$ 3,160,367**	**$ 3,160,367**	**$ 2,648,610**	**$ (511,757)**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-4

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018

		2018
Total OPEB Liability		
Service cost	$	98,352
Interest		31,432
Benefit payments		(90,434)
Net change in total OPEB liability	**$**	**39,350**
Total OPEB Liability – Beginning, as restated		**898,988**
Total OPEB Liability – Ending	**$**	**938,338**
Covered-employee payroll	$	7,650,496
Total OPEB liability (asset) as a percentage of covered-employee payroll		12.27%

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-5

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

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

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-6

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

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)
2018	$ 497,907	$ 497,907	$ -	$ 6,638,760	7.50 %
2017	475,330	475,330	-	6,337,736	7.50
2016	460,017	460,017	-	6,133,569	7.50
2015	446,587	446,587	-	5,954,493	7.50

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-7

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

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
2018	0.070 %	$ 748,260	$ 747,704	100.07 %	88.84 %
2017	0.071	958,584	726,148	132.01	85.43
2016	0.073	2,929,617	706,982	414.38	63.88
2015	0.067	761,277	610,802	124.64	86.61

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-8

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

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)
2018	$ 125,679	$ 125,679	$ -	$ 775,798	16.20 %
2017	116,394	116,394	-	718,478	16.20
2016	110,937	110,937	-	684,797	16.20
2015	114,619	114,619	-	707,525	16.20

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-9

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

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
2018	0.23 %	$ 37,516	$ 473,694	7.92 %	97.64 %
2017	0.22	627,002	448,432	139.82	67.89
2016	0.24	876,754	447,194	196.06	58.16
2015	0.27	41,742	481,006	8.68	96.95

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT A-10

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

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)
2018	$ 39,658	$ 39,658	$ -	$ 453,235	8.75 %
2017	38,550	38,550	-	440,577	8.75
2016	40,132	40,132	-	458,656	8.75
2015	40,072	40,072	-	457,966	8.75

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Budgetary Information

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

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

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

2. Budget Amendments

Revenue budget was amended for the following fund:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 7,735,178	$ 3,712	$ 7,738,890

Expenditure budget was amended for the following fund:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 7,735,178	$ 10,808	$ 7,745,986

3. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2018.

	Expenditures	Budget	Excess
General Fund	$ 9,069,230	$ 7,745,986	$ 1,323,244
Road and Bridge Special Revenue Fund	12,134,335	5,736,261	6,398,074

4. Other Postemployment Benefits Funded Status

In 2018, Wadena County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

5. Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial assumptions occurred in 2018:

- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

- The retirement and withdrawal tables for all employees were updated.

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

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

General Employee Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

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

General Employee Retirement Plan

2018 (Continued)

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019, and returns to $6 million annually through calendar year 2031.

2016

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

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

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

General Employee Retirement Plan

2016 (Continued)

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

Public Employees Police and Fire Plan

2018

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

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

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

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

Public Employees Police and Fire Plan (Continued)

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

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

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

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

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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WADENA COUNTY
WADENA, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Public Health Nurse	Transit	Solid Waste	Total (Exhibit 3)
Assets				
Cash and pooled investments	$ 752,781	$ 206,702	$ 733,639	$ 1,693,122
Petty cash and change funds	40	100	250	390
Undistributed cash in agency funds	3,002	-	9,190	12,192
Taxes receivable – delinquent	7,747	-	-	7,747
Special assessments receivable – delinquent	-	-	34,884	34,884
Accounts receivable	2,477	7,337	92,741	102,555
Due from other funds	2,540	156	-	2,696
Due from other governments	236,935	78,935	207	316,077
Advances to other funds	-	-	1,250	1,250
Total Assets	**$ 1,005,522**	**$ 293,230**	**$ 872,161**	**$ 2,170,913**
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	$ 9,698	$ 9,959	$ 26,116	$ 45,773
Salaries payable	34,097	16,498	5,081	55,676
Due to other funds	-	17	-	17
Due to other governments	4,304	192	975	5,471
Total Liabilities	**$ 48,099**	**$ 26,666**	**$ 32,172**	**$ 106,937**
Deferred Inflows of Resources				
Unavailable revenue	**$ 134,004**	**$ 64,649**	**$ 27,966**	**$ 226,619**
Fund Balances				
Nonspendable				
Advances to other funds	$ -	$ -	$ 1,250	$ 1,250
Committed				
Solid waste	-	-	150,000	150,000
Assigned				
Solid waste	-	-	660,773	660,773
Transit	-	201,915	-	201,915
Public health	823,419	-	-	823,419
Total Fund Balances	**$ 823,419**	**$ 201,915**	**$ 812,023**	**$ 1,837,357**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 1,005,522**	**$ 293,230**	**$ 872,161**	**$ 2,170,913**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Public Health Nurse	Transit	Solid Waste	Total (Exhibit 5)
Revenues				
Taxes	$ 198,127	$ -	$ -	$ 198,127
Special assessments	-	-	460,489	460,489
Licenses and permits	40,444	-	225	40,669
Intergovernmental	733,611	1,016,769	67,729	1,818,109
Charges for services	206,312	116,881	813,666	1,136,859
Gifts and contributions	-	5,675	-	5,675
Investment earnings	-	1,026	-	1,026
Miscellaneous	53,652	270	37,105	91,027
Total Revenues	**$ 1,232,146**	**$ 1,140,621**	**$ 1,379,214**	**$ 3,751,981**
Expenditures				
Current				
Sanitation	$ -	$ -	$ 1,385,645	$ 1,385,645
Human services	-	1,088,167	-	1,088,167
Health	1,218,902	-	-	1,218,902
Debt service				
Principal	-	-	40,000	40,000
Interest	-	-	27,038	27,038
Total Expenditures	**$ 1,218,902**	**$ 1,088,167**	**$ 1,452,683**	**$ 3,759,752**
Net Change in Fund Balance	**$ 13,244**	**$ 52,454**	**$ (73,469)**	**$ (7,771)**
Fund Balance – January 1	**810,175**	**149,461**	**885,492**	**1,845,128**
Fund Balance – December 31	**$ 823,419**	**$ 201,915**	**$ 812,023**	**$ 1,837,357**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 204,153	$ 204,153	$ 198,127	$ (6,026)
Licenses and permits	32,044	32,044	40,444	8,400
Intergovernmental	665,869	665,869	733,611	67,742
Charges for services	234,740	234,740	206,312	(28,428)
Miscellaneous	61,089	61,089	53,652	(7,437)
Total Revenues	**$ 1,197,895**	**$ 1,197,895**	**$ 1,232,146**	**$ 34,251**
Expenditures				
Current				
Health				
Nursing service	1,197,895	1,197,895	1,218,902	(21,007)
Net Change in Fund Balance	**$ -**	**$ -**	**$ 13,244**	**$ 13,244**
Fund Balance – January 1	**810,175**	**810,175**	**810,175**	**-**
Fund Balance – December 31	**$ 810,175**	**$ 810,175**	**$ 823,419**	**$ 13,244**

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
TRANSIT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 759,900	$ 759,900	$ 1,016,769	$ 256,869
Charges for services	124,700	124,700	116,881	(7,819)
Gifts and contributions	-	-	5,675	5,675
Investment earnings	-	-	1,026	1,026
Miscellaneous	10,000	10,000	270	(9,730)
Total Revenues	**$ 894,600**	**$ 894,600**	**$ 1,140,621**	**$ 246,021**
Expenditures				
Current				
Human services				
Transportation	936,217	936,217	1,088,167	(151,950)
Net Change in Fund Balance	**$ (41,617)**	**$ (41,617)**	**$ 52,454**	**$ 94,071**
Fund Balance – January 1	**149,461**	**149,461**	**149,461**	**-**
Fund Balance – December 31	**$ 107,844**	**$ 107,844**	**$ 201,915**	**$ 94,071**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT B-5

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 450,000	$ 450,000	$ 460,489	$ 10,489
Licenses and permits	200	200	225	25
Intergovernmental	71,655	71,655	67,729	(3,926)
Charges for services	739,375	739,375	813,666	74,291
Miscellaneous	50,000	50,000	37,105	(12,895)
Total Revenues	**$ 1,311,230**	**$ 1,311,230**	**$ 1,379,214**	**$ 67,984**
Expenditures				
Current				
Sanitation	$ 1,292,252	$ 1,292,252	$ 1,385,645	$ (93,393)
Debt service				
Principal	40,000	40,000	40,000	-
Interest	26,588	26,588	27,038	(450)
Total Expenditures	**$ 1,358,840**	**$ 1,358,840**	**$ 1,452,683**	**$ (93,843)**
Net Change in Fund Balance	**$ (47,610)**	**$ (47,610)**	**$ (73,469)**	**$ (25,859)**
Fund Balance – January 1	**885,492**	**885,492**	**885,492**	**-**
Fund Balance – December 31	**$ 837,882**	**$ 837,882**	**$ 812,023**	**$ (25,859)**

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WADENA COUNTY
WADENA, MINNESOTA

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
GOVERNMENTAL				
Assets				
Cash and pooled investments	$ 4,993	$ 63,755	$ 63,525	$ 5,223
Liabilities				
Due to other governments	$ 4,993	$ 63,755	$ 63,525	$ 5,223
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	$ 298,341	$ 19,154,970	$ 19,292,964	$ 160,347
Liabilities				
Due to other governments	$ 298,341	$ 19,154,970	$ 19,292,964	$ 160,347
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 303,334	$ 19,218,725	$ 19,356,489	$ 165,570
Liabilities				
Due to other governments	$ 303,334	$ 19,218,725	$ 19,356,489	$ 165,570

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OTHER SCHEDULES

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WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-1

SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2018

	Number	Interest Rate (%)	Maturity Dates	Fair Value
Cash and Pooled Investments				
Cash on hand and departmental checking	N/A	N/A	Continuous	$ 2,590
Checking accounts	Two	0.15 to 0.32	Continuous	729,496
Money market savings	Eight	0.05 to 0.65	Continuous	1,949,501
MAGIC Fund	One	2.34	Continuous	16,299
MAGIC Term	Seven	2.27 to 2.82	January 1, 2019 to October 15, 2019	6,550,000
Non-negotiable certificates of deposit	Ten	1.00 to 2.70	April 17, 2019 to April 18, 2020	3,175,000
Total Cash and Pooled Investments				**$ 12,422,886**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-2

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Appropriations and Shared Revenue	
State	
Highway users tax	$ 3,489,012
County program aid	947,021
Additional County program aid	600,000
PERA rate reimbursement	20,825
Disparity reduction aid	53,185
Pension contribution	47,159
Police aid	92,801
Aquatic invasive species aid	37,624
Out of home placement reimbursement aid	6,047
Enhanced 911	86,151
Market value credit	211,102
Riparian protection aid	50,000
Total appropriations and shared revenue	**$ 5,640,927**
Reimbursement for Services	
State	
Department of Human Services	$ 1,315,306
Local	
School districts	24,200
Total reimbursement for services	**$ 1,339,506**
Payments	
Local	
Local contributions	$ 39,014
Payments in lieu of taxes	106,696
Total payments	**$ 145,710**
Grants	
State	
Minnesota Department/Board of	
Public Safety	$ 17,328
Transportation	684,960
Health	244,048
Natural Resources	82,305
Human Services	942,742
Water and Soil Resources	152,215
Veterans Affairs	10,000
Pollution Control Agency	79,600
Secretary of State	46,450
Total state	**$ 2,259,648**

EXHIBIT D-2
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Grants (Continued)		
Federal		
Department of/Agency		
Agriculture	$	230,025
Justice		60,146
Transportation		531,373
Education		2,098
Health and Human Services		1,659,674
Homeland Security		18,513
Total federal	**$**	**2,501,829**
Total state and federal grants	**$**	**4,761,477**
Total Intergovernmental Revenue	**$**	**11,887,620**

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Morrison-Todd-Wadena Community Health Services Board			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	182MN004W1003	$ 91,078
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	125,877
Total U.S. Department of Agriculture			**$ 216,955**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVS-2018-WADCAC-00065	**$ 60,146**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	1030080	$ 404,890
Formula Grants for Rural Areas	20.509	Agr#1029487	269,201
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC18-2018-WADENASD-2754	1,761
State and Community Highway Safety (Total State and Community Highway Safety 20.600 $2,862)	20.600	F-ENFRC18-2018-WADENASD-3215	1,101
National Priority Safety Programs	20.616	F-ENFRC18-2018-WADENASD-3044	10,220
National Priority Safety Programs (Total National Priority Safety Programs 20.616 $15,841)	20.616	F-ENFRC18-2018-WADENASD-3215	5,621
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC18-2018-WADENASD-2754	8,634
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 $16,253)	20.608	F-ENFRC18-2018-WADENASD-3215	7,619
Total U.S. Department of Transportation			**$ 709,047**
U.S. Department of Education			
Passed Through Morrison-Todd-Wadena Community Health Services Board			
Special Education – Grants for Infants and Families	84.181	H18A160029	**$ 2,263**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Health and Human Services			
Direct			
Drug-Free Communities Support Program Grants	93.276		$ 121,483
Passed Through Morrison-Todd-Wadena Community Health Services Board			
Public Health Emergency Preparedness	93.069	Not Provided	22,784
Immunization Cooperative Agreements	93.268	Not Provided	500
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1901MNTANF	43,177
(Total Temporary Assistance for Needy Families 93.558 $265,468)			
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	Not Provided	89,529
Maternal and Child Health Services Block Grant to the States	93.994	B04MC31496	22,111
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1701MNFPSS	4,812
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1801MNTANF	222,291
(Total Temporary Assistance for Needy Families 93.558 $265,468)			
Child Support Enforcement	93.563	1804MNCEST	153,522
Child Support Enforcement	93.563	1804MNCSES	81,044
(Total Child Support Enforcement 93.563 $234,566)			
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFRPG	3,064
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	4,557
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	3,530
Foster Care – Title IV-E	93.658	1801MNFOST	118,672
Social Services Block Grant	93.667	G-1801MNSOSR	115,080
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1801MNCILP	1,915
Children's Health Insurance Program	93.767	1805MN5R21	143
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	697,063
Medical Assistance Program	93.778	1805MN5MAP	8,912
(Total Medical Assistance Program 93.778 $705,975)			
Total U.S. Department of Health and Human Services			**$ 1,714,189**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Boating Safety Financial Assistance	97.012	R29G40CGFFY17	$ 2,068
Emergency Management Performance Grants	97.042	F-EMPG-2018-WADENACO-2863	16,383
Total U.S. Department of Homeland Security			**$ 18,451**
Total Federal Awards			**$ 2,721,051**

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

WADENA COUNTY
WADENA, MINNESOTA

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
Totals by Cluster			
Total expenditures for SNAP Cluster			$ 125,877
Total expenditures for Highway Planning and Construction Cluster			404,890
Total expenditures for Highway Safety Cluster			18,703
Total expenditures for TANF Cluster			265,468
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			89,529
Total expenditures for CCDF Cluster			4,557
Total expenditures for Medicaid Cluster			705,975

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

WADENA COUNTY
WADENA, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wadena County under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wadena County, it is not intended to and does not present the financial position or changes in net position of Wadena County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Wadena County has elected to not use the ten 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	$	2,501,829
Grants received more than 60 days after year-end, unavailable in 2018		
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)		33,819
Highway Planning and Construction (CFDA No. 20.205)		213,735
Formula Grants for Rural Areas (CFDA No. 20.509)		64,649
Special Education – Grants for Infants and Families (CFDA No. 84.181)		648
Public Health Emergency Preparedness (CFDA No. 93.069)		6,394
Promoting Safe and Stable Families (CFDA No. 93.556)		1,225
Temporary Assistance for Needy Families (CFDA No. 93.558)		75,092
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		1,208
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		949
John H. Chafee Foster Care Program for Successful Transition to Adulthood (CFDA No. 93.674)		485
Maternal, Infant, and Early Childhood Home Visiting Grant Program (CFDA No. 93.870)		30,431
Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)		5,528
Emergency Management Performance Grants (CFDA No. 97.042)		16,383
Grants unavailable in 2017, recognized as revenue in 2018		
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)		(21,949)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)		(24,940)
Formula Grants for Rural Areas (CFDA No. 20.509)		(100,710)
Special Education – Grants for Infants and Families (CFDA No. 84.181)		(483)
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (CFDA No. 93.044)		(6,000)
Promoting Safe and Stable Families (CFDA No. 93.556)		(1,528)
Temporary Assistance for Needy Families (CFDA No. 93.558)		(62,840)
Child Support Enforcement (CFDA No. 93.563)		(37,722)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		(467)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		(1,062)
Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)		(5,528)
Emergency Management Performance Grants (CFDA No. 97.042)		(16,445)
Grants recorded in Agency Fund		
Foster Care – Title IV-E (CFDA No. 93.658)		15,149
Medical Assistance Program (CFDA No. 93.778)		33,201
Expenditures per Schedule of Expenditures of Federal Awards	$	2,721,051

Management and Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining information of Wadena County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2019.

Our report includes a reference to other auditors who audited the financial statements of the South Country Health Alliance joint venture as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for 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 Wadena County administers no tax increment financing districts.

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

Also included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2017-003.

Wadena County's Response to Finding

Wadena County's response to the other matter identified in our audit is described in the Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 27, 2019

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

Independent Auditor's Report

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Wadena County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. Wadena County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

Opinion on Each Major Federal Program

In our opinion, Wadena County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Wadena County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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

/s/Julie Blaha *　　　　/s/Greg Hierlinger*

JULIE BLAHA
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2019

WADENA COUNTY
WADENA, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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? **None reported**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

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

The major federal programs are:

Highway Planning and Construction Cluster	CFDA No. 20.205
Child Support Enforcement	CFDA No. 93.563

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

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

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER MATTER

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-003

Procurement, Suspension, and Debarment

Program: U.S. Department of Agriculture's State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561); Award No. 182MN101S2514, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

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

Questioned Costs: None.

Context: Three of 17 small purchase procurement transactions were tested for compliance with federal regulations. There were no purchases that exceeded the $25,000 level for testing if a vendor was not suspended or debarred.

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

Effect: The County is not in compliance with federal regulations.

Cause: The County stated that the purchases were done through a government contract or cooperative purchasing agreement, but could not provide documentation of the purchases. The SS Fiscal Supervisor thought documentation did not need to be retained for these types of purchases.

Recommendation: We recommend the County document the history of procurement transactions, including contract selection.

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2017-001 Jail Departmental Control Procedures
2017-002 SEAGR Reporting (CFDA No. 93.667)
2017-004 Contract and Bidding Compliance

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REPRESENTATION OF WADENA COUNTY
WADENA, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2017-003
Finding Title: Procurement, Suspension, and Debarment

Name of Contact Person Responsible for Corrective Action:
Human Services Administrative Services Supervisor
Amie.Gendron@co.wadena.mn.us
218-632-2535

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

Anticipated Completion Date: Wadena County Human Services has already begun creating this file for 2019 purchases and will have the file complete at the end of the calendar year.

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REPRESENTATION OF WADENA COUNTY
WADENA, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2017-001
Finding Title: Jail Departmental Control Procedures

Summary of Condition: Procedures performed for the Jail Department during the audit revealed the departmental checking account had an account balance of $51,347 as of September 2017. Collections for inmates are placed into the departmental checking account for booking fees, canteen purchases, over-the-counter medications, nursing visits, haircuts, and other miscellaneous items. Checks are written from the departmental checking account to reimburse inmates for their unused cash balances upon release and to remit fees collected by the department to the County Auditor/Treasurer. However, beginning in 2012, County profits from phone card and canteen purchases were not fully remitted to the County Auditor/Treasurer. In addition, there was no reconciliation performed of the account balance to the departments' subsidiary ledgers, so the exact balance due to the County Auditor/Treasurer was unknown at the time audit procedures were performed. In addition, 59 checks totaling $577 were more than three years outstanding, dating back to July 2012.

Summary of Corrective Action Previously Reported: In regards to the State Auditor's recommendations addressing "Jail Department Control Procedures".

"A reconciliation and review of all department bank accounts should be completed monthly to ensure the bank balance agrees with the department's subsidiary ledgers."

The procedures that are followed and have been are these; The Sheriff s Office Administrative Assistant, Missy Peterson, receives the monthly bank statement. The statement is cross checked with the Office's documentation/invoices and other financial statements from where the moneys were coming from and were deposited into the bank account. The ending balance is then verified by the Administrative Assistant, Jail Administrator and/or the Chief Deputy.

"The Jail Administrator should also review the fees posted to the County general ledger to ensure the fees collected with the department are receipted into the County general ledger timely and are posted to the correct revenue account."

When deposits are made and the monies are brought to the Treasurer's Office, there is documentation that indicates the monies have been counted and verified by at least two individuals; the Sheriff's Office Administrative Assistant and someone from the Treasurer's Office. Once the deposit is made, additional documentation is returned to the Sheriff s Office and this is verified by either the Jail Administrator or their designee.

"We recommend a policy be established and approved to specify a time frame and process for handling outstanding checks considered uncollectible in accordance with Minn. Stat. 345.39."

In July of 2018, we turned over the outstanding checks for the years 2012 thru June 30, 2014 as unclaimed property to the State. At this time there are fewer checks written out to inmates then in years past. When an inmate is released they are given a debit card with their remaining cash balance, if there is any. An inmate is only written a check if they are being sent to another facility for housing, sent to another county facility on that county's charges or sent off to prison.

The Sheriff s Office has a policy in place regarding cash handling, security and management. With this, and after the State Auditor's recommendations, the Sheriff s Office will update this policy to include the handling of checks, the designated administrative staff that will verify/reconcile documentation, and the assignment of staff personnel with the task of following up on outstanding checks with a time frame and process per Minn. Stat..

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-002
Finding Title: SEAGR Reporting
Program: Social Services Block Grant (CFDA No. 93.667)

Summary of Condition: Testing of the SEAGR revealed that BRASS codes on the annual report did not tie back to the BRASS codes in the general ledger. Amounts for 17 of the 46 BRASS codes reported were incorrect.

Summary of Corrective Action Previously Reported: Wadena County Human Services has implemented a procedure to ensure the accuracy of the SEAGR Brass reporting codes are in alignment with the account codes in the Integrated Financial System. Prior to submission of the report to MN Department of Human Service and upon completion of the SEAGR report, an account activity report is run in IFS and compared to the SEAGR report to ensure the amounts are aligned for each BRASS code. If there is a discrepancy, the payments in question are reviewed, account adjustments made to correct the issue, and then the report is submitted. In addition, all SSIS service arrangements are reviewed and approved by someone other than the originator of the service arrangement. Their job is to check for the accuracy of the Brass service code within the service arrangement and ensure it aligns with the service code block of the chart of account code.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-003
Finding Title: Procurement, Suspension, and Debarment
Program: SNAP Cluster (CFDA No. 10.561)

Summary of Condition: Eight procurement transactions over the micro-purchasing threshold of $3,500 were tested for compliance with federal regulations. There were seven instances where the history of procurement, including selection of contract, was not documented. For the five items tested that were over the $25,000 threshold, there was no verification performed by the County to determine whether vendors were debarred, suspended, or otherwise excluded. Five micro-purchases were also tested. Three of these were not documented as being distributed equitably among qualified suppliers.

Summary of Corrective Action Previously Reported: Wadena County Human Services has implemented a purchasing price tracking system. The system includes identifying the product type, vendor prices obtained for cost analysis, locating possible vendors. A form will be developed, used, and maintained to identify sole source providers. The current process for verifying excluded/debarred vendors will continue to be used with the addition of the element of checking the federal SAM and MN Department of Human Services websites for excluded/debarred vendors. Vendors are checked and dates are recorded in a tracking spreadsheet maintained by the accounting staff processing payments.

Status: Partially Corrected. Human Services has implemented a tracking system to check vendors that may be debarred or excluded. In addition, a purchase price tracking system has been developed and implemented. However, not all purchases were listed in this system. The agency renewed a lease agreement with a particular vendor that is used by several departments in the county, and there was no documentation that other vendors were contacted for price quotes, as well as another vendor that is under the government contract list. It was the understanding that if purchasing under a government contract or cooperative purchasing agreement, the requirements for procurement were met.

Was corrective action taken significantly different than the action previously reported?
Yes ___X___ No _______

Further corrective action will be file maintenance, collecting price quotes for purchases falling under the small purchases category, regardless if the vendor is an identified government contract or cooperative purchasing vendor.

Finding Number: 2017-004
Finding Title: Contract and Bidding Compliance

Summary of Condition: The County could not provide documentation supporting compliance with Minn. Stat. §§ 15.17; 16C.285; 270C.66; 375.21; 471.345; 471.425; and 574.26 for two contracts tested. Both projects, remodeling the Human Services building and the new annex building, were managed by the same construction manager. The County was unable to provide documentation on the specifications on the contracts, publication of solicitation of bids, abstract of bids, signed contracts, contractor's performance and payment bonds, withholding affidavit for contractors, acceptance of low bids received, language that prime contractor will pay subcontractors within ten days of receipt of payment from the government and responsible bidder certification.

Summary of Corrective Action Previously Reported: Wadena County Human Services will engage in future projects requiring bidding and/or contracts. A point of contact will be established with contract managers to ensure open communication regarding the building project. A compliance meeting will be scheduled with contract manager (whether this is an employee of the county or outside vendor) to review the procurement policy, to ensure compliance of the policy, and to identify any missing components in the bidding process. Further, Human Services will maintain a construction file, maintain copies of bids, publications of solicitation for bids, contracts, certifications, and other documentation verification as outlined in the county's procurement policy, when federal funds are used to fund the project.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___