

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

NORMAN COUNTY
ADA, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 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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This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**NORMAN COUNTY
ADA, MINNESOTA**

Year Ended December 31, 2016



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

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**NORMAN COUNTY
ADA, MINNESOTA**

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**NORMAN COUNTY
ADA, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2016**

			<u>Term Expires</u>
Elected			
Commissioners			
Vice Chair	Marvin Gunderson	District 1	January 2017
Board Member	Nathan Redland	District 2	January 2019
Chair	Steve Jacobson	District 3	January 2017
Board Member	Lee Ann Hall	District 4	January 2019
Board Member	Steven Bommersbach	District 5	January 2017
Attorney	James Brue		January 2019
Auditor-Treasurer	Donna Hanson*		January 2019
County Recorder	Kari Aanenson		January 2019
Registrar of Deeds	Kari Aanenson		January 2019
County Sheriff	Jeremy Thornton		January 2019
Appointed			
Assessor	Jill Murray		December 2020
County Engineer	Jerilyn Swenson		May 2020
Coroner	Dr. Mary Ann Sens		December 2017
Court Administrator	Camille Bessler		Indefinite
Emergency Services	Garry Johanson		May 2020
Veterans Service Officer	John Rosenberger		December 2020
Social Services Board			
Chair	Steve Jacobson		January 2017
Vice Chair	Marvin Gunderson		January 2017
Secretary	Marian Cerkowniak		May 2018
Member	Nathan Redland		January 2019
Member	Lee Ann Hall		January 2019
Member	Steven Bommersbach		January 2017
Member	Carol Sorenson		May 2017
Director	Kristi Nelson		Indefinite

*Donna Hanson was appointed to fill out the previous Auditor-Treasurer's term when he retired.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Norman County
Ada, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017, on our consideration of Norman County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Norman County's internal control over financial reporting and compliance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

May 12, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NORMAN COUNTY
ADA, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(Unaudited)**

Norman County's Management's Discussion and Analysis (MD&A) provides an overview of County financial activities for the fiscal year ended December 31, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Norman County's financial statements and the notes to the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of Norman County exceeded its liabilities and deferred inflows of resources by \$65,107,324 at the close of 2016. Of this amount, \$2,310,871 (unrestricted net position) may be used to meet Norman County's ongoing obligations to citizens and creditors.

The County's net position increased by \$1,850,259 for the year ended December 31, 2016.

At the close of 2016, Norman County's governmental funds reported combined ending fund balances of \$7,308,059, an increase of \$880,841 in comparison with the prior year.

At the close of 2016, unrestricted fund balance for the General Fund was \$4,103,139, or 97.3 percent of total General Fund expenditures.

Norman County currently has \$196,300 of bonded indebtedness. The money was used for the Perley and Hendrum dike projects completed summer 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Level Financial Statements

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. The County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are not reflected in the government-wide financial statements because those resources are not available to support the County's programs.

Notes to the Financial Statements

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

Other Information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Norman County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65,107,324 at the close of 2016. The largest portion of Norman County's net position (91 percent) reflects its net investment in capital assets (land, infrastructure, buildings, and equipment). However, it should be noted that these assets are not available for future spending.

Governmental Net Position

	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets	\$ 11,097,098	\$ 10,363,258
Capital assets	<u>59,025,012</u>	<u>56,886,088</u>
Total Assets	<u>\$ 70,122,110</u>	<u>\$ 67,249,346</u>
Deferred Outflows of Resources		
Deferred pension outflows	<u>\$ 2,828,656</u>	<u>\$ 438,497</u>
Liabilities		
Long-term liabilities outstanding	\$ 6,443,990	\$ 3,599,651
Other liabilities	<u>642,686</u>	<u>497,316</u>
Total Liabilities	<u>\$ 7,086,676</u>	<u>\$ 4,096,967</u>
Deferred Inflows of Resources		
Deferred pension inflows	<u>\$ 756,766</u>	<u>\$ 333,811</u>
Net Position		
Investment in capital assets	\$ 59,025,012	\$ 56,886,088
Restricted	3,771,441	3,795,482
Unrestricted	<u>2,310,871</u>	<u>2,575,495</u>
Total Net Position, as reported	<u>\$ 65,107,324</u>	<u>\$ 63,257,065</u>

The unrestricted net position amount of \$2,310,871 as of December 31, 2016, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Norman County's activities increased net position by \$1,850,259, or 2.92 percent, over the 2015 net position. The key element of the increase was an increase in capital assets.

Changes in Net Position

	2016	2015
Revenues		
Program revenues		
Charges for services	\$ 1,109,123	\$ 1,234,328
Operating grants and contributions	6,726,106	5,929,667
Capital grants and contributions	510,936	1,549,529
General revenues		
Property taxes	5,498,527	5,139,111
Gravel taxes	100,185	62,565
Wheelage tax	75,712	84,952
Grants and contributions not restricted to specific programs	362,674	341,974
Other	187,539	265,350
Special Item		
Merger of Norman-Mahnomen Public Health Operations into Norman County	445,423	-
Total Revenues	\$ 15,016,225	\$ 14,607,476
Expenses		
General government	\$ 2,052,309	\$ 1,738,411
Public safety	1,721,751	1,523,740
Highways and streets	4,593,041	4,330,717
Sanitation	437,923	398,696
Human services	2,589,197	2,298,381
Health	1,320,976	317,518
Culture and recreation	152,110	110,279
Conservation of natural resources	290,220	304,558
Economic development	-	10,507
Interest	8,439	8,780
Total Expenses	\$ 13,165,966	\$ 11,041,587
Increase (Decrease) in Net Position	\$ 1,850,259	\$ 3,565,889
Net Position, January 1	63,257,065	59,691,176
Net Position, December 31	\$ 65,107,324	\$ 63,257,065

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,308,059, an increase of \$880,841 in comparison with the prior year.

The General Fund is the chief operating fund of Norman County. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$4,103,139, while total fund balance was \$4,515,708. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total fund expenditures. Unrestricted fund balance represents 102.76 percent of total General Fund expenditures. The County Board has determined that the County should maintain minimum unrestricted fund balance of 16.0 percent of the total General Fund expenditures. At December 31, 2016, the unrestricted fund balance of the General Fund is well above the minimum balance established by the Board. In 2016, fund balance in the General Fund increased by \$360,115.

The Road and Bridge Special Revenue Fund's fund balance increased by \$329,014 in 2016.

The Social Services Special Revenue Fund's balance decreased by \$255,769 in 2016.

General Fund Budgetary Highlights

The actual revenues were higher than budgeted revenues by \$163,119, and actual expenditures were lower than budgeted expenditures by \$32,754. The largest revenue variance was in intergovernmental revenue received in excess of what was budgeted. The largest expenditure overrun variances were for county buildings, accounting and auditing, and unallocated for general government; E-911 system in public safety; Agassiz trail project in culture and recreation; and aquatic invasive species and water planning for conservation of natural resources.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2016, was \$59,025,012 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in Norman County's investment in capital assets for the current fiscal year was 3.76 percent.

Governmental Capital Assets (Net of Depreciation)

	<u>2016</u>	<u>2015</u>
Land	\$ 928,653	\$ 928,653
Infrastructure	53,421,232	51,404,409
Buildings	2,112,629	2,212,642
Furniture, equipment, and machinery	<u>2,562,498</u>	<u>2,340,384</u>
Total	<u>\$ 59,025,012</u>	<u>\$ 56,886,088</u>

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

Long-Term Debt

At the end of the current fiscal year, Norman County had \$196,300 of bonded indebtedness. This debt was issued for the Perley and Hendrum dike projects completed in 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Norman County is very dependent on state-paid aids, credits, and grants. Should the State of Minnesota significantly change the formula for state-aid payments to the County, it would have a significant impact on next year's budget.
- Norman County is anticipating building a new building at the Highway Department in the near future which will have an impact on the budget, whether we bond for the project, or increase the levy and use a portion of the reserves, or both.
- The County is reviewing revenue sources and considering cost-effective and efficient ways to deliver Norman County's programs and services that will influence future budgets.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Assets

Cash	\$	6,538,169
Taxes receivable - delinquent		77,031
Special assessments receivable		
Prior - net		36,636
Noncurrent - net		103,896
Accounts receivable		174,500
Accrued interest receivable		2,020
Due from other governments		3,271,185
Inventories		798,646
Advance to watershed		95,015
Capital assets		
Non-depreciable		928,653
Depreciable - net of accumulated depreciation		58,096,359
		70,122,110
Total Assets	\$	70,122,110

Deferred Outflows of Resources

Deferred pension outflows	\$	2,828,656
		2,828,656

Liabilities

Accounts payable	\$	216,192
Salaries payable		40,533
Contracts payable		259,075
Due to other governments		117,690
Customer deposits		5,690
Accrued interest payable		3,506
Long-term liabilities		
Due within one year		184,907
Due in more than one year		754,588
Net pension liability		5,504,495
		7,086,676
Total Liabilities	\$	7,086,676

Deferred Inflows of Resources

Deferred pension inflows	\$	756,766
		756,766

Net Position

Investment in capital assets	\$	59,025,012
Restricted for		
General government		256,322
Public safety		156,247
Highways and streets		2,904,284
Social services		69,341
Conservation of natural resources		385,247
Unrestricted		2,310,871
		65,107,324
Total Net Position	\$	65,107,324

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

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<u>Functions/Programs</u>					
Primary government					
Governmental activities					
General government	\$ 2,052,309	\$ 195,107	\$ 144,848	\$ -	\$ (1,712,354)
Public safety	1,721,751	76,893	174,817	-	(1,470,041)
Highways and streets	4,593,041	38,794	4,470,144	510,936	426,833
Sanitation	437,923	276,477	68,710	-	(92,736)
Human services	2,589,197	166,753	1,318,534	-	(1,103,910)
Health	1,320,976	272,285	481,901	-	(566,790)
Culture and recreation	152,110	-	-	-	(152,110)
Conservation of natural resources	290,220	82,814	67,152	-	(140,254)
Interest	8,439	-	-	-	(8,439)
Total Governmental Activities	<u>\$ 13,165,966</u>	<u>\$ 1,109,123</u>	<u>\$ 6,726,106</u>	<u>\$ 510,936</u>	<u>\$ (4,819,801)</u>
General Revenues					
Property taxes				\$ 5,498,527	
Gravel taxes				100,185	
Wheelage taxes				75,712	
Grants and contributions not restricted to specific programs				362,674	
Payments in lieu of tax				39,973	
Investment earnings				7,266	
Miscellaneous				140,300	
Special Item					
Merger of Norman-Mahnomen Public Health operations into Norman County				445,423	
Total general revenues				<u>\$ 6,670,060</u>	
Change in net position				<u>\$ 1,850,259</u>	
Net Position - Beginning				<u>63,257,065</u>	
Net Position - Ending				<u>\$ 65,107,324</u>	

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash	\$ 4,396,039	\$ 306,458	\$ 746,856	\$ 899,067	\$ 6,348,420
Petty cash and change funds	4,700	200	-	100	5,000
Undistributed cash in agency funds	109,589	36,411	16,442	22,307	184,749
Taxes receivable - delinquent	45,946	20,695	9,600	790	77,031
Special assessments receivable					
Delinquent	34,306	-	-	2,330	36,636
Noncurrent	-	-	-	103,896	103,896
Accounts receivable	47,610	44,872	4,270	77,748	174,500
Accrued interest receivable	2,020	-	-	-	2,020
Due from other funds	3,776	5,475	1,714	2,582	13,547
Due from other governments	29,479	3,002,247	174,671	73,377	3,279,774
Inventories	-	798,646	-	-	798,646
Advance to watershed	-	-	-	95,015	95,015
Total Assets	<u>\$ 4,673,465</u>	<u>\$ 4,215,004</u>	<u>\$ 953,553</u>	<u>\$ 1,277,212</u>	<u>\$ 11,119,234</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 24,924	\$ 83,253	\$ 65,282	\$ 42,733	\$ 216,192
Salaries payable	31,970	587	7,794	182	40,533
Contracts payable	-	259,075	-	-	259,075
Due to other funds	7,849	-	12,365	1,922	22,136
Due to other governments	20,793	1,043	23,765	72,089	117,690
Customer deposits	1,290	-	-	4,400	5,690
Total Liabilities	<u>\$ 86,826</u>	<u>\$ 343,958</u>	<u>\$ 109,206</u>	<u>\$ 121,326</u>	<u>\$ 661,316</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>\$ 70,931</u>	<u>\$ 2,919,206</u>	<u>\$ 8,363</u>	<u>\$ 151,359</u>	<u>\$ 3,149,859</u>

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)					
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 798,646	\$ -	\$ -	\$ 798,646
Advance to watershed	-	-	-	95,015	95,015
Restricted for					
Debt service	-	-	-	81,717	81,717
Law library	44,129	-	-	-	44,129
Recorder's technology equipment	93,359	-	-	-	93,359
Real estate tax shortfall	61,760	-	-	-	61,760
E-911	130,155	-	-	-	130,155
Recorder's compliance	48,404	-	-	-	48,404
Child Protection Grant	-	-	69,341	-	69,341
Gravel pit postclosure	-	-	-	115,790	115,790
County state-aid highway system	-	106,892	-	-	106,892
Ditch maintenance and construction	-	-	-	269,457	269,457
By donors for specific purposes - K9	2,523	-	-	-	2,523
Sheriff forfeitures	23,569	-	-	-	23,569
Attorney forfeitures	8,670	-	-	-	8,670
Committed to					
Township road restoration	-	46,302	-	-	46,302
Sheriff's contingencies	5,000	-	-	-	5,000
Assigned to					
Human services	-	-	766,643	-	766,643
County homes	-	-	-	115,801	115,801
Health	-	-	-	364,837	364,837
Unassigned	4,098,139	-	-	(38,090)	4,060,049
Total Fund Balances	\$ 4,515,708	\$ 951,840	\$ 835,984	\$ 1,004,527	\$ 7,308,059
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,673,465	\$ 4,215,004	\$ 953,553	\$ 1,277,212	\$ 11,119,234

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Fund balances - total governmental funds (Exhibit 3)	\$	7,308,059
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.		59,025,012
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		2,828,656
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,149,859
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (196,300)	
Accrued interest payable	(3,506)	
Compensated absences	(440,514)	
Net OPEB liability	(302,681)	
Net pension liability	<u>(5,504,495)</u>	(6,447,496)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(756,766)</u>
Net Position of Governmental Activities (Exhibit 1)	\$	<u>65,107,324</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 3,304,779	\$ 1,586,961	\$ 660,481	\$ 116,782	\$ 5,669,003
Special assessments	214,664	-	-	85,198	299,862
Licenses and permits	18,560	-	-	300	18,860
Intergovernmental	609,108	5,378,423	1,364,072	559,997	7,911,600
Charges for services	239,666	35,936	135,470	341,231	752,303
Gifts and contributions	2,654	-	-	-	2,654
Investment earnings	5,832	-	-	13	5,845
Miscellaneous	48,532	65,381	31,283	38,942	184,138
Total Revenues	\$ 4,443,795	\$ 7,066,701	\$ 2,191,306	\$ 1,142,463	\$ 14,844,265
Expenditures					
Current					
General government	\$ 1,870,220	\$ -	\$ -	\$ 12,542	\$ 1,882,762
Public safety	1,515,530	-	-	-	1,515,530
Highways and streets	-	6,481,917	-	-	6,481,917
Sanitation	-	-	-	431,923	431,923
Human services	2,750	-	2,447,075	-	2,449,825
Health	212,135	-	-	716,854	928,989
Culture and recreation	153,601	-	-	-	153,601
Conservation of natural resources	238,826	-	-	49,140	287,966
Intergovernmental					
Highways and streets	-	363,937	-	-	363,937
Debt service					
Principal	-	-	-	12,000	12,000
Interest	-	-	-	8,564	8,564
Total Expenditures	\$ 3,993,062	\$ 6,845,854	\$ 2,447,075	\$ 1,231,023	\$ 14,517,014
Excess of Revenues Over (Under) Expenditures	\$ 450,733	\$ 220,847	\$ (255,769)	\$ (88,560)	\$ 327,251
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ -	\$ 90,618	\$ 90,618
Transfers out	(90,618)	-	-	-	(90,618)
Total Other Financing Sources (Uses)	\$ (90,618)	\$ -	\$ -	\$ 90,618	\$ -

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Special Item					
Merger of Norman-Mahnomen Public Health operations into Norman County	\$ -	\$ -	\$ -	\$ 445,423	\$ 445,423
Net Change in Fund Balance	\$ 360,115	\$ 220,847	\$ (255,769)	\$ 447,481	\$ 772,674
Fund Balance - January 1	4,155,593	622,826	1,091,753	557,046	6,427,218
Increase (decrease) in inventories	-	108,167	-	-	108,167
Fund Balance - December 31	<u>\$ 4,515,708</u>	<u>\$ 951,840</u>	<u>\$ 835,984</u>	<u>\$ 1,004,527</u>	<u>\$ 7,308,059</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ 772,674**

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

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

Expenditures for general capital assets and infrastructure	\$ 3,988,214	
Current year depreciation	<u>(1,849,290)</u>	2,138,924

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	\$ 3,149,859	
Unavailable revenue - January 1	<u>(3,442,355)</u>	(292,496)

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

Principal repayments		
General obligation bonds		12,000

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	\$ 125	
Change in compensated absences	(73,097)	
Change in net OPEB liability	(38,661)	
Change in net pension liability	(2,744,581)	
Change in deferred outflows of resources	2,390,159	
Change in deferred inflows of resources	(422,955)	
Change in inventories	<u>108,167</u>	<u>(780,843)</u>

Change in Net Position of Governmental Activities (Exhibit 2) **\$ 1,850,259**

FIDUCIARY FUNDS

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016**

	<u>Children's Collaborative Investment Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash	\$ 18,830	\$ 218,879
Due from other funds	9,245	-
Total Assets	<u>\$ 28,075</u>	<u>\$ 218,879</u>
<u>Liabilities</u>		
Due to other funds	\$ -	\$ 656
Due to other governments	-	196,733
Funds held in trust	-	21,490
Total Liabilities	<u>\$ -</u>	<u>\$ 218,879</u>
<u>Net Position</u>		
Net position held in trust for pool participants	<u>\$ 28,075</u>	

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Children's Collaborative Investment Trust</u>
<u>Additions</u>	
Contributions from participants	\$ 37,827
<u>Deductions</u>	
Pool participant withdrawals	<u>31,413</u>
Change in Net Position	\$ 6,414
Net Position - Beginning of the Year	<u>21,661</u>
Net Position - End of the Year	<u><u>\$ 28,075</u></u>

**NORMAN COUNTY
ADA, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

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) 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 is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Norman County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences,

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through interest-earning activities. Pursuant to Minn. Stat. § 385.07, interest earnings on cash are credited to the General Fund. Other funds received interest earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled interest earnings for 2016 were \$5,845.

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

2. Receivables and Payables

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

No allowance has been made for uncollectible receivables because such amounts are not expected to be material.

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

3. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments and noncurrent special assessments.

4. Advance to Watershed

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

In 2012, an advance of \$109,400 was made to the Wild Rice Watershed District to cover expenses for Project 30. The outstanding balance of this advance at December 31, 2016, was \$95,015. The balance plus accrued interest will be repaid in annual installments of \$34,450.

5. Inventories

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Capital Assets

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

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

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

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

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

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences (Continued)

who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements and are charged to the department from which the employee resigned or retired.

8. Pension Plan

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

9. Deferred Outflows/Inflows of Resources and Unearned Revenue

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 then. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. Pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and deferred special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly are reported only in the statement of net position.

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

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Long-Term Obligations (Continued)

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.

11. Classification of Net Position

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

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

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

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

12. Classification of Fund Balances

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

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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

Unassigned - the residual classification for the General Fund 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.

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

13. Minimum Fund Balance

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

**NORMAN COUNTY
ADA, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Minimum Fund Balance (Continued)

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

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

14. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Solid Waste Special Revenue Fund

The Solid Waste Special Revenue Fund had a deficit fund balance of \$27,326 as of December 31, 2016. The fund balance deficit will be eliminated through future collections.

**NORMAN COUNTY
ADA, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity (Continued)

Ditch Fund Deficits

Of 36 drainage systems, 1 has incurred expenditures in excess of its revenues and available resources. This deficit will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue and Debt Service Funds as of December 31, 2016:

Nonspendable fund balance	\$	95,015
Restricted fund balances		351,174
Unassigned fund balances		(10,764)
Total Fund Balances	\$	435,425

B. Excess of Expenditures Over Budget

The following individual funds had expenditures in excess of budget for the year ended December 31, 2016.

	Expenditures	Budget	Excess
Road and Bridge Special Revenue Fund	\$ 6,845,854	\$ 5,921,810	\$ 924,044
Solid Waste Special Revenue Fund	431,923	368,574	63,349

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits

The County's total cash is as follows:

Governmental activities		
Cash	\$	6,538,169
Fiduciary funds		
Cash		
Investment trust fund		18,830
Agency funds		218,879
Total Cash	\$	6,775,878

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2016, 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;

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits

b. Investments (Continued)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the year ended December 31, 2016, the County had no investments.

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2016, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 77,031	\$ -
Special assessments	140,532	103,896
Accounts	174,500	-
Interest	2,020	-
Due from other governments	3,271,185	-
Advance to watershed	95,015	64,651
Total	\$ 3,760,283	\$ 168,547

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 928,653	\$ -	\$ -	\$ 928,653
Capital assets depreciated				
Buildings	\$ 4,043,756	\$ -	\$ -	\$ 4,043,756
Machinery, furniture, and equipment	5,741,148	640,130	173,994	6,207,284
Infrastructure	72,042,738	3,348,084	-	75,390,822
Total capital assets depreciated	\$ 81,827,642	\$ 3,988,214	\$ 173,994	\$ 85,641,862
Less: accumulated depreciation for				
Buildings	\$ 1,831,114	\$ 100,013	\$ -	\$ 1,931,127
Machinery, furniture, and equipment	3,400,764	418,016	173,994	3,644,786
Infrastructure	20,638,329	1,331,261	-	21,969,590
Total accumulated depreciation	\$ 25,870,207	\$ 1,849,290	\$ 173,994	\$ 27,545,503
Total capital assets depreciated, net	\$ 55,957,435	\$ 2,138,924	\$ -	\$ 58,096,359
Governmental Activities Capital Assets, Net	\$ 56,886,088	\$ 2,138,924	\$ -	\$ 59,025,012

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

General government	\$	80,697
Public safety		68,569
Culture and recreation		7,151
Highways and streets, including depreciation of infrastructure assets		1,661,826
Human services		31,047
		31,047
Total Depreciation Expense	\$	1,849,290

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund Agency Funds	\$ 3,120 656
Total due to General Fund		\$ 3,776
Road and Bridge Special Revenue Fund	General Fund Solid Waste Special Revenue Fund	\$ 3,750 1,725
Total due to Road and Bridge Special Revenue Fund		\$ 5,475
Social Services Special Revenue Fund	General Fund Public Health Special Revenue Fund	\$ 1,517 197
Total due to Social Services Special Revenue Fund		\$ 1,714
Ditch Special Revenue Fund	General Fund	\$ 6
County Homes Special Revenue Fund	General Fund	\$ 41

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Solid Waste Special Revenue Fund	General Fund	\$ 2,535
Children's Collaborative Investment Trust Fund	Social Services Special Revenue Fund	\$ 9,245
Total Due To/From Other Funds		\$ 22,792

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2016, consisted of the following:

Transfer to Public Health Special Revenue Fund from General Fund	\$	<u>90,618</u>	To cover the annual appropriation.
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C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2016, were as follows:

Accounts		\$	216,192
Salaries			40,533
Contracts			259,075
Due to other governments			117,690
Customer deposits			5,690
Total Payables		\$	639,180

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Long-Term Debt

Bonds Payable

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2016</u>
General obligation bonds 2010A G.O. Watershed Bonds	2031	\$6,000 - \$15,000	1.00 - 5.25	\$ 247,300	<u>\$ 196,300</u>

3. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 12,000	\$ 8,246
2018	13,000	7,876
2019	14,000	7,440
2020	14,000	6,953
2021	13,500	6,405
2022 - 2026	59,000	24,941
2027 - 2031	70,800	9,376
Total	<u>\$ 196,300</u>	<u>\$ 71,237</u>

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

**NORMAN COUNTY
ADA, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 208,300	\$ -	\$ 12,000	\$ 196,300	\$ 12,000
Compensated absences	<u>367,417</u>	<u>348,710</u>	<u>275,613</u>	<u>440,514</u>	<u>172,907</u>
Total Long-Term Liabilities	<u>\$ 575,717</u>	<u>\$ 348,710</u>	<u>\$ 287,613</u>	<u>\$ 636,814</u>	<u>\$ 184,907</u>

Compensated absences are liquidated by each fund based on actual direct labor hours incurred.

5. Deferred Inflows of Resources

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

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 39,938	\$ 29,572	\$ -	\$ 1,421	\$ 70,931
Special Revenue					
Road and Bridge	17,976	-	2,897,519	3,711	2,919,206
Social Services	8,363	-	-	-	8,363
Nonmajor governmental funds					
Ditch Special Revenue	189	66,322	-	-	66,511
Ditch Debt Service	1,653	37,577	-	-	39,230
Public Health	-	-	5,615	3,500	9,115
Solid Waste	<u>684</u>	<u>35,819</u>	<u>-</u>	<u>-</u>	<u>36,503</u>
Total	<u>\$ 68,803</u>	<u>\$ 169,290</u>	<u>\$ 2,903,134</u>	<u>\$ 8,632</u>	<u>\$ 3,149,859</u>

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Norman County are covered by defined benefit pension plans administered by PERA. PERA administers the General Employees Retirement Plan and the Public Employees Police and Fire 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 Retirement 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 Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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

2. Benefits Provided

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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic 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 Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement 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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Public Employees Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016.

In 2016, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75
Public Employees Police and Fire Fund	16.20

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

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	\$ 244,110
Public Employees Police and Fire Plan	58,422

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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$4,059,752 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0500 percent. It was 0.0520 percent measured as of June 30, 2015. The County recognized pension expense of \$507,362 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$15,793 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 Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	\$ 4,059,752
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>52,966</u>
Total	<u>\$ 4,112,718</u>

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County reported its proportionate share of the General Employees Retirement 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	\$ -	\$ 333,452
Changes in actuarial assumptions	794,903	-
Difference between projected and actual investment earnings	778,286	-
Changes in proportion	54,416	260,524
Contributions paid to PERA subsequent to the measurement date	126,822	-
Total	\$ 1,754,427	\$ 593,976

The \$126,822 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, 2017. 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
2017	\$ 259,788
2018	259,788
2019	367,406
2020	146,647

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$1,444,743 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0360 percent. It was 0.0340 percent measured as of June 30, 2015. The County recognized pension expense of \$257,333 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$3,240 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire 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.

The County reported its proportionate share of the Public Employees 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	\$ -	\$ 162,790
Changes in actuarial assumptions	795,105	
Difference between projected and actual investment earnings	217,509	-
Changes in proportion	33,338	-
Contributions paid to PERA subsequent to the measurement date	28,277	-
Total	\$ 1,074,229	\$ 162,790

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The \$28,277 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2017	\$ 189,928
2018	189,928
2019	189,928
2020	173,103
2021	140,275

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was \$764,695.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, 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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.5 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:

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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. 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 Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- 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.

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (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

- 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.

8. Pension Liability Sensitivity

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

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 5,766,051	4.60%	\$ 2,022,448
Current	7.50	4,059,752	5.60	1,444,743
1% Increase	8.50	2,654,226	6.60	972,714

**NORMAN COUNTY
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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

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.

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Norman County during the year ended December 31, 2016, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,867	\$ 1,867
Percentage of covered payroll	5%	5%

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Norman County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2015, there were 73 participants in the plan. Currently, no retirees participate in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

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

ARC	\$ 72,127
Interest on net OPEB obligation	10,561
Adjustment to ARC	<u>(14,972)</u>
Annual OPEB cost (expense)	\$ 67,716
Contributions made	<u>(29,055)</u>
Increase in net OPEB obligation	\$ 38,661
Net OPEB Obligation - Beginning of Year	<u>264,020</u>
Net OPEB Obligation - End of Year	<u>\$ 302,681</u>

**NORMAN COUNTY
ADA, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost for the year ended December 31, 2016, was \$67,716. The percentage of annual OPEB cost contributed to the plan was 42.9 percent, and the net OPEB obligation for 2016 was \$302,681. The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2014, 2015, and 2016, was as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 76,797	\$ 58,227	75.8%	\$ 216,279
December 31, 2015	67,839	20,098	29.6	264,020
December 31, 2016	67,716	29,055	42.9	302,681

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$494,630, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$494,630. The covered payroll (annual payroll of active employees covered by the plan) was \$3,123,086, and the ratio of the UAAL to the covered payroll was 15.8 percent.

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

**NORMAN COUNTY
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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Norman County's implicit rate of return on the General Fund. The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2016, was 23 years.

5. Risk Management

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

5. Risk Management (Continued)

claim in 2016 and \$500,000 per claim in 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Tri-County Community Corrections

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Community Corrections (Continued)

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

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

Financing is provided by state, federal, and local grants; charges for services; and appropriations from member counties. Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Norman County's contribution for 2016 was \$496,189.

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

Norman County-Ada-Twin Valley Joint Airport Authority

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

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

Financing of the capital costs and operations is provided by state and federal grants, charges for services, and appropriations from Norman County and the Cities of Ada and Twin Valley. Norman County's contribution for 2016 was \$4,030.

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

Northwest Minnesota Regional Radio Board

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

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

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

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Norman County's contribution for 2016 was \$2,500.

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

Land of the Dancing Sky Area Agency on Aging

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

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

C. Related Organizations

Ambulance Service

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

Sand Hill River Watershed District

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

D. Jointly-Governed Organizations

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

Wild Rice Watershed District

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Wild Rice Watershed District (Continued)

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

Northwest Regional Development Commission

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

The Commission is authorized to levy a limited amount of local property taxes and to enter into contracts with other units of government and private foundations to operate programs and services which benefit the area. The NWRDC provides local match for each of the programs through the local tax levy. Norman County provided \$33,105 to this organization in 2016.

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Northwest Regional Development Commission (Continued)

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

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

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

Children's Collaborative (Serving Norman County Families)

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

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

D. Jointly-Governed Organizations

Children's Collaborative (Serving Norman County Families) (Continued)

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

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

Northwest Workforce Service Area

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

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

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

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

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which has 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Norman County contributed \$92,545 to the Agassiz Regional Library during 2016.

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Sentence to Service

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

Job Training Partnership Act Joint Powers Agreement

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

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

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

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

Communities Caring for Children

The Communities Caring for Children (CCC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Norman County did not contribute to the CCC during 2015.

**NORMAN COUNTY
ADA, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

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

Polk-Norman-Mahnomen Community Health Board

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

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

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

Financing is provided by state and federal grants. Polk County is the fiscal agent for the Community Health Board. During 2016, Norman County did not contribute to the Community Health Board.

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

E. Special Item

Effective January 1, 2016, Norman County assumed the responsibilities of providing public health services to the citizens of Norman County from the Norman-Mahnomen Board of Health, doing business under the name Norman-Mahnomen Public Health. The Board of Health was dissolved as of that date. Norman County will also serve the citizens of Mahnomen County by contracting with Mahnomen County for services to be provided. The net position of the operations transferred from the Board of Health was \$445,423 and is reported in the financial statements as a special item.

	<u>Carrying Values</u>
Transferred Assets (Net)	
Cash and cash equivalents	\$ 342,321
Petty cash and change funds	100
Accounts receivable	19,442
Grants receivable	64,907
Contracts receivable	32,193
	<hr/>
Total Transferred Assets (Net)	\$ 458,963
	<hr/>
Transferred Liabilities	
Accounts payable	\$ 2,747
Due to other governments	10,793
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Total Transferred Liabilities	\$ 13,540
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Net Position of Transferred Operations	\$ 445,423
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REQUIRED SUPPLEMENTARY INFORMATION

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,392,610	\$ 3,392,610	\$ 3,304,779	\$ (87,831)
Special assessments	210,000	210,000	214,664	4,664
Licenses and permits	9,715	9,715	18,560	8,845
Intergovernmental	339,492	339,492	609,108	269,616
Charges for services	262,239	262,239	239,666	(22,573)
Gifts and contributions	2,000	2,000	2,654	654
Investment earnings	4,520	4,520	5,832	1,312
Miscellaneous	60,100	60,100	48,532	(11,568)
Total Revenues	\$ 4,280,676	\$ 4,280,676	\$ 4,443,795	\$ 163,119
Expenditures				
Current				
General government				
Commissioners	\$ 179,310	\$ 179,310	\$ 175,259	\$ 4,051
Courts	50,000	50,000	39,447	10,553
Law library	7,545	7,545	8,250	(705)
County auditor-treasurer	261,740	261,740	250,857	10,883
County assessor	220,142	220,142	213,562	6,580
Elections	30,500	30,500	34,168	(3,668)
Human resources	48,726	48,726	53,918	(5,192)
Accounting and auditing	55,000	55,000	71,063	(16,063)
Data processing	62,700	62,700	70,592	(7,892)
Attorney	179,194	179,194	162,850	16,344
Victim assistance	55,722	55,722	51,921	3,801
Recorder	284,125	284,125	293,012	(8,887)
Planning and zoning	38,569	38,569	30,018	8,551
County buildings	32,000	32,000	79,619	(47,619)
Buildings and plant	163,475	163,475	140,380	23,095
Veterans service officer	54,466	54,466	55,630	(1,164)
Cemeteries	75	75	75	-
Unallocated - general government	126,200	126,200	139,599	(13,399)
Total general government	\$ 1,849,489	\$ 1,849,489	\$ 1,870,220	\$ (20,731)

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 971,880	\$ 971,880	\$ 871,497	\$ 100,383
K-9	-	-	11,858	(11,858)
Coroner	19,956	19,956	15,347	4,609
Radio tower	250	250	(1,300)	1,550
Hazardous materials training	10,300	10,300	5,075	5,225
Safety coordinator	6,261	6,261	4,469	1,792
E-911 system	74,060	74,060	104,508	(30,448)
Community corrections	448,101	448,101	448,100	1
Civil defense	43,669	43,669	42,031	1,638
Police and fire	1,700	1,700	2,586	(886)
Other public safety	8,500	8,500	11,359	(2,859)
Total public safety	\$ 1,584,677	\$ 1,584,677	\$ 1,515,530	\$ 69,147
Human services				
Senior citizen centers	\$ 1,750	\$ 1,750	\$ 1,750	\$ -
Retired senior volunteer program	1,000	1,000	1,000	-
Total human services	\$ 2,750	\$ 2,750	\$ 2,750	\$ -
Health				
Ambulance	\$ 266,500	\$ 266,500	\$ 211,995	\$ 54,505
Wellness program	-	-	140	(140)
Total health	\$ 266,500	\$ 266,500	\$ 212,135	\$ 54,365
Culture and recreation				
Historical society	\$ 7,650	\$ 7,650	\$ 7,650	\$ -
Agassiz trail project	3,000	3,000	52,186	(49,186)
Winter shows	800	800	800	-
County library	92,545	92,545	92,545	-
Celebrations	420	420	420	-
Total culture and recreation	\$ 104,415	\$ 104,415	\$ 153,601	\$ (49,186)

**NORMAN COUNTY
ADA, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Cooperative extension	\$ 133,800	\$ 133,800	\$ 126,341	\$ 7,459
Soil and water conservation	63,200	63,200	63,200	-
Agricultural society	12,150	12,150	12,150	-
Aquatic invasive species	-	-	8,642	(8,642)
Forfeited tax	-	-	3,530	(3,530)
Weed control	150	150	133	17
Predator control	5,186	5,186	2,106	3,080
Water planning	3,499	3,499	22,724	(19,225)
Total conservation of natural resources	\$ 217,985	\$ 217,985	\$ 238,826	\$ (20,841)
Total Expenditures	\$ 4,025,816	\$ 4,025,816	\$ 3,993,062	\$ 32,754
Excess of Revenues Over (Under) Expenditures	\$ 254,860	\$ 254,860	\$ 450,733	\$ 195,873
Other Financing Sources (Uses)				
Transfers out	(99,168)	(99,168)	(90,618)	8,550
Net Change in Fund Balance	\$ 155,692	\$ 155,692	\$ 360,115	\$ 204,423
Fund Balance - January 1	4,155,593	4,155,593	4,155,593	-
Fund Balance - December 31	\$ 4,311,285	\$ 4,311,285	\$ 4,515,708	\$ 204,423

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,617,256	\$ 1,617,256	\$ 1,586,961	\$ (30,295)
Intergovernmental	4,222,554	4,222,554	5,378,423	1,155,869
Charges for services	7,000	7,000	35,936	28,936
Miscellaneous	75,000	75,000	65,381	(9,619)
Total Revenues	\$ 5,921,810	\$ 5,921,810	\$ 7,066,701	\$ 1,144,891
Expenditures				
Current				
Highways and streets				
Administration	\$ 403,170	\$ 403,170	\$ 350,422	\$ 52,748
Maintenance	2,082,800	2,082,800	2,247,137	(164,337)
Construction	2,774,360	2,774,360	3,481,659	(707,299)
Equipment and maintenance shop	661,480	661,480	402,699	258,781
Total highways and streets	\$ 5,921,810	\$ 5,921,810	\$ 6,481,917	\$ (560,107)
Intergovernmental				
Highways and streets	-	-	363,937	(363,937)
Total Expenditures	\$ 5,921,810	\$ 5,921,810	\$ 6,845,854	\$ (924,044)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 220,847	\$ 220,847
Fund Balance - January 1	622,826	622,826	622,826	-
Increase (decrease) in inventories	-	-	108,167	108,167
Fund Balance - December 31	\$ 622,826	\$ 622,826	\$ 951,840	\$ 329,014

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 684,287	\$ 684,287	\$ 660,481	\$ (23,806)
Intergovernmental	1,320,547	1,320,547	1,364,072	43,525
Charges for services	244,150	244,150	135,470	(108,680)
Miscellaneous	59,774	59,774	31,283	(28,491)
Total Revenues	<u>\$ 2,308,758</u>	<u>\$ 2,308,758</u>	<u>\$ 2,191,306</u>	<u>\$ (117,452)</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 839,976	\$ 839,976	\$ 827,918	\$ 12,058
Social services	1,610,575	1,610,575	1,619,157	(8,582)
Total human services	<u>\$ 2,450,551</u>	<u>\$ 2,450,551</u>	<u>\$ 2,447,075</u>	<u>\$ 3,476</u>
Debt service				
Principal	\$ 1,450	\$ 1,450	\$ -	\$ 1,450
Interest	43	43	-	43
Total debt service	<u>\$ 1,493</u>	<u>\$ 1,493</u>	<u>\$ -</u>	<u>\$ 1,493</u>
Total Expenditures	<u>\$ 2,452,044</u>	<u>\$ 2,452,044</u>	<u>\$ 2,447,075</u>	<u>\$ 4,969</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (143,286)	\$ (143,286)	\$ (255,769)	\$ (112,483)
Fund Balance - January 1	<u>1,091,753</u>	<u>1,091,753</u>	<u>1,091,753</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 948,467</u>	<u>\$ 948,467</u>	<u>\$ 835,984</u>	<u>\$ (112,483)</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/c)
January 1, 2009	\$ -	\$ 508,463	\$ 508,463	0.00%	\$ 2,750,246	18.5%
January 1, 2012	-	660,548	660,548	0.00	2,830,548	23.3
January 1, 2015	-	494,630	494,630	0.00	3,123,086	15.8

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

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 Norman 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
2016	0.0500%	\$ 4,059,752	\$ 52,966	\$ 4,112,718	\$ 3,103,841	130.80%	68.91%
2015	0.0521	2,700,092	N/A	2,700,092	3,060,280	88.23	78.20

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

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

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)
2016	\$ 244,110	\$ 244,110	\$ -	\$ 3,254,799	7.50%
2015	230,241	230,241	-	3,069,881	7.50

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

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016**

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
2016	0.036%	\$ 1,444,743	\$ 346,715	416.69%	63.88%
2015	0.034	386,320	307,937	125.45	86.60

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

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016**

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)
2016	\$ 58,422	\$ 58,422	\$ -	\$ 360,626	16.20%
2015	52,223	52,223	-	322,361	16.20

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

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**NORMAN COUNTY
ADA, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2016.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 6,845,854	\$ 5,921,810	\$ 924,044

3. Other Postemployment Benefits Funding Status

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

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

**NORMAN COUNTY
ADA, MINNESOTA**

4. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2012

Actuarial Assumptions

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

2015

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases. This change caused a decrease in the liability.
- Mortality assumptions were updated to include the RP-2014 tables, including the generational improvement scale, to include future mortality improvement. This change caused an increase in the liability.
- The discount rate was changed from 4.5 percent to 4.0 percent. This change caused a decrease in the liability.

5. 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 year ended June 30, 2016.

General Employees Retirement Plan

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

**NORMAN COUNTY
ADA, MINNESOTA**

5. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (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

- 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.

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SUPPLEMENTARY INFORMATION

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**NORMAN COUNTY
ADA, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

Public Health Fund - to account for providing nursing service care to the elderly and other residents of the County. Financing is provided by health care service grants, County contributions, and user service charges.

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

DEBT SERVICE FUND

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

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	Special Revenue (Exhibit C-1)	Ditch Debt Service	Total (Exhibit 3)
<u>Assets</u>			
Cash	\$ 818,407	\$ 80,660	\$ 899,067
Petty cash and change funds	100	-	100
Undistributed cash in agency funds	21,671	636	22,307
Taxes receivable - delinquent	790	-	790
Special assessments receivable			
Delinquent	256	2,074	2,330
Noncurrent	66,319	37,577	103,896
Accounts receivable	77,748	-	77,748
Due from other funds	2,582	-	2,582
Due from other governments	73,377	-	73,377
Advance to watershed	-	95,015	95,015
	\$ 1,061,250	\$ 215,962	\$ 1,277,212
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 42,733	\$ -	\$ 42,733
Salaries payable	182	-	182
Due to other funds	1,922	-	1,922
Due to other governments	72,089	-	72,089
Customer deposits	4,400	-	4,400
	\$ 121,326	\$ -	\$ 121,326
 Deferred Inflows of Resources			
Unavailable revenue	\$ 112,129	\$ 39,230	\$ 151,359

**NORMAN COUNTY
ADA, MINNESOTA**

***EXHIBIT B-1
(Continued)***

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	Special Revenue (Exhibit C-1)	Ditch Debt Service	Total (Exhibit 3)
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)			
Fund Balances			
Nonspendable			
Advance to watershed	\$ -	\$ 95,015	\$ 95,015
Restricted for			
Debt service	-	81,717	81,717
Gravel pit postclosure	115,790	-	115,790
Ditch maintenance and construction	269,457	-	269,457
Assigned to			
County homes	115,801	-	115,801
Health	364,837	-	364,837
Unassigned	(38,090)	-	(38,090)
	\$ 827,795	\$ 176,732	\$ 1,004,527
Total Fund Balances	\$ 827,795	\$ 176,732	\$ 1,004,527
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,061,250	\$ 215,962	\$ 1,277,212

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Special Revenue (Exhibit C-2)	Ditch Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 116,782	\$ -	\$ 116,782
Special assessments	72,656	12,542	85,198
Licenses and permits	300	-	300
Intergovernmental	559,997	-	559,997
Charges for services	335,894	5,337	341,231
Investment earnings	13	-	13
Miscellaneous	38,942	-	38,942
	\$ 1,124,584	\$ 17,879	\$ 1,142,463
Expenditures			
Current			
General government	\$ 12,542	\$ -	\$ 12,542
Sanitation	431,923	-	431,923
Health	716,854	-	716,854
Conservation of natural resources	49,140	-	49,140
Debt service			
Principal	-	12,000	12,000
Interest	-	8,564	8,564
	\$ 1,210,459	\$ 20,564	\$ 1,231,023
Excess of Revenues Over (Under)			
Expenditures	\$ (85,875)	\$ (2,685)	\$ (88,560)
Other Financing Sources (Uses)			
Transfers in	90,618	-	90,618
Special Item			
Merger of Norman-Mahnomen Public Health operations into Norman County	445,423	-	445,423
	\$ 450,166	\$ (2,685)	\$ 447,481
Net Change in Fund Balance			
Fund Balance - January 1	377,629	179,417	557,046
Fund Balance - December 31	\$ 827,795	\$ 176,732	\$ 1,004,527

**NORMAN COUNTY
ADA, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2016**

	County Homes	Ditch
<u>Assets</u>		
Cash	\$ 119,934	\$ 257,007
Petty cash and change funds	-	-
Undistributed cash in agency funds	-	2,116
Taxes receivable - delinquent	-	-
Special assessments receivable		
Delinquent	-	256
Noncurrent	-	66,319
Accounts receivable	504	-
Due from other funds	41	6
Due from other governments	-	-
	\$ 120,479	\$ 325,704
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 278	\$ 500
Salaries payable	-	-
Due to other funds	-	-
Due to other governments	-	-
Customer deposits	4,400	-
	\$ 4,678	\$ 500
Deferred Inflows of Resources		
Unavailable revenue	\$ -	\$ 66,511
Fund Balances		
Restricted for		
Gravel pit postclosure	\$ -	\$ -
Ditch maintenance and construction	-	269,457
Assigned to		
County homes	115,801	-
Health	-	-
Unassigned	-	(10,764)
	\$ 115,801	\$ 258,693
Total Fund Balances	\$ 115,801	\$ 258,693
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 120,479	\$ 325,704

EXHIBIT C-1

<u>Gravel Reserve Tax</u>	<u>Public Health</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-1)</u>
\$ 122,299	\$ 311,483	\$ 7,684	\$ 818,407
-	100	-	100
-	-	19,555	21,671
-	-	790	790
-	-	-	256
-	-	-	66,319
30,324	6,130	40,790	77,748
-	-	2,535	2,582
-	70,638	2,739	73,377
<u>\$ 152,623</u>	<u>\$ 388,351</u>	<u>\$ 74,093</u>	<u>\$ 1,061,250</u>
\$ -	\$ 1,614	\$ 40,341	\$ 42,733
-	182	-	182
-	197	1,725	1,922
36,833	12,406	22,850	72,089
-	-	-	4,400
<u>\$ 36,833</u>	<u>\$ 14,399</u>	<u>\$ 64,916</u>	<u>\$ 121,326</u>
<u>\$ -</u>	<u>\$ 9,115</u>	<u>\$ 36,503</u>	<u>\$ 112,129</u>
\$ 115,790	\$ -	\$ -	\$ 115,790
-	-	-	269,457
-	-	-	115,801
-	364,837	-	364,837
-	-	(27,326)	(38,090)
<u>\$ 115,790</u>	<u>\$ 364,837</u>	<u>\$ (27,326)</u>	<u>\$ 827,795</u>
<u>\$ 152,623</u>	<u>\$ 388,351</u>	<u>\$ 74,093</u>	<u>\$ 1,061,250</u>

**NORMAN COUNTY
ADA, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	County Homes	Ditch
Revenues		
Taxes	\$ -	\$ -
Special assessments	-	72,656
Licenses and permits	-	-
Intergovernmental	-	-
Charges for services	-	-
Investment earnings	-	-
Miscellaneous	36,441	-
	\$ 36,441	\$ 72,656
Total Revenues	\$ 36,441	\$ 72,656
Expenditures		
Current		
General government	\$ 12,542	\$ -
Sanitation	-	-
Health	-	-
Conservation of natural resources	-	1,682
	\$ 12,542	\$ 1,682
Total Expenditures	\$ 12,542	\$ 1,682
Excess of Revenues Over (Under) Expenditures	\$ 23,899	\$ 70,974
Other Financing Sources (Uses)		
Transfers in	-	-
Special Item		
Merger of Norman-Mahnomen Public Health operations into Norman County	-	-
Net Change in Fund Balance	\$ 23,899	\$ 70,974
Fund Balance - January 1	91,902	187,719
Fund Balance - December 31	\$ 115,801	\$ 258,693

EXHIBIT C-2

<u>Gravel Reserve Tax</u>	<u>Public Health</u>	<u>Solid Waste</u>	<u>Total (Exhibit B-2)</u>
\$ 57,550	\$ -	\$ 59,232	\$ 116,782
-	-	-	72,656
-	-	300	300
-	487,540	72,457	559,997
-	55,596	280,298	335,894
-	13	-	13
-	2,501	-	38,942
<u>\$ 57,550</u>	<u>\$ 545,650</u>	<u>\$ 412,287</u>	<u>\$ 1,124,584</u>
\$ -	\$ -	\$ -	\$ 12,542
-	-	431,923	431,923
-	716,854	-	716,854
47,458	-	-	49,140
<u>\$ 47,458</u>	<u>\$ 716,854</u>	<u>\$ 431,923</u>	<u>\$ 1,210,459</u>
\$ 10,092	\$ (171,204)	\$ (19,636)	\$ (85,875)
-	90,618	-	90,618
-	445,423	-	445,423
<u>\$ 10,092</u>	<u>\$ 364,837</u>	<u>\$ (19,636)</u>	<u>\$ 450,166</u>
<u>105,698</u>	<u>-</u>	<u>(7,690)</u>	<u>377,629</u>
<u>\$ 115,790</u>	<u>\$ 364,837</u>	<u>\$ (27,326)</u>	<u>\$ 827,795</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
COUNTY HOMES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 30,000	\$ 30,000	\$ 36,441	\$ 6,441
Expenditures				
Current				
General government				
Low-income housing	29,112	29,112	12,542	16,570
Excess of Revenues Over (Under)				
Expenditures	\$ 888	\$ 888	\$ 23,899	\$ 23,011
Fund Balance - January 1	<u>91,902</u>	<u>91,902</u>	<u>91,902</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 92,790</u>	<u>\$ 92,790</u>	<u>\$ 115,801</u>	<u>\$ 23,011</u>

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 58,918	\$ 58,918	\$ 59,232	\$ 314
Licenses and permits	400	400	300	(100)
Intergovernmental	74,302	74,302	72,457	(1,845)
Charges for services	275,000	275,000	280,298	5,298
Total Revenues	\$ 408,620	\$ 408,620	\$ 412,287	\$ 3,667
Expenditures				
Current				
Sanitation				
Recycling	\$ 88,325	\$ 88,325	\$ 115,085	\$ (26,760)
Landfill	22,000	22,000	49,670	(27,670)
Fosston incinerator	240,979	240,979	240,067	912
Household hazardous waste	17,270	17,270	27,101	(9,831)
Total Expenditures	\$ 368,574	\$ 368,574	\$ 431,923	\$ (63,349)
Excess of Revenues Over (Under) Expenditures	\$ 40,046	\$ 40,046	\$ (19,636)	\$ (59,682)
Fund Balance - January 1	(7,690)	(7,690)	(7,690)	-
Fund Balance - December 31	\$ 32,356	\$ 32,356	\$ (27,326)	\$ (59,682)

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**NORMAN COUNTY
ADA, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash	\$ 26,808	\$ 519,124	\$ 524,067	\$ 21,865
<u>Liabilities</u>				
Due to other funds	\$ 804	\$ 656	\$ 804	\$ 656
Due to other governments	26,004	518,468	523,263	21,209
Total Liabilities	\$ 26,808	\$ 519,124	\$ 524,067	\$ 21,865
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash	\$ 206,747	\$ 5,217,801	\$ 5,227,534	\$ 197,014
<u>Liabilities</u>				
Due to other governments	\$ 166,152	\$ 5,176,409	\$ 5,167,037	\$ 175,524
Funds held in trust	40,595	41,392	60,497	21,490
Total Liabilities	\$ 206,747	\$ 5,217,801	\$ 5,227,534	\$ 197,014
 <u>WATERSHED</u>				
<u>Assets</u>				
Cash	\$ -	\$ 552,739	\$ 552,739	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 552,739	\$ 552,739	\$ -

**NORMAN COUNTY
ADA, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash	\$ 233,555	\$ 6,289,664	\$ 6,304,340	\$ 218,879
<u>Liabilities</u>				
Due to other funds	\$ 804	\$ 656	\$ 804	\$ 656
Due to other governments	192,156	6,247,616	6,243,039	196,733
Funds held in trust	40,595	41,392	60,497	21,490
Total Liabilities	\$ 233,555	\$ 6,289,664	\$ 6,304,340	\$ 218,879

SCHEDULES

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**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2016**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits			
Unrestricted			
Cash on hand	N/A	N/A	\$ 5,000
Noninterest-bearing checking (1)	N/A	Continuous	18,830
Interest-bearing checking (2)	0.01%	Continuous	2,190,288
Money market checking (1)	0.15%	Continuous	2,000,000
Certificates of deposit (5)	0.55% to 0.70%	May 4, 2017 to June 29, 2017	<u>2,500,000</u>
Total unrestricted			\$ 6,714,118
Restricted for real estate tax shortfall			
Certificates of deposit (3)	0.12% to 0.17%	December 22, 2017	<u>61,760</u>
Total Deposits			<u>\$ 6,775,878</u>

**NORMAN COUNTY
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2016**

	Assets						Total
	Cash	Undistributed Cash	Special Assessments Receivable		Due from Other Funds	Advance to Watershed	
			Delinquent	Noncurrent			
County Ditches							
5	\$ 5,267	\$ -	\$ 5	\$ 1,267	\$ -	\$ -	\$ 6,539
6	(107)	138	3	1,505	-	-	1,539
7	15,818	-	-	5,325	-	-	21,143
8	(10,796)	32	-	11,200	-	-	436
9	3,058	63	-	2,415	-	-	5,536
14	2,909	-	-	302	-	-	3,211
17	3,153	-	-	160	-	-	3,313
22	12,155	22	88	2,116	-	-	14,381
23	2,718	-	-	-	-	-	2,718
24	3,298	-	-	163	-	-	3,461
25	13,221	9	-	3,357	-	-	16,587
26	269	2	-	63	-	-	334
28 & 3	547	-	-	68	-	-	615
29	1,294	19	-	1,495	-	-	2,808
29 Lat. 1	4,091	23	-	-	-	-	4,114
31	4,153	-	-	-	-	-	4,153
33	32,194	41	6	-	-	-	32,241
34	30,870	-	-	505	-	-	31,375
36	3,900	-	-	166	-	-	4,066
39	563	-	-	154	-	-	717
40	5,001	-	-	559	-	-	5,560
41	2,260	-	-	575	-	-	2,835
42	2,871	1,350	-	14,481	-	-	18,702
46	1,103	-	-	303	-	-	1,406
47	11,116	172	12	2,403	-	-	13,703
49	4,897	9	90	511	4	-	5,511
62	3,726	8	44	282	2	-	4,062
65	6,971	11	-	1,021	-	-	8,003
69	10,580	7	-	1,542	-	-	12,129
73	19,385	-	-	1,963	-	-	21,348
75	3,394	127	1	738	-	-	4,260
Borup State Ditch	59	-	-	-	-	-	59
Judicial Ditches							
54 South	33,789	60	7	8,037	-	-	41,893
55	23,280	23	-	3,643	-	-	26,946
Watershed Ditches							
Project 43 - Perley	11,839	125	786	6,849	-	2,318	21,917
Project 44 - Hendrum	68,821	511	1,288	30,728	-	92,697	194,045
Total	\$ 337,667	\$ 2,752	\$ 2,330	\$ 103,896	\$ 6	\$ 95,015	\$ 541,666

EXHIBIT E-2

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows of Resources, and Fund Balances
Accounts Payable	Unavailable Revenue	Total	Nonspendable Advance to Watershed	Restricted for Debt Service	Restricted for Ditch Maintenance and Construction	Unassigned	Total	
\$ -	\$ 1,267	\$ 1,267	\$ -	\$ -	\$ 5,272	\$ -	\$ 5,272	\$ 6,539
-	1,508	1,508	-	-	31	-	31	1,539
100	5,325	5,425	-	-	15,718	-	15,718	21,143
-	11,200	11,200	-	-	-	(10,764)	(10,764)	436
-	2,415	2,415	-	-	3,121	-	3,121	5,536
-	302	302	-	-	2,909	-	2,909	3,211
-	160	160	-	-	3,153	-	3,153	3,313
-	2,204	2,204	-	-	12,177	-	12,177	14,381
-	-	-	-	-	2,718	-	2,718	2,718
-	163	163	-	-	3,298	-	3,298	3,461
-	3,357	3,357	-	-	13,230	-	13,230	16,587
-	63	63	-	-	271	-	271	334
-	68	68	-	-	547	-	547	615
300	1,495	1,795	-	-	1,013	-	1,013	2,808
-	-	-	-	-	4,114	-	4,114	4,114
-	-	-	-	-	4,153	-	4,153	4,153
-	-	-	-	-	32,241	-	32,241	32,241
-	505	505	-	-	30,870	-	30,870	31,375
-	166	166	-	-	3,900	-	3,900	4,066
-	154	154	-	-	563	-	563	717
-	559	559	-	-	5,001	-	5,001	5,560
-	575	575	-	-	2,260	-	2,260	2,835
100	14,481	14,581	-	-	4,121	-	4,121	18,702
-	303	303	-	-	1,103	-	1,103	1,406
-	2,408	2,408	-	-	11,295	-	11,295	13,703
-	571	571	-	-	4,940	-	4,940	5,511
-	311	311	-	-	3,751	-	3,751	4,062
-	1,021	1,021	-	-	6,982	-	6,982	8,003
-	1,542	1,542	-	-	10,587	-	10,587	12,129
-	1,963	1,963	-	-	19,385	-	19,385	21,348
-	738	738	-	-	3,522	-	3,522	4,260
-	-	-	-	-	59	-	59	59
-	8,044	8,044	-	-	33,849	-	33,849	41,893
-	3,643	3,643	-	-	23,303	-	23,303	26,946
-	7,397	7,397	2,318	12,202	-	-	14,520	21,917
-	31,833	31,833	92,697	69,515	-	-	162,212	194,045
\$ 500	\$ 105,741	\$ 106,241	\$ 95,015	\$ 81,717	\$ 269,457	\$ (10,764)	\$ 435,425	\$ 541,666

**NORMAN COUNTY
ADA, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2016**

	<u>Assets</u>						<u>Total</u>
	<u>Cash</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable</u>		<u>Due from Other Funds</u>	<u>Advance to Watershed</u>	
			<u>Delinquent</u>	<u>Noncurrent</u>			
Presented as							
Ditch Special Revenue Fund	\$ 257,007	\$ 2,116	\$ 256	\$ 66,319	\$ 6	\$ -	\$ 325,704
Ditch Debt Service Fund	80,660	636	2,074	37,577	-	95,015	215,962
Total	<u>\$ 337,667</u>	<u>\$ 2,752</u>	<u>\$ 2,330</u>	<u>\$ 103,896</u>	<u>\$ 6</u>	<u>\$ 95,015</u>	<u>\$ 541,666</u>

EXHIBIT E-2
(Continued)

Liabilities and Deferred Inflows of Resources			Fund Balances					Total Liabilities, Deferred Inflows of Resources, and Fund Balances
Accounts Payable	Unavailable Revenue	Total	Nonspendable Advance to Watershed	Restricted for Debt Service	Restricted for Ditch Maintenance and Construction	Unassigned	Total	
\$ 500	\$ 66,511	\$ 67,011	\$ -	\$ -	\$ 269,457	\$ (10,764)	\$ 258,693	\$ 325,704
-	39,230	39,230	95,015	81,717	-	-	176,732	215,962
\$ 500	\$ 105,741	\$ 106,241	\$ 95,015	\$ 81,717	\$ 269,457	\$ (10,764)	\$ 435,425	\$ 541,666

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Shared Revenue

State

Highway users tax	\$ 4,727,652
County program aid	128,907
PERA rate reimbursement	23,107
Disparity reduction aid	15,682
Police aid	41,344
Aquatic invasive species aid	8,642
Market value credit	174,615
	174,615

Total shared revenue **\$ 5,119,949**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 335,236
	335,236

Payments

Local

Payments in lieu of taxes	\$ 39,973
Mahnommen County	78,718
	78,718

Total payments **\$ 118,691**

Grants

State

Minnesota Department/Board of	
Public Safety	\$ 137,773
Transportation	6,753
Health	114,103
Natural Resources	47,957
Human Services	425,060
Veterans Affairs	7,500
Water and Soil Resources	49,803
Pollution Control Agency	77,417
Peace Officer Standards and Training Board	1,563
	1,563

Total state **\$ 867,929**

NORMAN COUNTY
ADA, MINNESOTA

EXHIBIT E-3
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Grants (Continued)

Federal

Department of	
Agriculture	\$ 131,026
Justice	32,363
Transportation	511,684
Education	2,900
Health and Human Services	767,858
Homeland Security	23,964
	<hr/>

Total federal **\$ 1,469,795**

Total state and federal grants **\$ 2,337,724**

Total Intergovernmental Revenue **\$ 7,911,600**

**NORMAN COUNTY
ADA, MINNESOTA**

EXHIBIT E-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Polk Norman Mahnomen Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 47,715
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>83,311</u>
Total U.S. Department of Agriculture			<u>\$ 131,026</u>
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2016-NORM- 00139	<u>\$ 32,363</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00054	<u>\$ 510,936</u>
U.S. Department of Education			
Passed Through Polk Norman Mahnomen Community Health Board Special Education - Grants for Infants and Families	84.181	87630	<u>\$ 3,867</u>
U.S. Department of Health and Human Services			
Passed Through Polk Norman Mahnomen Community Health Board Public Health Emergency Preparedness	93.069	90858	\$ 39,575
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	87929	82,225
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$73,413)	93.558	1601MNTANF	9,316
Maternal and Child Health Services Block Grant	93.994	86859	21,480
Passed Through Minnesota Department of Health Immunization Cooperative Agreements	93.268	58583	1,600

**NORMAN COUNTY
ADA, MINNESOTA**

**EXHIBIT E-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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 (Continued)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPS	2,483
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$73,413)	93.558	1601MNTANF	64,097
Child Support Enforcement	93.563	1604MNCSES	7,352
Child Support Enforcement (Total Child Support Enforcement 93.563 \$107,498)	93.563	1604MNCEST	100,146
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	87
Child Care and Development Block Grant	93.575	G1601MNCCDF	2,381
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	4,785
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	1,319
Foster Care Title IV-E	93.658	1601MNFOST	28,686
Social Services Block Grant	93.667	16-01MNSOSR	74,201
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	2,753
Medical Assistance Program	93.778	05-1605MN5ADM	326,480
Passed Through Polk County, Minnesota			
Block Grants for Community Mental Health Services	93.958	SM010027-16	2,210
Total U.S. Department of Health and Human Services			\$ 771,176
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2015- NORMANCO-1375	\$ 7,900
Emergency Management Performance Grants	97.042	F-EMPG-2016- NORMANCO-1668	10,966
Emergency Management Performance Grants	97.042	F-EMPG-2016- NORMANCO-1770	4,384
Emergency Management Performance Grants (Total Emergency Performance Grants 97.042 \$23,964)	97.042	F-EMPG-2016- NORMANCO-1933	714
Total U.S. Department of Homeland Security			\$ 23,964
Total Federal Awards			\$ 1,473,332

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

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**NORMAN COUNTY
ADA, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Norman County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Norman County, it is not intended to and does not present the financial position or changes in net position of Norman County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Norman County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,469,795
Grants received more than 60 days after year-end, deferred in 2016	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	35,177
Special Education - Grants for Infants and Families	967
Maternal and Child Health Services Block Grant	3,318
Grants unavailable in 2015, recognized as revenue in 2016	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(35,177)
Highway Planning and Construction	(748)
	(748)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 1,473,332

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REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Norman County
Ada, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 12, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Norman County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 12, 2017

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REBECCA OTTO
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Norman County
Ada, Minnesota

Report on Compliance for the Major Federal Program

We have audited Norman County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2016. Norman County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Norman County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 12, 2017

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**NORMAN COUNTY
ADA, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

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

The major program is:

Highway Planning and Construction

CFDA No. 20.205

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-006

Segregation of Duties

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

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

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

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

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

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

View of Responsible Official: Concur.

Finding 2011-001

Network/Application Password Controls

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

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

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

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

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

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

View of Responsible Official: Concur.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-001

Ditch Fund Cash Deficits

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

Condition: Two of the 36 individual ditch systems had deficit cash balances totaling \$10,903 at December 31, 2016. This amount decreased from the prior year, when we reported that 3 of the 36 individual ditch systems had deficit cash balances totaling \$27,996.

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

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

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

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

View of Responsible Official: Concur.

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2013-001 Sheriff's Departmental Control Procedures

2012-002 Individual Ditch System Equity Balance Deficits

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**REPRESENTATION OF NORMAN COUNTY
ADA, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 1996-006

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action: Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned: With the small number of County staff working in the financial positions in the County, it will be extremely difficult to have proper segregation of duties. However, County officials and management will need to be ever mindful of the situation and vigilant in efforts to ensure that internal controls are in place and procedures are being followed by staff. We will also need to implement oversight procedures when possible (i.e., this past year, the Auditor-Treasurer's Office has made an effort to be sure that the individual preparing the bank deposit is not the same person actually taking the deposit to the bank). I will bring this finding to each department that receives payment for services, encouraging those department heads to be ever mindful of the segregation of duties, involving the acceptance of funds, billing, recording and balancing of bank statements, and asking if they can see a better way to carry out these duties while still maintaining a vigilant watchful eye.

Anticipated Completion Date: I would hope to discuss this either through the Department Head meeting in June 2017 or individually with those Department Heads who actually receive funds in their respective offices by the end of June 2017.

Finding Number: 2011-001

Finding Title: Network/Application Password Controls

Name of Contact Person Responsible for Corrective Action: Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned: Our Mid-State Computer Co-op talked about security at our annual meeting the end of March. We had a meeting planned for May 5, 2017, along with our provider for the mainframe, Chad Swanson of Computer Professionals Unlimited, Inc., Morris Electronics, who serves as IT for many of the counties in the co-op and American Communications, also inviting counties to bring their IT people if they have their own in-house staff. We were going to address security issues and questions that had been brought forward by auditors, and others. However, I just received notice this morning that it was going to have to be rescheduled due to conflicts with one of the presenter's due to medical reasons.

I now plan to contact CPUI and Morris Electronics, individually, to see if I can get the password control issue addressed.

Anticipated Completion Date: I will plan to address this finding within the next week. I anticipate that it can hopefully be completed before May 31, 2017.

Finding Number: 1996-001

Finding Title: Ditch Fund Cash Deficits

Name of Contact Person Responsible for Corrective Action: Donna J. Hanson, Auditor-Treasurer

Corrective Action Planned: In 2017, I was able to convince the Board to levy 200% on County Ditch 8 with the hope that we would bring it into the black by the end of 2017. County Ditch 6 should have no problem moving into the black in 2017. If we do not collect enough taxes to achieve bringing CD 8 into the black close to year-end, we will look at borrowing from a ditch that has a positive balance, and then when we achieve collecting enough to pay back the funds borrowed from a ditch, we will repay with interest the sum that was borrowed. I am placing a reminder in my computer calendar to check ditch balances before the second December Board meeting in order to draft a resolution to present to the Board at that time which would authorize the transfer/borrowing of money from one ditch to the other to avoid cash deficits in the ditch fund.

Anticipated Completion Date: December 21, 2017, would be the date we would need to have a resolution presented to the Board for transferring money/borrowing money from one ditch to another in order to avoid cash deficits in the ditch fund at year-end.

**REPRESENTATION OF NORMAN COUNTY
ADA, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 1996-006

Finding Title: Segregation of Duties

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

Summary of Corrective Action Previously Reported: Norman County will continue to be aware of this.

Status: Not Corrected. Due to the retirement of the Auditor-Treasurer in July 2016, staffing changes, training, elections, and the newly appointed Auditor-Treasurer not being aware of actions needing to be taken or the time in which to carry out these actions, this finding was not given any attention in 2016. The only corrective action that did happen was the individual preparing the bank deposit, who also reconciles the bank statement, was no longer taking the deposit to the bank.

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

Yes _____ No X

Finding Number: 2011-001

Finding Title: Network/Application Password Controls

Summary of Condition: Norman County uses the Integrated Financial System-Platform Independent (IFS-PI) application software for its general ledger. This application was written as a web-based application and may be run on a server or a mainframe system. Norman County contracts with a vendor for use of space on a mainframe IBM I Series system. For an employee of Norman County to access the IFS-PI application, the user must be signed on to the County network and have a current sign-on for the IFS-PI application. The network sign-on differs from

the sign-on for the IBM I Series system, so the mainframe security settings do not apply to the application. Norman County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

Summary of Corrective Action Previously Reported: We will work with our IFS-PI provider, or our IT provider, whichever one holds the ability to control the network password settings, to review aforesaid settings within the system to improve password controls over the network.

Status: Not Corrected. Due to the retirement of the Auditor-Treasurer in July 2016, and all the new things happening within the Auditor-Treasurer's Office, I as the newly appointed Auditor-Treasurer did not realize that I was the individual needing to take action on these findings.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2013-001

Finding Title: Sheriff's Departmental Control Procedures

Summary of Condition: Weaknesses in departmental controls were noted in the Sheriff's Department. All fees collected for civil process since the middle of August 2015, totaling \$3,858, had not been receipted or deposited as of January 20, 2016. Checks included in the collections had not been restrictively endorsed. An item in the evidence room was not listed on the evidence inventory listing. In addition, one item on the inventory list had been released to the owner, but the release was not indicated on the inventory listing, and the item was not removed from the listing.

Summary of Corrective Action Previously Reported: Collections and deposits have been brought up to date. Evidence inventory listings will be checked frequently to ensure proper entry and removal.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 1996-001

Finding Title: Ditch Fund Cash Deficits

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

Summary of Corrective Action Previously Reported: Norman County will continue to work on reducing the deficit cash balances.

Status: Partially Corrected. The County had only two ditches with a deficit cash balance at the end of 2016. We did levy accordingly in 2017 to hopefully have all the ditches with a positive cash balance at year-end; however, we will be monitoring ditch balances at the beginning of December to see if we need to loan to any ditch system before year-end in order to assure we have no deficit cash balances.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2012-002

Finding Title: Individual Ditch System Equity Balance Deficits

Summary of Condition: As of December 31, 2015, the County had three individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts totaling \$27,864.

Summary of Corrective Action Previously Reported: Norman County will continue to work on reducing the ditch system equity balance deficits.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X