

**WADENA COUNTY
WADENA, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022



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**WADENA COUNTY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

INTRODUCTORY SECTION	
ORGANIZATION SCHEDULE	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	13
STATEMENT OF ACTIVITIES	14
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
BALANCE SHEET	15
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	19
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	22
FIDUCIARY FUNDS	
STATEMENT OF FIDUCIARY NET POSITION	23
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	24
NOTES TO BASIC FINANCIAL STATEMENTS	25
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULES	
GENERAL FUND	69
ROAD AND BRIDGE SPECIAL REVENUE FUND	71
SOCIAL SERVICES SPECIAL REVENUE FUND	72
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS – OTHER POSTEMPLOYMENT BENEFITS	73
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)	74

**WADENA COUNTY
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2022**

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)	
SCHEDULE OF COUNTY PENSION CONTRIBUTIONS	76
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	78
SUPPLEMENTARY INFORMATION	
NONMAJOR GOVERNMENTAL FUNDS	
COMBINING BALANCE SHEET	91
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	92
BUDGETARY COMPARISON SCHEDULES	
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND	93
TRANSIT SPECIAL REVENUE FUND	94
SOLID WASTE SPECIAL REVENUE FUND	95
FIDUCIARY FUNDS – CUSTODIAL FUNDS	
COMBINING STATEMENT OF FIDUCIARY NET POSITION	97
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	99
OTHER SCHEDULES	
SCHEDULE OF DEPOSITS AND INVESTMENTS	101
SCHEDULE OF INTERGOVERNMENTAL REVENUE	102
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	103
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	105
REPORTS RELATED TO <i>GOVERNMENT AUDITING STANDARDS</i> AND SINGLE AUDIT	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	106
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	108
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	111
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	119

INTRODUCTORY SECTION

**WADENA COUNTY
ORGANIZATION SCHEDULE
DECEMBER 31, 2022**

Office	Name	District	Term Expires
Elected Commissioners:			
Board Member	Sheldon Monson	District 1	January 2023
Board Member	Michael Meyer	District 2	January 2025
Chairperson	William Stearns	District 3	January 2023
Vice-Chairperson	Murlyn Kreklau	District 4	January 2025
Board Member	Jon Kangas	District 5	January 2023
Attorney	Kyra Ladd		January 2023
Auditor/Treasurer	Heather Olson		January 2023
County Recorder	Soledad Henriksen		January 2023
Registrar of Titles	Soledad Henriksen		January 2023
County Sheriff	Michael D. Carr		January 2023
Appointed:			
Assessor	Lee Brekke		December 2024
County Engineer	Darin Fellbaum		May 2025
County Coordinator	Ryan Odden		Indefinite
Community Corrections Officer	Kathryn Langer		Indefinite
Human Services Director	Jennifer Westrum		Indefinite
Veterans Services Officer	David Anderson		April 2026

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County (the County), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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 the County, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedules of changes in total OPEB liability and related ratios – other postemployment benefits, schedule of the county's proportionate share of net pension liability (asset), and schedule of county pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 GAAS, 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 the County's basic financial statements. The combining nonmajor fund financial statements and schedules, combining statement of fiduciary net position, combining statement of changes in fiduciary net position, schedule of deposits and investments, schedule of intergovernmental revenue, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor fund financial statements and schedules, combining statement of fiduciary net position, combining statement of changes in fiduciary net position, schedule of deposits and investments, schedule of intergovernmental revenue, and schedule of expenditures of federal awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WADENA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

As management of Wadena County, we offer readers of the Wadena County financial statements this narrative overview and analysis of the financial activities of Wadena County for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Wadena County exceeded its liabilities and deferred inflows of resources on December 31, 2022 by \$80,112,273 (net position). Of this amount, \$6,863,794 (unrestricted net position) may be used to meet Wadena County's ongoing obligations to citizens and creditors.
- At the close of 2022, Wadena County's governmental funds reported combined ending fund balances of \$16,189,867, an increase of \$509,594 from December 31, 2021. Of the total fund balance, \$12,812,651 was unrestricted (committed, assigned, and unassigned) and is available for spending at the County's discretion.
- At the close of 2022, the committed, assigned, and unassigned fund balance for the General Fund was \$5,807,485, or 62.4%, of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The County's government-wide financial statements report functions of the County principally supported by taxes and intergovernmental revenues. The governmental activities of Wadena County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. The government-wide financial statements can be found on pages 13 through 14 of this report.

**WADENA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Level Financial Statements

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

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

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

Wadena County reports seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road and Bridge Special Revenue Fund, and Social Services Special Revenue Fund, all of which are considered to be major funds. Data from the other four 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. Governmental fund financial statements can be found on pages 15 through 22 of this report.

Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary fund financial statements can be found on pages 23 and 24 of this report.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 68 of this report.

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

**WADENA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Level Financial Statements (Continued)

Wadena County adopts an annual appropriated budget for its General Fund and major special revenue funds. To demonstrate compliance with these budgets, budgetary comparison schedules have been provided as required supplementary information for the County's major funds. Wadena County also budgets for the Public Health Nurse Special Revenue Fund, Transit Special Revenue Fund, and Solid Waste Special Revenue Fund, which are nonmajor funds, as supplementary information. The County Board did not adopt a budget for the Opiate Epidemic Response Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Wadena County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80,112,273 at the close of 2022. The largest portion of Wadena County's net position (81.6%) 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

	2022	2021
ASSETS		
Current and Other Assets	\$ 26,507,025	\$ 25,111,966
Capital Assets	66,270,319	62,776,636
Total Assets	92,777,344	87,888,602
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Outflows	6,887,408	4,813,602
Deferred Other Postemployment Benefits Outflows	35,857	37,715
Total Deferred Outflows of Resources	6,923,265	4,851,317
 LIABILITIES		
Long-Term Liabilities Outstanding	14,811,968	7,369,855
Other Liabilities	4,200,574	3,062,238
Total Liabilities	19,012,542	10,432,093
 DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Inflows	317,921	5,934,561
Deferred Other Postemployment Benefits Inflows	257,873	335,112
Total Deferred Inflows of Resources	575,794	6,269,673
 NET POSITION		
Net Investment in Capital Assets	65,422,016	61,927,130
Restricted	7,826,463	7,812,260
Unrestricted	6,863,794	6,298,763
Total Net Position	\$ 80,112,273	\$ 76,038,153

The unrestricted net position amount of \$6,863,794 as of December 31, 2022, may be used to meet the County's ongoing obligations to citizens and creditors.

**WADENA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

GOVERNMENTAL ACTIVITIES CHANGES IN NET POSITION

	2022	2021
REVENUES		
Program Revenues:		
Charges for Services	\$ 3,407,971	\$ 4,091,919
Operating Grants and Contributions	10,549,587	8,869,624
Capital Grants and Contributions	2,975,734	2,414,289
General Revenues:		
Property Taxes	9,618,431	9,492,840
Transportation Sales and Use Tax	1,034,346	1,001,447
Other Taxes	120,736	129,808
Grants and Contributions Not Restricted to Specific Programs	1,652,454	1,337,166
Other	324,838	179,197
Total Revenues	29,684,097	27,516,290
 EXPENSES		
General Government	5,072,775	4,733,345
Public Safety	3,729,330	2,892,605
Highways and Streets	5,734,460	5,096,301
Sanitation	1,625,679	1,521,422
Human Services	7,706,195	8,027,959
Health	1,119,112	1,290,174
Culture and Recreation	288,933	296,574
Conservation of Natural Resources	275,102	294,072
Economic Development	30,000	301,237
Interest	28,391	27,292
Total Expenses	25,609,977	24,480,981
 CHANGE IN NET POSITION	4,074,120	3,035,309
 Net Position - Beginning of Year	76,038,153	73,002,844
 NET POSITION - END OF YEAR	\$ 80,112,273	\$ 76,038,153

Wadena County's activities increased net position by \$4,074,120 or 5.4%, over the 2021 net position. The primary reason for this increase is attributed to an increase in tax revenues and grant revenues in the current year. The County had an increase in grant revenues due to a highway project funded by federal and state grants.

**WADENA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$16,189,867, an increase of \$509,594 in comparison with the prior year. The committed, assigned, and unassigned fund balance in the amount of \$12,812,651 is available for spending at the County's discretion. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending.

The General Fund is the chief operating fund of Wadena County. At the end of the current fiscal year, committed, assigned, and unassigned fund balance of the General Fund was \$5,807,485, while total fund balance was \$7,421,964. As a measure of the General Fund's liquidity, it may be useful to compare committed, assigned, and unassigned fund balance to total fund expenditures. Committed, assigned, and unassigned fund balance represents 62.4% of total General Fund expenditures. In 2022, fund balance in the General Fund increased by \$401,720 due to an increase in tax revenues and the SCHA repayment.

The fund balance in the Road and Bridge Special Revenue Fund was \$3,226,982 at the end of the current fiscal year. This is a decrease of \$781,190. The decrease is due to higher than budgeted expenditures for construction and maintenance for the road projects in 2022.

Fund balance in the Social Services Special Revenue Fund was \$2,101,951 at December 31, 2022, which is an increase of \$342,915 from 2021. This increase is due to higher than budgeted intergovernmental revenues and lower than expected expenditures.

General Fund Budgetary Highlights

The difference between the General Fund budget and the actual net change in fund balance was \$366,420. This difference is primarily due to the SCHA repayment, which is not budgeted for.

**WADENA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2022, was \$66,270,319 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, equipment, and infrastructure. The County's investment in capital assets for the current fiscal year increased 5.5%. The increase was primarily due to road projects in CIP at year end.

**GOVERNMENTAL ACTIVITIES
GOVERNMENTAL CAPITAL ASSETS**

	<u>2022</u>	<u>2021</u>
Land	\$ 1,029,606	\$ 1,027,981
Construction in Progress	3,335,634	457,344
Infrastructure	54,685,117	54,193,050
Buildings and Building Improvements	5,136,533	5,347,662
Machinery, Furniture, and Equipment	1,985,524	1,750,599
Right-to-Use Assets	97,905	61,972
Total	<u>\$ 66,270,319</u>	<u>\$ 62,838,608</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, the County has total debt outstanding of \$848,303.

	<u>2022</u>	<u>2021</u>
General Obligation Bonds, including Premiums	\$ 750,544	\$ 796,245
Lease Liabilities	97,759	61,971
Finance Purchase Agreements	-	53,261
Total	<u>\$ 848,303</u>	<u>\$ 911,477</u>

Additional information on the County's long-term debt can be found in the notes to the financial statements.

**WADENA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Wadena County's unemployment rate was 5.9% at the end of 2022, which represents an increase of 1.5% from the rate one year ago. This compares to the statewide rate of 3.2%.

Wadena County is not subject to levy limits for 2023.

The Wadena County Commissioners approved a Preliminary Payable 2023 Tax Levy of \$10,850,034 and a Final Payable 2023 Tax Levy of \$10,111,216, which represents a 2.85% increase over the Final Payable 2022 Tax Levy of \$9,831,015.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Wadena County Auditor-Treasurer, Wadena County Courthouse, 415 Jefferson Street South, Wadena, Minnesota 56482.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**WADENA COUNTY
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022**

ASSETS

Cash and Investments	\$	17,899,408
Taxes Receivable - Delinquent		256,019
Special Assessments Receivable - Delinquent		29,697
Accounts Receivable - Net		1,458,653
Accrued Interest Receivable		99,225
Due from Other Governments		6,337,598
Prepaid Items		426,425
Capital Assets:		
Nondepreciable		4,365,240
Depreciable - Net of Accumulated Depreciation		61,807,174
Right-to-Use Assets - Net of Accumulated Amortization		97,905
Total Assets		92,777,344

DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Outflows		6,887,408
Deferred Other Postemployment Benefits Outflows		35,857
Total Deferred Outflows of Resources		6,923,265

LIABILITIES

Accounts Payable		674,341
Contracts Payable		122,692
Salaries Payable		459,662
Due to Other Governments		289,795
Accrued Interest Payable		9,516
Unearned Revenue		2,644,068
Customer Deposits		500
Long-Term Liabilities:		
Due within One Year		317,543
Due in More than One Year		1,380,704
Net Pension Liability		12,318,264
Other Postemployment Benefits Liability - Current		13,364
Other Postemployment Benefits Liability		782,093
Total Liabilities		19,012,542

DEFERRED INFLOWS OF RESOURCES

Deferred Pension Inflows		317,921
Deferred Other Postemployment Benefits Inflows		257,873
Total Deferred Inflows of Resources		575,794

NET POSITION

Net Investment in Capital Assets		65,422,016
Restricted for:		
General Government		888,912
Public Safety		197,001
Highways and Streets		5,680,194
Human Services		300,000
Health		53,184
Conservation of Natural Resources		165,501
Opioid Response		541,671
Unrestricted		6,863,794
Total Net Position		\$ 80,112,273

See accompanying Notes to Basic Financial Statements.

**WADENA COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General Government	\$ 5,072,775	\$ 522,196	\$ 292,814	\$ 23,212	\$ (4,234,553)
Public Safety	3,729,330	180,289	245,010	-	(3,304,031)
Highways and Streets	5,734,460	197,291	3,443,934	2,952,522	859,287
Sanitation	1,625,679	1,646,344	72,440	-	93,105
Human Services	7,706,195	644,458	5,239,804	-	(1,821,933)
Health	1,119,112	146,339	1,113,219	-	140,446
Culture and Recreation	288,933	65,530	70,565	-	(152,838)
Conservation of Natural Resources	275,102	5,524	71,801	-	(197,777)
Economic Development	30,000	-	-	-	(30,000)
Interest	28,391	-	-	-	(28,391)
Total Governmental Activities	<u>\$ 25,609,977</u>	<u>\$ 3,407,971</u>	<u>\$ 10,549,587</u>	<u>\$ 2,975,734</u>	<u>(8,676,685)</u>
GENERAL REVENUES					
Property Taxes					9,618,431
Transportation Sales and Use Tax					1,034,346
Other Taxes					15,113
Payments in Lieu of Tax					105,623
Grants and Contributions Not Restricted to Specific Programs					1,652,454
Unrestricted Investment Earnings					248,430
Miscellaneous					76,408
Total General Revenues					<u>12,750,805</u>
CHANGE IN NET POSITION					
					4,074,120
Net Position - Beginning of Year					<u>76,038,153</u>
NET POSITION - END OF YEAR					
					<u>\$ 80,112,273</u>

See accompanying Notes to Basic Financial Statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**WADENA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Road and Bridge	Social Services
ASSETS			
Cash and Investments	\$ 10,265,665	\$ 2,418,030	\$ 1,861,615
Petty Cash and Change Funds	1,900	100	200
Taxes Receivable - Delinquent	167,071	30,303	53,445
Special Assessments Receivable - Delinquent	-	-	-
Accounts Receivable - Net	778,926	13	157,957
Accrued Interest Receivable	99,058	-	-
Due from Other Funds	-	764	896
Due from Other Governments	120,326	5,267,809	625,540
Prepaid Items	63,065	263,853	74,835
Advances to Other Funds	-	3,750	16,250
	\$ 11,496,011	\$ 7,984,622	\$ 2,790,738
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 328,859	\$ 118,573	\$ 167,582
Contracts Payable	-	122,692	-
Salaries Payable	192,197	43,305	158,756
Due to Other Funds	1,993	-	2,276
Due to Other Governments	28,640	9,174	204,759
Unearned Revenue	2,644,068	-	-
Advance from Other Funds	20,000	-	-
Customer Deposits	-	500	-
Total Liabilities	3,215,757	294,244	533,373
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	858,290	4,463,396	155,414
 FUND BALANCES			
Nonspendable:			
Prepaid Items	63,065	263,853	74,835

See accompanying Notes to Basic Financial Statements.

**WADENA COUNTY
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Other Governmental Funds	Total Governmental Funds
ASSETS		
Cash and Investments	\$ 3,351,608	\$ 17,896,918
Petty Cash and Change Funds	290	2,490
Taxes Receivable - Delinquent	5,200	256,019
Special Assessments Receivable - Delinquent	29,697	29,697
Accounts Receivable - Net	521,757	1,458,653
Accrued Interest Receivable	167	99,225
Due from Other Funds	6,905	8,565
Due from Other Governments	323,923	6,337,598
Prepaid Items	24,672	426,425
Advances to Other Funds	-	20,000
	<u>\$ 4,264,219</u>	<u>\$ 26,535,590</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 59,327	\$ 674,341
Contracts Payable	-	122,692
Salaries Payable	65,404	459,662
Due to Other Funds	4,296	8,565
Due to Other Governments	47,222	289,795
Unearned Revenue	-	2,644,068
Advance from Other Funds	-	20,000
Customer Deposits	-	500
Total Liabilities	<u>176,249</u>	<u>4,219,623</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	649,000	6,126,100
FUND BALANCES		
Nonspendable:		
Prepaid Items	24,672	426,425

See accompanying Notes to Basic Financial Statements.

**WADENA COUNTY
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>
Restricted:			
County Building	\$ 537,758	\$ -	\$ -
Mental Health Initiative	-	-	53,184
Local Option Sales Tax	-	1,235,643	-
Riparian Protection	59,500	-	-
Low-Income Septic	35,081	-	-
Additional SS Program Aid	300,000	-	-
Compliance Fund	189,691	-	-
Law Enforcement	8,310	-	-
ISTS	70,920	-	-
Administering the Carrying of Weapons	188,691	-	-
Recorder's Equipment	161,463	-	-
Opiate Response	-	-	-
Committed:			
Parks	219,081	-	-
Timber Development	173,075	-	-
AS400	35,912	-	-
Solid Waste	-	-	-
Assigned:			
Human Services	-	-	1,973,932
Road and Bridge	-	1,727,486	-
Solid Waste	-	-	-
Transit	-	-	-
Public Health	-	-	-
Unassigned	5,379,417	-	-
Total Fund Balances	<u>7,421,964</u>	<u>3,226,982</u>	<u>2,101,951</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,496,011</u>	<u>\$ 7,984,622</u>	<u>\$ 2,790,738</u>

See accompanying Notes to Basic Financial Statements.

**WADENA COUNTY
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Other Governmental Funds	Total Governmental Funds
Restricted:		
County Building	\$ -	\$ 537,758
Mental Health Initiative	-	53,184
Local Option Sales Tax	-	1,235,643
Riparian Protection	-	59,500
Low-Income Septic	-	35,081
Additional SS Program Aid	-	300,000
Compliance Fund	-	189,691
Law Enforcement	-	8,310
ISTS	-	70,920
Administering the Carrying of Weapons	-	188,691
Recorder's Equipment	-	161,463
Opiate Response	110,550	110,550
Committed:		
Parks	-	219,081
Timber Development	-	173,075
AS400	-	35,912
Solid Waste	365,000	365,000
Assigned:		
Human Services	-	1,973,932
Road and Bridge	-	1,727,486
Solid Waste	870,879	870,879
Transit	557,260	557,260
Public Health	1,510,609	1,510,609
Unassigned	-	5,379,417
Total Fund Balances	3,438,970	16,189,867
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 4,264,219	 \$ 26,535,590

See accompanying Notes to Basic Financial Statements.

**WADENA COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022**

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

Fund Balances - Total Governmental Funds \$ 16,189,867

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. 66,270,319

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds. 6,887,408

Deferred outflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds. 35,857

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 6,126,100

Long-term (liabilities) assets are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General Obligation Bonds	(745,000)
Lease Liability	(97,759)
Bond Premium	(5,544)
Accrued Interest Payable	(9,516)
Compensated Absences	(849,944)
Other Postemployment Benefits Liability	(795,457)
Net Pension Liability	<u>(12,318,264)</u>
Total	<u>(14,821,484)</u>

Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. (317,921)

Deferred inflows resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds. (257,873)

Net Position of Governmental Activities \$ 80,112,273

See accompanying Notes to Basic Financial Statements.

**WADENA COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	General	Road and Bridge	Social Services
REVENUES			
Taxes	\$ 6,489,525	\$ 2,079,674	\$ 1,985,417
Special Assessments	-	-	-
Licenses and Permits	87,779	-	-
Intergovernmental	1,528,170	6,436,423	4,273,813
Charges for Services	297,450	-	748,990
Fines and Forfeits	15,473	-	-
Gifts and Contributions	900	-	-
Investment Earnings	246,508	-	-
Miscellaneous	853,209	197,291	162,863
Total Revenues	<u>9,519,014</u>	<u>8,713,388</u>	<u>7,171,083</u>
EXPENDITURES			
Current:			
General Government	5,150,878	-	-
Public Safety	3,527,222	-	-
Highways and Streets	-	9,093,434	-
Sanitation	-	-	-
Human Services	-	-	6,826,966
Health	-	-	-
Culture and Recreation	291,135	-	-
Conservation of Natural Resources	277,056	-	-
Economic Development	30,000	-	-
Intergovernmental:			
Highways and Streets	-	339,399	-
Debt Service:			
Principal	24,141	59,034	1,120
Interest	2,383	2,711	82
Total Expenditures	<u>9,302,815</u>	<u>9,494,578</u>	<u>6,828,168</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	216,199	(781,190)	342,915
OTHER FINANCING SOURCES			
Lease Proceeds	69,871	-	-
Insurance Proceeds	115,650	-	-
Total Other Financing Sources	<u>185,521</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	401,720	(781,190)	342,915
Fund Balance - Beginning of Year	<u>7,020,244</u>	<u>4,008,172</u>	<u>1,759,036</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,421,964</u>	<u>\$ 3,226,982</u>	<u>\$ 2,101,951</u>

See accompanying Notes to Basic Financial Statements.

**WADENA COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (CONTINUED)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Other Governmental Funds	Total Governmental Funds
REVENUES		
Taxes	\$ 202,923	\$ 10,757,539
Special Assessments	625,087	625,087
Licenses and Permits	1,130	88,909
Intergovernmental	1,766,010	14,004,416
Charges for Services	1,481,461	2,527,901
Fines and Forfeits	-	15,473
Gifts and Contributions	4,100	5,000
Investment Earnings	1,922	248,430
Miscellaneous	217,412	1,430,775
Total Revenues	4,300,045	29,703,530
EXPENDITURES		
Current:		
General Government	-	5,150,878
Public Safety	-	3,527,222
Highways and Streets	-	9,093,434
Sanitation	1,574,588	1,574,588
Human Services	922,723	7,749,689
Health	1,184,057	1,184,057
Culture and Recreation	-	291,135
Conservation of Natural Resources	-	277,056
Economic Development	-	30,000
Intergovernmental:		
Highways and Streets	-	339,399
Debt Service:		
Principal	48,049	132,344
Interest	24,479	29,655
Total Expenditures	3,753,896	29,379,457
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	546,149	324,073
OTHER FINANCING SOURCES		
Lease Proceeds	-	69,871
Insurance Proceeds	-	115,650
Total Other Financing Sources	-	185,521
NET CHANGE IN FUND BALANCE	546,149	509,594
Fund Balance - Beginning of Year	2,892,821	15,680,273
FUND BALANCE - END OF YEAR	\$ 3,438,970	\$ 16,189,867

See accompanying Notes to Basic Financial Statements.

WADENA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balance - Total Governmental Funds \$ 509,594

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

In the funds, under the modified accrual basis, receivables not available for expenditures 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 - Beginning of Year	(6,342,553)
Unavailable Revenue - End of Year	<u>6,126,100</u>
Total	(216,453)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, the governmental funds report proceeds received on the sale of assets. Conversely, the statement of activities report the gain or loss on the sale of assets.

Expenditures for General Capital Assets and Infrastructure	6,519,115
Current Year Depreciation and Amortization	(3,051,445)
Disposal of Assets	<u>(35,959)</u>
Total	3,431,711

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Also, governmental funds report the net effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Proceeds of New Debt	
Lease Liability	(69,871)
Principal Repayments	
General Obligation Bonds	45,000
Lease Liability	34,083
Finance Purchase Agreement	53,261
Amortization of Premium on Bonds	<u>701</u>
Total	63,174

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	563
Change in Compensated Absences	(52,214)
Change in Other Postemployment Benefits Liability	(112,322)
Change in Net Pension Liability	(7,315,760)
Change in Deferred Pension Outflows of Resources	2,073,806
Change in Deferred Pension Inflows of Resources	5,616,640
Change in Deferred Other Postemployment Benefits Outflows	(1,858)
Change in Deferred Other Postemployment Benefits Inflows	<u>77,239</u>
Total	<u>286,094</u>

Change in Net Position of Governmental Activities \$ 4,074,120

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUNDS

**WADENA COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Investments	\$ 39,094	\$ 564,349
Due from Other Governments	-	28,297
Taxes Receivable for Other Governments	-	284,347
Accounts Receivable	-	425
Accrued Interest Receivable	-	294
Total Assets	<u>39,094</u>	<u>877,712</u>
LIABILITIES		
Due to Other Governments	<u>-</u>	<u>263,592</u>
NET POSITION		
Restricted for Individuals, Organizations, and Other Governments	<u>\$ 39,094</u>	<u>\$ 614,120</u>

See accompanying Notes to Basic Financial Statements.

**WADENA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2022**

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
ADDITIONS		
Contributions from Individuals	\$ 246,069	\$ -
Interest Earnings	-	1,907
Property Tax Collections for Other Governments	-	9,839,270
License and Fees Collected for State	-	682,832
Payments from State	-	396,809
Payments from Other Entities	-	277,549
Total Additions	246,069	11,198,367
DEDUCTIONS		
Payments to Other Governments	-	10,067,599
Payments to State	-	682,832
Payments to Individuals/Entities	251,965	437,929
Total Deductions	251,965	11,188,360
CHANGE IN NET POSITION	(5,896)	10,007
Net Position - Beginning of Year	44,990	604,113
NET POSITION - END OF YEAR	\$ 39,094	\$ 614,120

See accompanying Notes to Basic Financial Statements.

WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wadena County's (the County) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as of and for the year ended December 31, 2022. The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in U.S. GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures and Jointly Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

Additionally, the County reports the following fiduciary fund types:

The **Social Welfare Private-Purpose Trust Fund** accounts for funds held in trust the County is holding on behalf of individuals receiving social-welfare assistance.

Custodial Funds are custodial in nature. These funds account for activity the County holds for others in a fiduciary capacity.

C. Measurement Focus and Basis of Accounting

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Wadena County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Proceeds of long-term debt and financing through 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. Similarly, when 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 one of the unrestricted fund balance classifications could be used.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and investments are credited to the General Fund. Other funds receive interest earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2022 were \$248,430.

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

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2017 through 2022. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

The County's capitalization thresholds for capital assets are as follows:

Assets	Capitalization Threshold
Land	\$ 1
Land Improvements	25,000
Buildings	25,000
Building Improvements	25,000
Machinery, Furniture, and Equipment	10,000
Infrastructure	50,000

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

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

Right-to-use assets represent the County's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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

Assets	Years
Buildings	25 to 40
Building Improvements	40
Public Domain Infrastructure	15 to 75
Landfill Disposal Systems	25
Machinery, Furniture, and Equipment	3 to 10

5. Leases

Lessee

For lease contracts for which the County is the lessee, the County determines if an arrangement is a lease at inception. Leases in excess of 12 months are included as right-to-use assets and lease liabilities.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Leases (Continued)

Lessee (Continued)

Right-to-use assets represent the County's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Right-to-use assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Right-to-use assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the County's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the County will exercise that option.

The County accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to eliminate the price of such components, the County treats the components as a single lease unit.

6. Compensated Absences

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations

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

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

8. Pension Plan

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

9. Deferred Outflows/Inflows of Resources

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

WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets 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 three types of deferred inflows: unavailable revenue, deferred OPEB and deferred pension inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent special assessments receivable, grant monies, charges for services, and miscellaneous revenue. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Taxes collected on subsequent year levy represent the County's share of tax collections collected prior to year-end that were not due until the following year. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amount is levied. These amounts are reported in the statement of fiduciary net position.

10. Classification of Net Position

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

Net Investment in Capital Assets – the amount of net position that represents capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

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

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

WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Classification of Fund Balances

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

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

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

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

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

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

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Minimum Fund Balance

Wadena County has adopted a minimum fund balance policy for the General Fund. The General Fund is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than three months of operating expenditures. At December 31, 2022, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

13. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Unearned Revenue

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Budget

The following major and individual nonmajor funds had expenditures in excess of budget for the year ended December 31, 2022.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 9,302,815	\$ 8,694,785	\$ 608,030
Road and Bridge Fund	9,494,578	7,992,217	1,502,361

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-Wide Statement of Net Position:

Governmental Activities:

Cash and Investments	\$ 17,899,408
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Statement of Fiduciary Net Position:

Cash and Investments:

Private-Purpose Trust Funds	39,094
Custodial Funds	564,349
Total Cash Investments	<u>\$ 18,502,851</u>

Deposits	\$ 6,316,321
Invested in MAGIC Fund	12,184,040
Petty Cash and Change Funds	2,490
Total Cash and Investments	<u>\$ 18,502,851</u>

a. Deposits

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

The County is required by Minn. Stat. § 118A.03 to protect County deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least 10% 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's policy is to minimize its exposure to custodial credit risk by requiring all deposits to be insured or collateralized in accordance to Minn. Stat. § 118A.03. As of December 31, 2022, the County's deposits were not exposed to custodial credit risk.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments

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

- 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,
- mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments,
- general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by national bond rating service,
- bankers’ acceptances of United States banks,
- 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
- with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal policy to mitigate interest rate risk. As of December 31, 2022, all of the County’s investments were in the MAGIC Fund.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County does not have a policy to mitigate credit risk. At December 31, 2022, the County’s investments were in an external investment pool which is not rated.

WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities in the possession of an outside party. The County does not have a policy to mitigate custodial credit risk. At December 31, 2022, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy to make investments which shall suggest diversification to avoid risks. At December 31, 2022, the County's investments were in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

Fair Value of Investments

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. At December 31, 2022, the County had recurring fair value measurements, as discussed as follows.

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

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets and Deferred Outflows of Resources (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Fair Value of Investments (Continued)

The MAGIC term investment pool is valued at net asset value (NAV) as it does not meet the liquidity criteria to be valued at amortized cost. The County would face penalties if early redemptions were made from the term investment pool. There are no unfunded commitments relating to this investment. The County reports its investment in the term investment pool at the NAV per share, the fair value established by the pool. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

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

At December 31, 2022, the County had \$3,184,040 invested in the MAGIC Portfolio and \$9.0 million in the term investment pool.

2. Receivables

Receivables as of December 31, 2022, for the County's governmental activities, including the applicable allowances for uncollectible (Social Services Special Revenue Fund) accounts, are as follows:

	Receivable (Gross)	Less: Allowance for Uncollectible Amounts	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities:				
Taxes Receivable - Delinquent	\$ 256,019	\$ -	\$ 256,019	\$ -
Special Assessments - Delinquent	29,697	-	29,697	-
Accounts - Net	1,613,937	(155,284)	1,458,653	792,527
Accrued Interest	99,225	-	99,225	-
Due from Other Governments	6,337,598	-	6,337,598	-
Total Governmental Activities	<u>\$ 8,336,476</u>	<u>\$ (155,284)</u>	<u>\$ 8,181,192</u>	<u>\$ 792,527</u>

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance, As Restated*	Increase	Decrease	Ending Balance
Capital Assets Not Depreciated:				
Land	\$ 1,027,981	\$ 1,625	\$ -	\$ 1,029,606
Construction in Progress	457,344	5,623,192	2,744,902	3,335,634
Total Capital Assets Not Depreciated	1,485,325	5,624,817	2,744,902	4,365,240
Capital Assets Depreciated:				
Buildings	8,562,530		-	8,562,530
Building Improvements	1,756,855	-	-	1,756,855
Machinery, Furniture, and Equipment	7,157,118	826,052	68,927	7,914,243
Infrastructure	84,617,888	2,743,277	-	87,361,165
Total Capital Assets Depreciated	102,094,391	3,569,329	68,927	105,594,793
Less Accumulated Depreciation for:				
Buildings	4,528,126	152,347	-	4,680,473
Building Improvements	443,597	58,782	-	502,379
Machinery, Furniture, and Equipment	5,406,519	555,168	32,968	5,928,719
Infrastructure	30,424,838	2,251,210	-	32,676,048
Total Accumulated Depreciation	40,803,080	3,017,507	32,968	43,787,619
Total Capital Assets Depreciated, Net	61,291,311	551,822	35,959	61,807,174
Right-to-Use Assets:				
Machinery, Furniture, and Equipment	61,972	69,871	-	131,843
Less: Accumulated Amortization	-	33,938	-	33,938
Right-to-Use Assets, Net	61,972	35,933	-	97,905
Governmental Activities Capital Assets, Net	<u>\$ 62,838,608</u>	<u>\$ 6,212,572</u>	<u>\$ 2,780,861</u>	<u>\$ 66,270,319</u>

* The beginning balance was restated to record right-to-use assets and related accumulated amortization due to the implementation of GASB Statement No. 87.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets (Continued)

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

Governmental Activities:

Depreciation/Amortization Expense:

General Government	\$ 181,056
Public Safety	90,367
Highways and Streets, including Depreciation of Infrastructure Assets	2,605,572
Sanitation	65,487
Human Services	104,757
Health	4,206
Total Depreciation/Amortization Expense - Governmental Activities	<u><u>\$ 3,051,445</u></u>

B. Interfund Activity

The composition of interfund balances as of December 31, 2022, is as follows:

1. Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
Road and Bridge Fund	General Fund	\$ 728
Road and Bridge Fund	Transit Fund	36
Solid Waste Fund	General Fund	896
Public Health Fund	General Fund	369
Public Health Fund	Social Services Fund	2,276
Public Health Fund	Opiate Epidemic Response Fund	4,260
	Total Due to/from Other Funds	<u><u>\$ 8,565</u></u>

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Activity (Continued)

2. Advances To/From Other Funds

The composition of interfund balances as of December 31, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
Road and Bridge Fund	General Fund	\$ 3,750
Social Services Fund	General Fund	16,250
Total Advances to/from Other Funds		\$ 20,000

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

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2022, were as follows:

	Governmental Activities
Accounts Payable	\$ 674,341
Contracts Payable	122,692
Salaries Payable	459,662
Due to Other Governments	289,795
Interest Payable	9,516
Customer Deposits	500
Total Payables	\$ 1,556,506

2. Health Reimbursement Account

The County is authorized by Minn. Stat. § 471.61 to provide group health insurance to its employees. In October 2004, the County began providing health reimbursement accounts administered by Blue Cross/Blue Shield. As of 2018, this is now being administered by Further by HealthEquity. For purposes of financial reporting, these health reimbursement accounts are reported in the General Fund.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Health Reimbursement Account (Continued)

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

As of December 31, 2022, 31 employees had health reimbursement accounts. The Road and Bridge Special Revenue Fund and the Social Services Special Revenue Fund advanced \$20,000 to the Health Reimbursement Employee Benefit Account Fund, which is reported in the General Fund as of December 31, 2022.

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates	Original Issue Amount	Outstanding Balance at December 31, 2022
General Obligation Bonds:					
2015 G.O. Solid Waste Bonds	2036	\$45,000 to \$65,000	1.50% to 3.75%	\$ 995,000	\$ 745,000
Add: Unamortized Premium					5,544
Total General Obligation Bonds, Net					<u>\$ 750,544</u>

4. Debt Service Requirements

Debt service requirements at December 31, 2022, were as follows:

<u>Year Ending December 31,</u>	<u>General Obligation Bonds</u>		<u>Lease Liability</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 45,000	\$ 23,738	\$ 32,491	\$ 2,275
2024	45,000	22,838	23,820	1,490
2025	45,000	21,938	20,381	868
2026	45,000	20,813	18,059	306
2027	50,000	19,388	3,008	6
2028-2032	260,000	74,140	-	-
2033-2036	255,000	28,670	-	-
Total	<u>\$ 745,000</u>	<u>\$ 211,525</u>	<u>\$ 97,759</u>	<u>\$ 4,945</u>

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

Governmental Activities

	Beginning Balance, as Restated*	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 790,000	\$ -	\$ (45,000)	\$ 745,000	\$ 45,000
Add: Unamortized Premium	6,245	-	(701)	5,544	-
Total Bonds Payable	<u>796,245</u>	<u>-</u>	<u>(45,701)</u>	<u>750,544</u>	<u>45,000</u>
Lease Liability	61,971	69,871	(34,083)	97,759	32,491
Finance Purchase Agreement	53,261	-	(53,261)	-	-
Compensated Absences	797,730	404,959	(352,745)	849,944	240,052
Total Long-Term Liabilities	<u>\$ 1,709,207</u>	<u>\$ 474,830</u>	<u>\$ (485,790)</u>	<u>\$ 1,698,247</u>	<u>\$ 317,543</u>

* The beginning balance was restated to record a lease liability and finance purchase agreement due to the implementation of GASB Statement No. 87.

The County applied with the Minnesota Public Facilities Authority for participating in Credit enhancement program. As provided in the resolution adopted May 19, 2015, the County covenants and obligates itself to notify the Minnesota Public Facilities Authority (MNPFA) of any potential default in the payment of the principal of or interest on the Bonds and to perform all of its obligations under the Agreement and Minnesota Statutes, Section 446A.086.

6. Lease Liabilities

The County entered into various lease agreements for office equipment from June 2019 to March 2022, with interest rates of 2.88%, maturing between 2023 and 2027.

At December 31, 2022, the County had \$131,843 of assets under leases with related accumulated amortization of \$33,938.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2022, are summarized below by fund:

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D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

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

As of the January 1, 2021, actuarial valuation, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	-
Active Plan Participants	<u>183</u>
Total	<u><u>183</u></u>

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Other Postemployment Benefits (OPEB) (Continued)

2. Total OPEB Liability

The County's total OPEB liability of \$795,457 was measured as of January 1, 2022, and was determined by an actuarial valuation dated January 1, 2021. Updating procedures were used to roll forward the total OPEB liability to the measurement date. The OPEB liability is liquidated by the General Fund and other governmental funds that have personal services expenditures.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Salary Increases	Service Graded Table
Health Care Cost Trend	6.25%, Decreasing to 5.00% over 6 years then to 4.00% over the next 48 years

The current year discount rate is 2.00%, which is no change from the previous year. For the current valuation, the discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates are based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.

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

3. Changes in the Total OPEB Liability

The following tables shows the County's total OPEB liability for the year ended December 31, 2022:

	Total OPEB Liability
Balance - Beginning of Year	\$ 683,135
Changes for the Year:	
Service Cost	106,228
Interest	15,692
Benefit Payments	(9,598)
Net Change	<u>112,322</u>
Balance - End of Year	<u><u>\$ 795,457</u></u>

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Other Postemployment Benefits (OPEB) (Continued)

4. OPEB Liability Sensitivity

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

	Discount Rate		
	1% Decrease (1.00%)	Current Rate (2.00%)	1% Increase (3.00%)
OPEB Liability	\$ 860,487	\$ 795,457	\$ 734,172

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

	Health Care Cost		
	1% Decrease (5.25% Decreasing to 4.00%, then 3.00%)	Current Rate (6.25% Decreasing to 5.00%, then 4.00%)	1% Increase (7.25% Decreasing to 6.00%, then 5.00%)
OPEB Liability	\$ 690,364	\$ 795,457	\$ 921,117

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the County recognized OPEB expense of \$50,305. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes	\$ 22,493	\$ 29,499
Differences Between Expected and Actual Experience	-	228,374
Benefit Payments Made Subsequent to the Measurement Date	13,364	-
Total	\$ 35,857	\$ 257,873

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Other Postemployment Benefits (OPEB) (Continued)

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

The \$13,364 reported as deferred outflows of resources related to OPEB resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending December 31.</u>	<u>OPEB Expense Amount</u>
2023	\$ (71,615)
2024	(71,615)
2025	(71,608)
2026	(7,465)
2027	(13,077)

6. Changes in Actuarial Assumptions

Since the most recent valuation, the following assumption changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.90% to 2.00%.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service.
- The retirement and withdrawal rates for nonpublic-safety employees were updated to reflect the latest experience study.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the County are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

b. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided (Continued)

Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For Correctional Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1% and a maximum of 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

c. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2022, were \$588,705. The County's contributions were equal to the required contributions as set by state statute.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

c. Contributions (Continued)

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2022 and the County was required to contribute 17.70% for Police and Fire Plan members. The County's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$171,868. The County's contributions were equal to the required contributions as set by state statute.

Correctional Fund Contributions

Correctional Plan members were required to contribute 5.83% of their annual covered salary in fiscal year 2021 and the County was required to contribute 8.75% for Correctional Plan members. The County's contributions to the Correctional Fund for the year ended December 31, 2022, were \$49,579. The County's contributions were equal to the required contributions as set by state statute.

d. Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of \$8,015,073 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$234,827.

The net pension liability was measured as of June 30, 2022, 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 proportionate share 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1012% at the end of the measurement period and 0.1040% for the beginning of the period.

The County's Proportionate Share of the Net Pension Liability	\$ 8,015,073
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County	234,827
Total	\$ 8,249,900

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs (Continued)

General Employees Plan (Continued)

There were no provision changes during the measurement period.

For the year ended December 31, 2022, the County recognized pension expense of \$1,984,797 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$16,192 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, the County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 66,947	\$ 85,616
Changes in Actuarial Assumptions	1,813,957	32,599
Net Difference Between Projected and Actual Investment Earnings	139,026	-
Changes in Proportion	1,437,167	116,766
Contributions Paid to PERA Subsequent to the Measurement Date	<u>303,256</u>	<u>-</u>
Total	<u>\$ 3,760,353</u>	<u>\$ 234,981</u>

The \$303,256 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 1,651,733
2024	1,139,880
2025	(294,345)
2026	724,848

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2022, the County reported a liability of \$3,559,613 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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 proportionate share 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.0818% at the end of the measurement period and 0.0775% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$155,370.

The County's Proportionate Share of the Net Pension Liability	\$	3,559,613
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the County		155,370
Total		\$ 3,714,983

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, the County recognized pension expense of \$291,311 for its proportionate share of the Police and Fire Plan's pension expense.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs (Continued)

Police and Fire Plan (Continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The County recognized \$7,362 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

There were no provision changes during the measurement period.

At December 31, 2022, the County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 217,415	\$ -
Changes in Actuarial Assumptions	2,095,381	21,399
Net Difference Between Projected and Actual Investment Earnings	47,711	-
Changes in Proportion	141,131	32,427
Contributions Paid to PERA Subsequent to the Measurement Date	86,846	-
Total	\$ 2,588,484	\$ 53,826

The \$86,846 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2023	\$ 479,986
2024	482,403
2025	420,685
2026	758,623
2027	306,115

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2022, the County reported a liability of \$743,578 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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 proportionate share 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.2240% at the end of the measurement period and 0.2250% for the beginning of the period.

For the year ended December 31, 2022 the County recognized pension expense of \$257,783 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2022, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 24,515
Changes in Actuarial Assumptions	481,563	1,105
Net Difference Between Projected and Actual Investment Earnings	20,555	-
Changes in Proportion	7,738	3,494
Contributions Paid to PERA Subsequent to the Measurement Date	28,715	-
Total	<u>\$ 538,571</u>	<u>\$ 29,114</u>

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs (Continued)

Correctional Plan (Continued)

The \$28,715 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an addition of the net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 220,857
2024	220,684
2025	(20,543)
2026	59,744

Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the County's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated. The table below includes the County's portion of each plan.

<u>Description</u>	<u>General Employees Plan</u>	<u>Police and Fire Fund</u>	<u>Correctional Plan</u>	<u>Total</u>
Net Pension Liability	\$ 8,015,073	\$ 3,559,613	\$ 743,578	\$ 12,318,264
Deferred Outflows of Resources				
Related to Pensions	3,760,353	2,588,484	538,571	6,887,408
Deferred Inflows of Resources				
Related to Pensions	234,981	53,826	29,114	317,921
Pension Expense	2,000,989	298,673	257,783	2,557,445

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

e. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50 %	5.10 %
International Equity	16.50	5.30
Fixed Income	25.00	0.75
Private Markets	25.00	5.90
Total	100.00 %	

f. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan, 2.25% for the Police and Fire Plan, and 2.25% for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 2.00% for the Correction Plan through December 31, 2054, and 1.50% thereafter. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

f. Actuarial Methods and Assumptions (Continued)

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.00% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.00% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.00% at age 20 to 3.00% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020, were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

f. Actuarial Methods and Assumptions (Continued)

Correctional Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.42%.
- The benefit increase assumption was changed from 2.00% per annum to 2.00% per annum through December 31, 2054, and 1.5% per annum thereafter.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

g. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. 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 Police and Fire Fund and Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060 and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, and June 30, 2062 for the Correctional Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40% for the Police and Fire Fund and 5.42% for the Correctional Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. Defined Benefit Pension Plans (Continued)

h. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	5.50 %	\$ 12,660,228	4.40 %	\$ 5,387,018	4.42 %	\$ 1,309,777
Current	6.50	8,015,073	5.40	3,559,613	5.42	743,579
1% Increase	7.50	4,205,330	6.40	2,082,266	6.42	296,420

i. Pension Plan Fiduciary Net Position

Detailed information about each 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.

2. Defined Contribution Plan

Five commissioners of the County are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution 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. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. Employer and employee 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% of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the County during fiscal year 2022 were:

	Employee	Employer
Contribution Amount	\$ 5,130	\$ 5,130
Percentage of Covered Payroll	5.00 %	5.00 %

WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 RISK MANAGEMENT

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2022. 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.

WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingent Liabilities

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

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

B. Joint Ventures

Counties Providing Technology

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

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

Financing is primarily from county member contributions. During 2022, Wadena County contributed \$55,931 to CPT.

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Todd-Wadena Community Corrections

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

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

Wadena County's contribution for 2022 was \$5,000.

Separate financial information can be obtained from: Todd-Wadena Community Corrections, 221 First Avenue South, Long Prairie, Minnesota 56347.

Northwestern Counties Data Processing Security Association

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

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

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties. Clearwater County, in a custodial capacity, reports the cash transactions of the NCDPSA as a custodial fund on its financial statements.

During 2022, Wadena County did not contribute to NCDPSA.

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as a custodial fund. Financing and equipment will be provided by the full-time and associate member agencies. Wadena County contributed \$1,000 to the Task Force in 2022.

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

Wadena County Family Service Collaborative

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

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

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Wadena County Family Service Collaborative (Continued)

Financing is provided by state grants and appropriations from its members. Wadena County, in a custodial capacity, reports the cash transactions of the Wadena County Family Service Collaborative as a custodial fund on the County's financial statements. During 2022, Wadena County did not contribute to the Collaborative.

Morrison-Todd-Wadena Community Health Board

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

During 2022, Wadena County did not contribute to Community Health Board.

Central Minnesota Emergency Medical Services Region

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

During 2022, Wadena County did not contribute to the Central Minnesota Emergency Medical Services Region.

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

Central Minnesota Emergency Services Board

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Central Minnesota Emergency Services Board (Continued)

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

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

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

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

During the 2022 year, Wadena County made no payments to the joint powers.

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

Prairie Lakes Municipal Solid Waste Authority

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

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

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

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

B. Joint Ventures (Continued)

Prairie Lakes Municipal Solid Waste Authority (Continued)

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

During 2022, Wadena County contributed \$723,324 to the Solid Waste Authority.

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

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed on January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board consisting of one County Commissioner and one lay person. Wadena County contributed \$152,265 to the Library for the year ended December 31, 2022.

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

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

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

The RMCEP is governed by a Board of Directors, which are comprised of representatives from a wide variety of industry sectors, education, and human services. During 2022, Wadena County contributed \$258,805 to the RMCEP. Current financial statements are not available.

**WADENA COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Jointly Governed Organizations

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During 2022, Wadena County contributed \$10,168 to the MCCC.

Region Four – West Central Minnesota Homeland Security Emergency Management Organization

The Region Four – West Central Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Wadena County's responsibility does not extend beyond making this appointment. During 2022, Wadena County made no payments to Region Four.

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 2022, Wadena County made no payments to the joint powers.

Minnesota Rural Counties

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

REQUIRED SUPPLEMENTARY INFORMATION

**WADENA COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 6,702,313	\$ 6,702,313	\$ 6,489,525	\$ (212,788)
Licenses and Permits	49,650	49,650	87,779	38,129
Intergovernmental	1,294,437	1,294,437	1,528,170	233,733
Charges for Services	231,431	231,431	297,450	66,019
Fines and Forfeits	15,000	15,000	15,473	473
Gifts and Contributions	-	-	900	900
Investment Earnings	100,000	100,000	246,508	146,508
Miscellaneous	151,733	151,733	853,209	701,476
Total Revenues	8,544,564	8,544,564	9,519,014	974,450
EXPENDITURES				
Current:				
General Government:				
Commissioners	198,401	198,401	218,469	20,068
MCIT Dividends	-	-	10,193	10,193
Law Library	30,000	30,000	22,455	(7,545)
County Coordinator	437,693	437,693	385,481	(52,212)
County Auditor/Treasurer	623,517	623,517	661,219	37,702
Data Processing	566,960	566,960	641,673	74,713
Central Services	53,500	53,500	49,969	(3,531)
Elections	33,850	33,850	139,447	105,597
Voter Registration	500	500	510	10
County Attorney	718,487	718,487	689,174	(29,313)
Court-Appointed Attorney	113,500	113,500	71,029	(42,471)
County Recorder	308,217	308,217	289,684	(18,533)
County Assessor	527,721	527,721	405,185	(122,536)
Planning and Zoning	207,001	207,001	259,708	52,707
GIS and GPS	100,421	100,421	127,418	26,997
Building and Plant	568,479	568,479	497,648	(70,831)
Veteran Services	100,337	100,337	98,410	(1,927)
Other General Government	228,180	228,180	583,206	355,026
Total General Government	4,816,764	4,816,764	5,150,878	334,114
Public Safety:				
911 Enhancement	37,978	37,978	136,321	98,343
County Sheriff	2,408,057	2,408,450	2,529,593	121,143
Boat and Water Safety Enforcement	3,590	3,590	4,425	835
Coroner	35,000	35,000	13,283	(21,717)
Snowmobile Safety/Safety Officer	4,334	4,334	2,255	(2,079)
Forfeiture Funds - Sheriff	-	-	5,675	5,675
ATV Grant	4,873	4,873	8,113	3,240
Safe and Sober	-	-	29,830	29,830
Jail/800 MHz Radio	277,243	277,243	308,996	31,753
Corrections	370,102	370,102	370,102	-
Civil Defense/Emergency Services	120,929	120,929	118,629	(2,300)
Total Public Safety	3,262,106	3,262,499	3,527,222	264,723

See accompanying Notes to Required Supplementary Information.

**WADENA COUNTY
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
EXPENDITURES (CONTINUED)				
Current (Continued):				
Culture and Recreation:				
County Parks	\$ 48,703	\$ 48,703	\$ 65,133	\$ 16,430
Ag Society	28,000	41,000	27,285	(13,715)
Snowmobile Grants	65,000	65,000	70,565	5,565
Humane Society	5,800	5,800	-	(5,800)
Kitchigami Library	96,227	96,227	104,152	7,925
Historical Society	24,000	24,000	24,000	-
Total Culture and Recreation	<u>267,730</u>	<u>280,730</u>	<u>291,135</u>	<u>10,405</u>
Conservation of Natural Resources:				
Soil and Water Conservation	134,100	134,100	146,793	12,693
County Extension	169,692	169,692	130,053	(39,639)
Tree Planting	-	1,000	210	(790)
Total Conservation of Natural Resources	<u>303,792</u>	<u>304,792</u>	<u>277,056</u>	<u>(27,736)</u>
Economic Development:				
West Central EDA	30,000	30,000	30,000	-
Debt Service:				
Principal	-	-	24,141	24,141
Interest	-	-	2,383	2,383
Total Debt Service	<u>-</u>	<u>-</u>	<u>26,524</u>	<u>26,524</u>
Total Expenditures	<u>8,680,392</u>	<u>8,694,785</u>	<u>9,302,815</u>	<u>608,030</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(135,828)	(150,221)	216,199	366,420
OTHER FINANCING SOURCES				
Lease Proceeds	-	-	69,871	69,871
Insurance Proceeds	-	-	115,650	115,650
NET CHANGE IN FUND BALANCE	<u>\$ (135,828)</u>	<u>\$ (150,221)</u>	401,720	<u>\$ 551,941</u>
Fund Balance - Beginning of Year			<u>7,020,244</u>	
FUND BALANCE - END OF YEAR			<u>\$ 7,421,964</u>	

See accompanying Notes to Required Supplementary Information.

**WADENA COUNTY
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 1,959,805	\$ 1,959,805	\$ 2,079,674	\$ 119,869
Intergovernmental	5,921,912	5,921,912	6,436,423	514,511
Miscellaneous	60,500	60,500	197,291	136,791
Total Revenues	<u>7,942,217</u>	<u>7,942,217</u>	<u>8,713,388</u>	<u>771,171</u>
EXPENDITURES				
Current:				
Highways and Streets:				
Administration	405,358	405,358	379,562	(25,796)
Maintenance	1,585,492	1,585,492	2,277,283	691,791
Construction	5,302,493	5,302,493	5,912,662	610,169
Equipment Maintenance and Shop	460,874	460,874	523,927	63,053
Total Highways and Streets	<u>7,754,217</u>	<u>7,754,217</u>	<u>9,093,434</u>	<u>1,339,217</u>
Intergovernmental:				
Highways and Streets	238,000	238,000	339,399	101,399
Debt Service:				
Principal	-	-	59,034	59,034
Interest	-	-	2,711	2,711
Total Debt Service	<u>-</u>	<u>-</u>	<u>61,745</u>	<u>61,745</u>
Total Expenditures	<u>7,992,217</u>	<u>7,992,217</u>	<u>9,494,578</u>	<u>1,502,361</u>
NET CHANGE IN FUND BALANCE	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	(781,190)	<u>\$ (731,190)</u>
Fund Balance - Beginning of Year			<u>4,008,172</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,226,982</u>	

See accompanying Notes to Required Supplementary Information.

**WADENA COUNTY
BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 2,091,788	\$ 2,091,788	\$ 1,985,417	\$ (106,371)
Intergovernmental	3,826,307	3,826,307	4,273,813	447,506
Charges for Services	698,255	698,255	748,990	50,735
Miscellaneous	137,853	137,853	162,863	25,010
Total Revenues	<u>6,754,203</u>	<u>6,754,203</u>	<u>7,171,083</u>	<u>416,880</u>
EXPENDITURES				
Current:				
Human Services:				
Income Maintenance	1,757,731	1,757,731	1,654,599	(103,132)
Social Services	5,314,698	5,314,698	5,172,367	(142,331)
Total Human Services	<u>7,072,429</u>	<u>7,072,429</u>	<u>6,826,966</u>	<u>(245,463)</u>
Debt Service:				
Principal	-	-	1,120	1,120
Interest	-	-	82	82
Total Debt Service	<u>-</u>	<u>-</u>	<u>1,202</u>	<u>1,202</u>
Total Expenditures	7,072,429	7,072,429	6,828,168	(245,463)
NET CHANGE IN FUND BALANCE	<u>\$ (318,226)</u>	<u>\$ (318,226)</u>	342,915	<u>\$ 662,343</u>
Fund Balance - Beginning of Year			<u>1,759,036</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,101,951</u>	

See accompanying Notes to Required Supplementary Information.

WADENA COUNTY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
LAST TEN MEASUREMENT PERIODS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:					
Service Cost	\$ 106,228	\$ 103,134	\$ 82,709	\$ 70,605	\$ 98,352
Interest	15,692	22,240	23,687	32,502	31,432
Differences between Expected and Actual Experience	-	(67,203)	-	(420,877)	-
Changes of Assumption or Other Inputs	-	(24,390)	39,365	(23,189)	-
Benefit Payments	<u>(9,598)</u>	<u>(28,604)</u>	<u>(16,708)</u>	<u>(48,474)</u>	<u>(90,434)</u>
Net Change in Total OPEB Liability	112,322	5,177	129,053	(389,433)	39,350
Total OPEB Liability - Beginning	<u>683,135</u>	<u>677,958</u>	<u>548,905</u>	<u>938,338</u>	<u>898,988</u>
Total OPEB Liability - Ending	<u>\$ 795,457</u>	<u>\$ 683,135</u>	<u>\$ 677,958</u>	<u>\$ 548,905</u>	<u>\$ 938,338</u>
Covered-Employee Payroll	\$ 10,052,213	\$ 9,759,430	\$ 8,968,034	\$ 8,706,829	\$ 7,650,496
Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.91 %	7.00 %	7.56 %	6.30 %	12.27 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying Notes to Required Supplementary Information.

WADENA COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
LAST TEN MEASUREMENT PERIODS

	Measurement Date - June 30,			
	2022	2021	2020	2019
PERA - General Employees Retirement Plan				
County's Proportion of the Net Pension Liability	0.1012 %	0.1040 %	0.0990 %	0.0963 %
County's Proportionate Share of the Net Pension Liability (a)	\$ 8,015,073	\$ 4,441,266	\$ 5,935,502	\$ 5,324,211
State's Proportionate Share of the Net Pension Liability Associated with Wadena County (b)	\$ 234,827	\$ 135,658	\$ 183,115	\$ 165,660
County's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (a + b)	\$ 8,249,900	\$ 4,576,924	\$ 6,118,617	\$ 5,489,871
Covered Payroll (c)	\$ 7,263,601	\$ 7,489,682	\$ 7,047,376	\$ 6,821,311
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	110.35 %	59.30 %	84.22 %	78.05 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67 %	87.00 %	79.06 %	80.23 %
PERA - Public Employees Police and Fire Plan				
County's Proportion of the Net Pension Liability	0.0818 %	0.0775 %	0.0720 %	0.0760 %
County's Proportionate Share of the Net Pension Liability (a)	\$ 3,559,613	\$ 598,218	\$ 950,355	\$ 804,838
State's Proportionate Share of the Net Pension Liability Associated with Wadena County (b)	\$ 155,370	\$ 26,899	\$ 22,389	N/A
County's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (a + b)	\$ 3,714,983	\$ 625,117	\$ 972,744	\$ 804,838
Covered Payroll (c)	\$ 959,557	\$ 916,082	\$ 813,626	\$ 797,211
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	370.96 %	65.30 %	116.80 %	100.96 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.53 %	93.70 %	87.19 %	89.26 %
PERA - Local Government Correction Plan				
County's Proportion of the Net Pension Liability (Asset)	0.2240 %	0.2250 %	0.2300 %	0.2100 %
County's Proportionate Share of the Net Pension Liability (Asset) (a)	\$ 743,578	\$ (36,980)	\$ 63,114	\$ 29,462
Covered Payroll (c)	\$ 473,787	\$ 497,655	\$ 506,232	\$ 453,844
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	156.94 %	(7.43)%	12.47 %	6.49 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.58 %	101.60 %	96.67 %	98.17 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

N/A - Not Applicable

See accompanying Notes to Required Supplementary Information.

WADENA COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) (CONTINUED)
LAST TEN MEASUREMENT PERIODS

	Measurement Date - June 30,			
	2018	2017	2016	2015
PERA - General Employees Retirement Plan				
County's Proportion of the Net Pension Liability	0.0962 %	0.1009 %	0.0953 %	0.0957 %
County's Proportionate Share of the Net Pension Liability (a)	\$ 5,336,781	\$ 6,441,389	\$ 7,737,887	\$ 4,959,671
State's Proportionate Share of the Net Pension Liability Associated with Wadena County (b)	\$ 175,134	\$ 80,960	\$ 101,013	N/A
County's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (a + b)	\$ 5,511,915	\$ 6,522,349	\$ 7,838,900	\$ 4,959,671
Covered Payroll (c)	\$ 6,640,600	\$ 5,919,200	\$ 4,069,740	\$ 5,092,537
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	80.37 %	108.82 %	190.13 %	97.39 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.53 %	75.90 %	68.91 %	78.19 %
PERA - Public Employees Police and Fire Plan				
County's Proportion of the Net Pension Liability	0.0700 %	0.0710 %	0.0730 %	0.0670 %
County's Proportionate Share of the Net Pension Liability (a)	\$ 748,260	\$ 958,584	\$ 2,929,617	\$ 761,277
State's Proportionate Share of the Net Pension Liability Associated with Wadena County (b)	N/A	N/A	N/A	N/A
County's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (a + b)	\$ 748,260	\$ 958,584	\$ 2,929,617	\$ 761,277
Covered Payroll (c)	\$ 747,704	\$ 726,148	\$ 706,982	\$ 610,802
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	100.07 %	132.01 %	414.38 %	124.64 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.84 %	85.43 %	63.88 %	86.61 %
PERA - Local Government Correction Plan				
County's Proportion of the Net Pension Liability (Asset)	0.2280 %	0.2200 %	0.2400 %	0.2700 %
County's Proportionate Share of the Net Pension Liability (Asset) (a)	\$ 37,516	\$ 627,002	\$ 876,754	\$ 41,742
Covered Payroll (c)	\$ 473,694	\$ 448,432	\$ 447,194	\$ 481,006
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	7.92 %	139.82 %	196.06 %	8.68 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.64 %	67.89 %	58.16 %	96.95 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

N/A - Not Applicable

See accompanying Notes to Required Supplementary Information.

**WADENA COUNTY
SCHEDULE OF COUNTY PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2022	2021	2020	2019
PERA - General Employees Retirement Plan				
Statutorily Required Contributions (a)	\$ 588,705	\$ 569,377	\$ 541,567	\$ 521,393
Actual Contributions in Relation to Statutorily Required Contributions (b)	588,705	569,377	541,567	521,393
Contribution Excess (Deficiency) (b - a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (c)	\$ 7,849,400	\$ 7,594,865	\$ 7,220,898	\$ 6,951,902
Actual Contributions as a Percentage of Covered Payroll (b/c)	7.50 %	7.50 %	7.50 %	7.50 %
PERA - Public Employees Police and Fire Plan				
Statutorily Required Contributions (a)	\$ 171,868	\$ 174,484	\$ 151,441	\$ 136,271
Actual Contributions in Relation to Statutorily Required Contributions (b)	171,868	174,484	151,441	136,271
Contribution Excess (Deficiency) (b - a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (c)	\$ 971,006	\$ 985,589	\$ 855,599	\$ 803,956
Actual Contributions as a Percentage of Covered Payroll (b/c)	17.70 %	17.70 %	17.70 %	16.95 %
PERA - Local Government Correctional Plan				
Statutorily Required Contributions (a)	\$ 49,579	\$ 43,955	\$ 44,476	\$ 41,472
Actual Contributions in Relation to Statutorily Required Contributions (b)	49,579	43,955	44,476	41,472
Contribution Excess (Deficiency) (b - a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (c)	\$ 566,617	\$ 502,343	\$ 508,313	\$ 473,965
Actual Contributions as a Percentage of Covered Payroll (b/c)	8.75 %	8.75 %	8.75 %	8.75 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The County's year-end is December 31.

See accompanying Notes to Required Supplementary Information.

WADENA COUNTY
SCHEDULE OF COUNTY PENSION CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS

	2018	2017	2016	2015
PERA - General Employees Retirement Plan				
Statutorily Required Contributions (a)	\$ 497,907	\$ 475,330	\$ 460,017	\$ 446,587
Actual Contributions in Relation to Statutorily Required Contributions (b)	497,907	475,330	460,017	446,587
Contribution Excess (Deficiency) (b - a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (c)	\$ 6,638,760	\$ 6,337,736	\$ 6,133,569	\$ 5,954,493
Actual Contributions as a Percentage of Covered Payroll (b/c)	7.50 %	7.50 %	7.50 %	7.50 %
PERA - Public Employees Police and Fire Plan				
Statutorily Required Contributions (a)	\$ 125,679	\$ 116,394	\$ 110,937	\$ 114,619
Actual Contributions in Relation to Statutorily Required Contributions (b)	125,679	116,394	110,937	114,619
Contribution Excess (Deficiency) (b - a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (c)	\$ 775,798	\$ 718,478	\$ 684,797	\$ 707,525
Actual Contributions as a Percentage of Covered Payroll (b/c)	16.20 %	16.20 %	16.20 %	16.20 %
PERA - Local Government Correctional Plan				
Statutorily Required Contributions (a)	\$ 39,658	\$ 38,550	\$ 40,132	\$ 40,072
Actual Contributions in Relation to Statutorily Required Contributions (b)	39,658	38,550	40,132	40,072
Contribution Excess (Deficiency) (b - a)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (c)	\$ 453,235	\$ 440,577	\$ 458,656	\$ 457,966
Actual Contributions as a Percentage of Covered Payroll (b/c)	8.75 %	8.75 %	8.75 %	8.75 %

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The County's year-end is December 31.

See accompanying Notes to Required Supplementary Information.

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 1 BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Opiate Epidemic Response Special Revenue Fund. All annual appropriations lapse at fiscal year-end.

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

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

NOTE 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, 2022.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 9,302,815	\$ 8,694,785	\$ 608,030
Road and Bridge Fund	9,494,578	7,992,217	1,502,361

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS FUNDED STATUS

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

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

WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 4 EMPLOYER CONTRIBUTIONS TO OTHER POSTEMPLOYMENT BENEFITS

The following changes occurred in actuarial assumptions:

2022

- There have been no changes since the prior valuation.

2021

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.90% to 2.00%.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service.
- The retirement and withdrawal rates for nonpublic-safety employees were updated to reflect the latest experience study.

2020

- The discount rate was changed from 3.80% to 2.90%.

2019

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

WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 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 fiscal year June 30:

General Employees Fund

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020, through December 31, 2023, and 0.00% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million per year through 2031.

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90% funding to 50% of the Social Security cost of living adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and nonvested deferred members (30% for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00% for active member liability, 15% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16 million in 2017 and 2018, and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21 million to \$31 million in calendar years 2019 to 2031. The state's contribution changed from \$16 million to \$6 million in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter, to 1.00% for all future years.
- The assumed investment rate was changed from 7.90% to 7.50%. The single discount rate was also changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25%. Payroll growth was reduced from 3.50% to 3.25%. Inflation was reduced from 2.75% to 2.50%.

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

General Employees Fund (Continued)

2016 (Continued)

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Fund

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2019 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Police and Fire Fund (Continued)

2021 (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Police and Fire Fund (Continued)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay effective January 1, 2020.
- Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20% to 16.95% and 17.70% of pay, respectively.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA load has been changed to 33% for vested members and 2.00% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65% to 60%.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Police and Fire Fund (Continued)

2017 (Continued)

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter, to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions

- There postretirement benefit increase to be paid after the attainment of the 90.00% funding threshold was changed from inflation up to 2.50%, to a fix rate of 2.50%.

Correctional Fund

2022

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.42%.
- The benefit increase assumption was changed from 2.00% per annum to 2.00% per annum through December 31, 2054 and 1.50% per annum thereafter.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Correctional Fund (Continued)

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%. The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020 experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability lowered.
- Assumed percent married for active members was lowered from 85% to 75%.
- Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Correctional Fund (Continued)

2018

Changes in Actuarial Assumptions

- The single discount rate was changed from 5.96% per annum to 7.50% per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50% per year to 2.00% per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50% per year with a provision to reduce to 1.00% if the funding status declines to a certain level, to 100% of the Social Security cost of living adjustment, not less than 1.00% and not more than 2.50%, beginning January 1, 2019. If the funding status declines to 85% for two consecutive years, or 80% for one year, the maximum increase will be lowered to 1.50%.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2017

Changes in Actuarial Assumptions

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30% for vested and nonvested, deferred members. The CSA load has been changed to 35% for vested members and 1.00% for nonvested members.
- The single discount rate was changed from 5.31% per annum to 5.96% per annum.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**WADENA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

NOTE 5 DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS AND ASSUMPTIONS (CONTINUED)

Correctional Fund (Continued)

2016

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2015

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

SUPPLEMENTARY INFORMATION

**WADENA COUNTY
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2022**

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

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

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

Opiate Epidemic Response Fund – to account for the County's portion of the State of Minnesota's share of the national opioid settlement. The funding is provided by the settlement agreement reached with pharmaceutical companies and distributors.

**WADENA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2022**

ASSETS	Public Health Nurse	Transit	Solid Waste	Opiate Epidemic Response	Total
Cash and Investments	\$ 1,406,412	\$ 587,252	\$ 1,243,134	\$ 114,810	\$ 3,351,608
Petty Cash and Change Funds	40	-	250	-	290
Taxes Receivable - Delinquent	5,200	-	-	-	5,200
Special Assessments Receivable - Delinquent	-	-	29,697	-	29,697
Accounts Receivable - Net	8,204	9,985	72,447	431,121	521,757
Accrued Interest Receivable	-	167	-	-	167
Due from Other Funds	6,905	-	-	-	6,905
Due from Other Governments	190,557	133,366	-	-	323,923
Prepaid Items	12,726	7,281	4,665	-	24,672
Total Assets	\$ 1,630,044	\$ 738,051	\$ 1,350,193	\$ 545,931	\$ 4,264,219
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 3,805	\$ 18,523	\$ 36,999	\$ -	\$ 59,327
Salaries Payable	35,811	21,397	8,196	-	65,404
Due to Other Funds	-	36	-	4,260	4,296
Due to Other Governments	224	188	46,810	-	47,222
Total Liabilities	39,840	40,144	92,005	4,260	176,249
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	66,869	133,366	17,644	431,121	649,000
FUND BALANCES					
Nonspendable:					
Prepaid Items	12,726	7,281	4,665	-	24,672
Restricted:					
Opiate Response	-	-	-	110,550	110,550
Committed:					
Solid Waste	-	-	365,000	-	365,000
Assigned:					
Solid Waste	-	-	870,879	-	870,879
Transit	-	557,260	-	-	557,260
Public Health	1,510,609	-	-	-	1,510,609
Total Fund Balances	1,523,335	564,541	1,240,544	110,550	3,438,970
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,630,044	\$ 738,051	\$ 1,350,193	\$ 545,931	\$ 4,264,219

**WADENA COUNTY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2022**

	Public Health Nurse	Transit	Solid Waste	Opiate Epidemic Response	Total
REVENUES					
Taxes	\$ 202,923	\$ -	\$ -	\$ -	\$ 202,923
Special Assessments	-	-	625,087	-	625,087
Licenses and Permits	-	-	1,130	-	1,130
Intergovernmental	825,550	868,020	72,440	-	1,766,010
Charges for Services	402,735	111,440	967,286	-	1,481,461
Gifts and Contributions	-	4,100	-	-	4,100
Investment Earnings	-	1,922	-	-	1,922
Miscellaneous	21,033	15,518	66,051	114,810	217,412
Total Revenues	<u>1,452,241</u>	<u>1,001,000</u>	<u>1,731,994</u>	<u>114,810</u>	<u>4,300,045</u>
EXPENDITURES					
Current:					
Sanitation	-	-	1,574,588	-	1,574,588
Human Services	-	922,723	-	-	922,723
Health	1,179,797	-	-	4,260	1,184,057
Debt Service:					
Principal	1,650	1,399	45,000	-	48,049
Interest	59	182	24,238	-	24,479
Total Expenditures	<u>1,181,506</u>	<u>924,304</u>	<u>1,643,826</u>	<u>4,260</u>	<u>3,753,896</u>
NET CHANGE IN FUND BALANCE	270,735	76,696	88,168	110,550	546,149
Fund Balance - Beginning of Year	<u>1,252,600</u>	<u>487,845</u>	<u>1,152,376</u>	<u>-</u>	<u>2,892,821</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,523,335</u>	<u>\$ 564,541</u>	<u>\$ 1,240,544</u>	<u>\$ 110,550</u>	<u>\$ 3,438,970</u>

**WADENA COUNTY
BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 207,110	\$ 207,110	\$ 202,923	\$ (4,187)
Intergovernmental	771,054	771,054	825,550	54,496
Charges for Services	252,257	252,257	402,735	150,478
Miscellaneous	62,357	62,357	21,033	(41,324)
Total Revenues	<u>1,292,778</u>	<u>1,292,778</u>	<u>1,452,241</u>	<u>159,463</u>
EXPENDITURES				
Current:				
Health:				
Nursing Service	1,292,778	1,292,778	1,179,797	(112,981)
Debt Service:				
Principal	-	-	1,650	1,650
Interest	-	-	59	59
Total Expenditures	<u>1,292,778</u>	<u>1,292,778</u>	<u>1,181,506</u>	<u>(111,272)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	270,735	<u>\$ 272,444</u>
Fund Balance - Beginning of Year			<u>1,252,600</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,523,335</u>	

**WADENA COUNTY
BUDGETARY COMPARISON SCHEDULE
TRANSIT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 868,020	\$ 868,020
Charges for Services	150,800	150,800	111,440	(39,360)
Gifts and Contributions	-	-	4,100	4,100
Investment Earnings	-	-	1,922	1,922
Miscellaneous	-	-	15,518	15,518
Total Revenues	<u>150,800</u>	<u>150,800</u>	<u>1,001,000</u>	<u>850,200</u>
EXPENDITURES				
Current:				
Human Services:				
Transportation	1,083,073	1,083,073	922,723	(160,350)
Debt Service:				
Principal	-	-	1,399	1,399
Interest	-	-	182	182
Total Expenditures	<u>1,083,073</u>	<u>1,083,073</u>	<u>924,304</u>	<u>(158,769)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (932,273)</u>	<u>\$ (932,273)</u>	76,696	<u>\$ 1,010,550</u>
Fund Balance - Beginning of Year			<u>487,845</u>	
FUND BALANCE - END OF YEAR			<u>\$ 564,541</u>	

**WADENA COUNTY
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Special Assessments	\$ 582,000	\$ 582,000	\$ 625,087	\$ 43,087
Licenses and Permits	900	900	1,130	230
Intergovernmental	68,000	68,000	72,440	4,440
Charges for Services	950,500	950,500	967,286	16,786
Miscellaneous	30,000	30,000	66,051	36,051
Total Revenues	<u>1,631,400</u>	<u>1,631,400</u>	<u>1,731,994</u>	<u>100,594</u>
EXPENDITURES				
Current:				
Sanitation	1,596,068	1,596,068	1,574,588	(21,480)
Debt Service:				
Principal	45,000	45,000	45,000	-
Interest	21,000	21,000	24,238	3,238
Total Expenditures	<u>1,662,068</u>	<u>1,662,068</u>	<u>1,643,826</u>	<u>(18,242)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (30,668)</u>	<u>\$ (30,668)</u>	88,168	<u>\$ 118,836</u>
Fund Balance - Beginning of Year			<u>1,152,376</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,240,544</u>	

**WADENA COUNTY
FIDUCIARY FUNDS
CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

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

State Revenue Custodial Fund – to account for the collection and payment of the state’s share of fees collected by the County.

Family Service Collaborative Custodial Fund – to account for the cash and investments held on behalf of the Family Service Collaborative.

Jail Canteen Custodial Fund – to account for inmate deposits, inmate canteen purchases, and fees paid to various agencies.

Civil Process Custodial Fund – to account for court ordered transactions including collections and disbursement of bail bonds, garnishments, and mortgage foreclosure redemptions.

City Soil Contamination Grant Fund – to account for Minnesota Department of Transportation grant passed through the County for the City of Wadena.

WADENA COUNTY
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2022

	<u>Taxes and Penalties</u>	<u>State Revenue</u>	<u>Family Service Collaborative</u>	<u>Jail Canteen</u>
ASSETS				
Cash and Pooled Investments	\$ 165,415	\$ 79,184	\$ 273,775	\$ 4,633
Due from Other Governments	-	-	28,297	-
Taxes Receivable for Other Governments	284,347	-	-	-
Accounts Receivable	-	425	-	-
Accrued Interest Receivable	-	-	294	-
Total Assets	<u>449,762</u>	<u>79,609</u>	<u>302,366</u>	<u>4,633</u>
LIABILITIES				
Due to Other Governments	<u>165,415</u>	<u>79,609</u>	<u>18,568</u>	<u>-</u>
NET POSITION				
Restricted for Individuals, Organizations, and Other Governments	<u>\$ 284,347</u>	<u>\$ -</u>	<u>\$ 283,798</u>	<u>\$ 4,633</u>

**WADENA COUNTY
 COMBINING STATEMENT OF FIDUCIARY NET POSITION (CONTINUED)
 FIDUCIARY FUNDS – CUSTODIAL FUNDS
 DECEMBER 31, 2022**

	Civil Process	City Soil Contamination Grant	Total Custodial Funds
ASSETS			
Cash and Pooled Investments	\$ 41,342	\$ -	\$ 564,349
Due from Other Governments	-	-	28,297
Taxes Receivable for Other Governments	-	-	284,347
Accounts Receivable	-	-	425
Accrued Interest Receivable	-	-	294
Total Assets	41,342	-	877,712
LIABILITIES			
Due to Other Governments	-	-	263,592
NET POSITION			
Restricted for Individuals, Organizations, and Other Governments	\$ 41,342	\$ -	\$ 614,120

WADENA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	Taxes and Penalties	State Revenue	Family Service Collaborative	Jail Canteen
ADDITIONS				
Interest Earnings	\$ -	\$ -	\$ 1,907	\$ -
Property Tax Collections for Other Governments	9,839,270	-	-	-
License and Fees Collected for State	-	682,832	-	-
Payments from State	-	-	58,736	134,986
Payments from Other Entities	-	-	2,031	-
Total Additions	<u>9,839,270</u>	<u>682,832</u>	<u>62,674</u>	<u>134,986</u>
DEDUCTIONS				
Payments to Other Governments	9,864,512	-	-	-
Payments to State	-	682,832	-	-
Payments to Individuals/Entities	-	-	69,213	131,790
Total Deductions	<u>9,864,512</u>	<u>682,832</u>	<u>69,213</u>	<u>131,790</u>
CHANGE IN NET POSITION	(25,242)	-	(6,539)	3,196
Net Position - Beginning of Year	<u>309,589</u>	<u>-</u>	<u>290,337</u>	<u>1,437</u>
NET POSITION - END OF YEAR	<u>\$ 284,347</u>	<u>\$ -</u>	<u>\$ 283,798</u>	<u>\$ 4,633</u>

WADENA COUNTY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (CONTINUED)
FIDUCIARY FUNDS – CUSTODIAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	Civil Process	City Soil Contamination Grant	Total Custodial Funds
ADDITIONS			
Interest Earnings	\$ -	\$ -	\$ 1,907
Property Tax Collections for Other Governments	-	-	9,839,270
License and Fees Collected for State	-	-	682,832
Payments from State	-	203,087	396,809
Payments from Other Entities	275,518	-	277,549
Total Additions	<u>275,518</u>	<u>203,087</u>	<u>11,198,367</u>
DEDUCTIONS			
Payments to Other Governments	-	203,087	10,067,599
Payments to State	-	-	682,832
Payments to Individuals/Entities	236,926	-	437,929
Total Deductions	<u>236,926</u>	<u>203,087</u>	<u>11,188,360</u>
CHANGE IN NET POSITION	38,592	-	10,007
Net Position - Beginning of Year	<u>2,750</u>	<u>-</u>	<u>604,113</u>
NET POSITION - END OF YEAR	<u>\$ 41,342</u>	<u>\$ -</u>	<u>\$ 614,120</u>

**WADENA COUNTY
SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2022**

	<u>Number</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Investments:				
Cash on Hand and Departmental Checking	N/A	N/A	Continuous	\$ 2,490
Checking Accounts	Two	0.10% to 0.25%	Continuous	2,632,483
Money Market Savings	Seven	0.05% to 0.30%	Continuous	2,083,838
MAGIC Fund	One	0.04% to 0.06%	Continuous	12,184,040
Nonnegotiable Certificates of Deposit	Seven	1.90% to 2.40%	April 15, 2024, to July 11, 2024	<u>1,600,000</u>
 Total Cash and Investments				 <u><u>\$ 18,502,851</u></u>

**WADENA COUNTY
SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

Appropriations and Shared Revenue:

State:

Highway Users Tax	\$ 4,498,980
County Program Aid	1,006,910
Disparity Reduction Aid	53,185
Indirect PERA Aid	16,192
Police Aid	116,024
Aquatic Invasive Species Aid	32,793
Enhanced 911	172,447
Market Value Credit	225,525
Out of Home Placement Aid	3,995
Riparian Protection Aid	60,783
Total Appropriations and Shared Revenue	6,186,834

Reimbursement for Services:

State:

Department of Human Services	1,196,888
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Payments:

Local:

Payments in Lieu of Taxes	105,623
Other Local Aid	1,500
Total Local Payments	107,123

Grants:

State:

Minnesota Department/Board of:

Public Safety	4,506
Transportation	1,412,036
Health	295,855
Employment and Economic Development	257,942
Natural Resources	76,570
Human Services	1,015,063
Water and Soil Resources	152,286
Veterans Affairs	10,000
Pollution Control Agency	81,448
Secretary of State	23,212
Peace Officer Standards and Training Board	14,207
Total State	3,343,125

Federal:

Department of/Agency:

Agriculture	286,145
Justice	86,008
Transportation	864,439
Education	2,100
Health and Human Services	1,893,597
Homeland Security	15,118
Election Assistance Commission	23,039
Total Federal	3,170,446

Total State and Federal Grants	6,513,571
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Total Intergovernmental Revenue	\$ 14,004,416
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**WADENA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through Morrison-Todd-Wadena Community Health Services Board				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	\$ 92,752	\$ -
Passed through Minnesota Department of Human Services				
WIC Farmers' Market Nutrition Program (FMNP) SNAP Cluster	10.572	191852FMNP2022	300	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514	<u>189,117</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>282,169</u>	<u>-</u>
U.S. Department of Justice				
Passed through Minnesota Department of Transportation				
Crime Victim Assistance	16.575	F-CVS-2022-WADCAC-8894	105,970	-
U.S. Department of Transportation				
Passed through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	8022049	576,145	-
COVID-19 Highway Planning and Construction	20.205	3219149	130,688	-
(Total Highway Planning and Construction Cluster \$706,833)				
Passed through Minnesota Department of Public Safety				
COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	20.509	1036124 / 1048105	257,839	-
Highway Safety Cluster				
State and Community Highway Safety	20.600	A-ENFRC22-2022-WADENASD-5486/5791	10,528	-
National Priority Safety Programs	20.616	A-ENFRC22-2022-WADENASD-5486/5791	17,777	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC22-2022-WADENASD-5486/5791	<u>11,726</u>	<u>-</u>
Total U.S. Department of Transportation			<u>1,004,703</u>	<u>-</u>
U.S. Department of Education				
Passed through Morrison-Todd-Wadena Community Health Services Board				
Special Education - Grants for Infants and Families	84.181	Not Provided	1,050	-
U.S. Election Assistance Commission				
Passed Through Minnesota Secretary of State				
COVID-19 HAVA Election Security Grants	90.404	G53HAVA2020	23,039	-
U.S. Department of Health and Human Services				
Passed through Morrison-Todd-Wadena Community Health Services Board				
Public Health Emergency Preparedness	93.069	NU90TP922026	26,562	-
COVID-19 Immunization Cooperative Agreements	93.268	NH23IP922628	132,215	-
COVID-19 Cooperative Agreement for Emergency Response	93.354	NU90TP922089	32,386	-
Temporary Assistance for Needy Families	93.558	2201MNTANF	36,930	-
(Total Temporary Assistance for Needy Families 93.558 \$337,863)				
Medical Assistance Program (Medicaid Cluster)				
(Total Medical Assistance Program 93.778 \$723,173)	93.778	2205MN5MAP	44,136	-
Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	Not Provided	84,925	-
Maternal and Child Health Services Block Grant to the States	93.994	B0433847	22,086	-
Passed through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2201MNFPS	3,836	-
Temporary Assistance for Needy Families	93.558	2201MNTANF	300,933	-
(Total Temporary Assistance for Needy Families 93.558 \$337,863)				
Child Support Enforcement	93.563	2201MNCSES	86,366	-
Child Support Enforcement	93.563	2201MNCEST	135,158	-
(Total Child Support Enforcement 93.563 \$221,524)				

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WADENA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
(Continued)				
Passed through Minnesota Department of Human Services (Continued)				
Refugee and Entrant Assistance - State				
Administered Programs	93.566	2201MNRCA	\$ 365	\$ -
Child Care and Development Block Grant (CCDF Cluster)	93.575	2201MNCCDF	4,245	-
Community-Based Child Abuse Prevention Grants	93.590	2201MNBCAP	2,635	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201MNCWC3	4,135	-
Foster Care - Title IV-E	93.658	2201MNFOST	156,787	-
Social Services Block Grant	93.667	2201MNSOSR	132,516	-
Child Abuse and Neglect State Grants	93.669	2201MNNCAN	5,615	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILP	2,423	-
Children's Health Insurance Program	93.767	2205MN5022	1,030	-
Medical Assistance Program (Medicaid Cluster)	93.778	2205MN5ADM	662,117	-
Medical Assistance Program (Medicaid Cluster)	93.778	2205MN5MAP	16,920	-
(Total Medical Assistance Program 93.778 \$723,173)			<u>1,894,321</u>	<u>-</u>
Total U.S. Department of Health and Human Services			1,894,321	-
U.S. Department of Homeland Security				
Passed through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	WADENA SBG -071321	2,561	-
Passed through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2020-WADENACO-085	12,557	-
Total Department of Homeland Security			<u>15,118</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,326,370</u>	<u>\$ -</u>
Totals by Cluster				
Total Expenditures for SNAP Cluster			\$ 189,117	
Total Expenditures for Highway Planning and Construction Cluster			706,833	
Total Expenditures for Highway Safety Cluster			28,305	
Total Expenditures for CCDF Cluster			4,245	
Total Expenditures for Medicaid Cluster			723,173	

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**WADENA COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wadena County under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wadena County, it is not intended to and does not present the financial position or changes in net position of Wadena County.

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

B. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Wadena County has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 RECONCILIATION TO SCHEDULE OF INTERGOVERNMENTAL REVENUE

Federal Grant Revenue per Schedule of Intergovernmental Revenue:	\$	3,170,446
Grants Received More Than 60 Days After Year-End, Unavailable in 2022		214,685
Grants Unavailable in 2021, Recognized as Revenue in 2022		<u>(58,761)</u>
Expenditures per Schedule of Expenditures of Federal Awards	\$	<u><u>3,326,370</u></u>

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS* AND SINGLE AUDIT



**INDEPENDENT AUDITORS' 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***

Board of County Commissioners
Wadena County
Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County (the County), Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

The County’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 27, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of County Commissioners
Wadena County
Wadena, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Wadena County's (the County's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of the contracts of grant agreements applicable to the County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess these risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-005. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-005 and 2022-006 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
September 27, 2023

**WADENA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified? x yes none reported

Type of auditors’ report issued on compliance for major federal programs: *Unmodified*

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

Identification of Major Federal Programs

Assistance Listing Numbers	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster
93.778	Medicaid Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<u> </u> yes <u> x </u> no

**WADENA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings

2022 – 001 Segregation of Duties

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control is not in place in a number of departments throughout the County.

Criteria or Specific Requirement: Based on COSO guidelines, County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

Effect: The lack of segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and lack of adherence to the County's procedures.

Cause: The County has a limited number of personnel within several County departments.

Repeat Finding: Yes, 2021-001.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with this audit finding. The County will review the accounting functions and segregate them if deemed cost-beneficial.

**WADENA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings (Continued)

2022 – 002 Material Audit Adjustments

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: As part of the audit, adjusting entries were proposed to properly state custodial fund activity, unspent portion of grant revenues, and accrual balances.

Criteria or Specific Requirement: Based on COSO guidelines, County management is responsible for establishing and maintaining internal controls for the proper recording of all County's year-end balances.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the County to provide accurate accrual basis financial information.

Cause: The County has a limited number of personnel.

Repeat Finding: Yes, 2021-002.

Recommendation: In order to strengthen internal controls, we recommend management enhance the internal controls over financial reporting, procedures, and processes to ensure complete and accurate financial reporting. Year-end closing procedures should be expanded to ensure all transactions have been accounted for, appropriate accounting standards have been applied and transactions are reported in the proper account. External training should be considered for those involved in year-end reporting.

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with this audit finding. Management will consider external training, and review the control process over financial reporting, procedures, and processes to ensure complete and accurate financial reporting.

WADENA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings (Continued)

2022 – 003 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The board of county commissioners and management of the County share the ultimate responsibility for the County's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The County engages CLA to assist in preparing its financial statements and accompanying disclosures. The County has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. GAAP and knowledge of the County's activities and operations.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles (GAAP).

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

Cause: The County personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the County's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Repeat Finding: Yes, 2021-003.

Recommendation: The County should evaluate their financial reporting processes and controls, including the expertise of its internal staff, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

View of Responsible Officials and Planned Corrective Actions: There is no disagreement with this audit finding. Management will continue to rely on the audit firm to draft the financial statements and the related notes to the financial statements, and will review, approve, and accept responsibility for the annual financial statements prior to their issuance.

**WADENA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022 – 004 Internal Controls over Eligibility Determination

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Medical Assistance Program (Part of Medicaid Cluster)

Assistance Listing Number: 93.778

Federal Assistance Identification Number and Year: 2205MN5ADM, 2205MN5MAP, 2022

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 2205MN5ADM, 2205MN5MAP

Award Period: Year ended December 31, 2022

Type of Finding: Material Weakness in Internal Control over Compliance

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

Condition and Context: The county does not have a process in place to ensure case file reviews are documented.

Questioned Costs: None.

Cause: Supervisors did not document their review process.

Effect: The lack of a review and approve process increases the risk of ineligible participants will participate in the federal program.

Repeat Finding: Yes, 2021-004.

Recommendation: We recommend the County implement a review process over medical assistance case files. A sample of cases should be reviewed by someone knowledgeable of the program requirements on a periodic basis, and the review process should be documented.

Views of Responsible Officials: There is no disagreement with the audit finding.

**WADENA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022 – 005 Special Provisions

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Medical Assistance Program (Part of Medicaid Cluster)

Assistance Listing Number: 93.778

Federal Assistance Identification Number and Year: 2205MN5ADM, 2205MN5MAP, 2022

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 2205MN5ADM, 2205MN5MAP

Award Period: Year ended December 31, 2022

Type of Finding: Significant Deficiency in Internal Control over Compliance and Other Matters

Criteria or Specific Requirement: The contract between the Minnesota Department of Human Services and Wadena County states the County is required to review all report submitted by collaborative members for accuracy and timeliness and retain a paper copy of all submitted reports. Title 2 U.S. *Code of Federal Regulations* § 200.303 state that the County must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition and Context: Quarterly grant reports filed by collaborative members were not submitted timely. The County had no documentation of review and approval.

Questioned Costs: None.

Cause: The County did not properly oversee to ensure collaborative members were submitting reports timely.

Effect: Funding could be denied or inaccurate information could be submitted on the reports.

Repeat Finding: Yes, 2021-005.

Recommendation: We recommend the County implement procedures to ensure collaborative members submit quarterly reports timely.

Views of Responsible Officials: There is no disagreement with the audit finding.

**WADENA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022 – 006 Reporting

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Medical Assistance Program (Part of Medicaid Cluster)

Assistance Listing Number: 93.778

Federal Assistance Identification Number and Year: 2205MN5ADM, 2205MN5MAP, 2022

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 2205MN5ADM, 2205MN5MAP

Award Period: Year ended December 31, 2022

Type of Finding: Significant Deficiency in Internal Control over Compliance

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

Condition and Context: The Annual LCTS Collaborative Report did not have documentation of a formal review by someone other than the preparer prior to submission.

Questioned Costs: None.

Cause: The County does not have adequate internal controls in place to ensure review of the report.

Effect: Errors in the report would not be detected prior to submission.

Repeat Finding: Yes, 2021-006.

Recommendation: We recommend the County implement an internal control procedure to ensure the report is formally reviewed and approved by someone other than the person who prepared the reports.

Views of Responsible Officials: There is no disagreement with the audit finding.

**WADENA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section IV – Other Items for Consideration – Minnesota Legal Compliance

2022 – 007 Board Approval of Credit Cards

Criteria: Based on Minnesota Statute § 375.171, the County board may authorize the use of a credit card to any county officer or employee otherwise authorized to make a purchase on behalf of the County.

Condition and Context: A County department held credit cards that were not authorized by the County board.

Cause: Board approval was not obtained for the use of the credit cards.

Effect: The department could make purchases that are not allowed to be made by the County, and the County is out of compliance with state statutes.

Repeat Finding: No.

Recommendation: We recommend the board approve the credit cards, or the accounts be closed.

Views of Responsible Officials: There is no disagreement with the audit finding.

Section V – Previously Reported Items Resolved

2021-007: Board Approval of Established Change Funds



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Wadena County
Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wadena County (the County), as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated September 27, 2023.

In connection with our audit, we noted that the County failed to comply with provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the schedule of findings and questioned costs as item 2022-007. Also, in connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on Wadena County's response to the legal compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Alexandria, Minnesota
September 27, 2023



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Heather Olson

Auditor/Treasurer
218-631-7784

heather.olson@co.wadena.mn.us



Wadena County Courthouse
415 Jefferson Street South
Wadena, MN 56482
Office: 218-631-7650
Fax: 218-631-7652

Minnesota Department of Health and Human Services

Wadena County respectfully submits the following corrective action plan for the year ended December 31, 2022.
Audit period: January 1, 2022 through December 31, 2022.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2022-001 Segregation of Duties

Recommendation: It is recommended management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The County will review the accounting functions and segregate them if deemed cost-beneficial.

Name of the contact person responsible for corrective action: Heather Olson, Auditor/
Treasurer.

Planned completion date for corrective action plan: December 31, 2023

MATERIAL WEAKNESSES

2022-002 Material Audit Adjustments

Recommendation: In order to strengthen internal controls, it is recommended management enhance its internal controls over financial reporting, procedures, and processes to ensure complete and accurate financial reporting. Year-end closing procedures should be expanded to ensure all transactions have been accounted for, appropriate accounting standards have been applied and transactions are reported in the proper account. External training should be considered for those involved in year-end reporting.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

**WADENA COUNTY
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2022**

FINDINGS—FINANCIAL STATEMENT AUDIT (CONTINUED)

Action taken in response to finding: Management will consider external training, and review the control process over financial reporting, procedures, and processes to ensure complete and accurate financial reporting.

Name of the contact person responsible for corrective action: Heather Olson, Auditor/Treasurer

Planned completion date for corrective action plan: December 31, 2023

2022-003 Financial Reporting Process

Recommendation The County should evaluate their financial reporting processes and controls, including the expertise of its internal staff, to determine whether additional controls over the preparation of annual financial statements can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Management will continue to rely on the audit firm to draft the financial statements and the related notes to the financial statements, and will review, approve, and accept responsibility for the annual financial statements prior to their issuance.

Name of the contact person responsible for corrective action: Heather Olson, Auditor/Treasurer

Planned completion date for corrective action plan: December 31, 2023

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

United States Department of Health and Human Services

2022-004 Medical Assistance – Assistance Listing No. 93.778

Recommendation: The County should implement a review process over medical assistance case files. A sample of cases should be reviewed by someone knowledgeable of the program requirements on a periodic basis and documented.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Management will add a case file documentation process for the casefiles being reviewed.

Name(s) of the contact person(s) responsible for corrective action: Heather Olson Auditor/Treasurer, Amie Gendron Administrative Services Supervisor

Planned completion date for corrective action plan: December 31, 2023

**WADENA COUNTY
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2022**

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS (CONTINUED)

2022-005 Medical Assistance – Assistance Listing No. 93.778

Recommendation: The County should implement procedures to ensure collaborative members submit reports timely.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Management will enact a process to ensure all reports are received prior to the reporting deadline.

Name(s) of the contact person(s) responsible for corrective action: Heather Olson Auditor/Treasurer, Amie Gendron Administrative Services Supervisor

Planned completion date for corrective action plan: December 31, 2023

United States Department of Health and Human Services

2022-006 Medical Assistance – Assistance Listing No. 93.778

Recommendation: The County should implement a review process over the LCTS Annual Collaborative Report.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Management will enact a process to ensure the review of the annual collaborative report is documented.

Name(s) of the contact person(s) responsible for corrective action: Heather Olson Auditor/Treasurer, Amie Gendron Administrative Services Supervisor

Planned completion date for corrective action plan: December 31, 2023

**WADENA COUNTY
CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2022**

FINDINGS—MINNESOTA LEGAL COMPLIANCE

2022-007 Board Approval of Credit Cards

Recommendation: Management should have board approval for all credit cards prior to obtaining them.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: Management will have board approval for all credit cards, and close any that do not have board approval.

Name of the contact person responsible for corrective action: Heather Olson, Auditor/Treasurer

Planned completion date for corrective action plan: December 31, 2023

If the Minnesota Department of Health and Human Services has questions regarding this plan, please call Heather Olson at 218-631-7621.

Heather Olson
Auditor/Treasurer
218-631-7784
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**WADENA COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022**

Minnesota Department of Health and Human Services

Wadena County respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2022.

Audit period: January 1, 2022 through December 31, 2022

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2021 – 001 Segregation of Duties

Condition: Due to the limited number of personnel within several County offices, segregation of accounting duties necessary to ensure adequate internal accounting controls is not possible.

Status: See current year finding 2022-001.

Reason for finding's recurrence: The parks department has a single employee that collects, reconciles and deposits the money for the department, and though the human service department has review of the approval of accrual codes, the review is not adequately documented.

Corrective Action: The supervisors will be reviewing the accrual codes when entered and initial or document the review of the code. The County will review the accounting functions and segregate them if deemed cost-beneficial.

2021 – 002 Material Audit Adjustments and Restatements

Condition: As part of the audit, adjusting entries were proposed to properly state various account balances and beginning net position for governmental activities, beginning fund balance for the road and bridge fund, and beginning net position for custodial funds.

Status: See current year finding 2022-002.

Reason for finding's recurrence: The County has a limited number of personnel.

Corrective Action: The County will continue to enhance internal controls and seeking further external training of staff.

2021 – 003 Annual Financial Reporting Under Generally Accepted Accounting Principles

Condition: The board of county commissioners and management of the County share the ultimate responsibility for the County's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

Status: See current year finding 2022-003.

Reason for finding's recurrence: The County continues to evaluate their internal controls and processes to meet GAAP.

Corrective Action: Management will continue to rely on the audit firm to draft the financial statements and the related notes to the financial statements, and will review, approve, and accept responsibility for the annual financial statements prior to their issuance.

2021 – 004 Internal Controls over Eligibility Determination

Condition: The county does not have a process in place to ensure case file reviews are documented.

Status: See current year finding 2022-004.

Reason for finding's recurrence: The County has not implemented a review process for management to document process of the casefiles being reviewed.

Corrective Action: Management will add a case file documentation process for the casefiles being reviewed.

2021 – 005 Special Provisions

Condition: Quarterly grant reports filed by collaborative members were not submitted timely. The County had no documentation of review and approval.

Status: See current year finding 2022-005

Reason for finding's recurrence: The County did not properly oversee to ensure collaborative members were submitting reports timely.

Corrective Action: The County will implement procedures to ensure collaborative members submit quarterly reports timely.

2021 – 006 Reporting

Condition: The Annual LCTS Collaborative Report did not have documentation of a formal review by someone other than the preparer prior to submission.

Status: See current year finding 2022-006

Reason for finding's recurrence: The County does not have adequate internal controls in place to ensure review of the report.

Corrective Action: The County will implement an internal control procedure to ensure the report is formally reviewed and approved by someone other than the person who prepared the reports.

2021 – 007 Board Approval of Established Change Funds

Condition: Documentation was not retained to support the county change funds were approved by the County board.

Status: Corrected. The Auditor/Treasurer brought to County Board a list of all of the changed funds for reapproval in December of 2022.

If the Minnesota Department of Health and Human Services has questions regarding this schedule, please call Heather Olson at 218-631-7784.