

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**WILKIN COUNTY**  
**BRECKENRIDGE, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2007**

## **Description of the Office of the State Auditor**

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

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

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Year Ended December 31, 2007**



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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2007**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	John Blaufuss	January 2009
2nd District	Stephanie Miranowski*	January 2011
3rd District	Lyle Hovland	January 2009
4th District	Neal Folstad	January 2011
5th District	Robert Perry	January 2009
Officials		
Elected		
Attorney	Timothy Fox	January 2011
Auditor	Wayne Bezenek	January 2011
County Recorder	Renae Niemi	January 2011
Registrar of Titles	Renae Niemi	January 2011
Sheriff	Thomas Matejka	January 2011
Treasurer	Rose Ann Hulne	January 2011
Appointed		
Assessor	Cheryl Wall	July 2008
Highway Engineer	Thomas Richels	May 2008
Medical Examiner	Dr. Vartan Malkasian	Indefinite
Veterans Service Officer	Ron Verhaagen	November 2008
Family Services Director	Dave Sayler	Indefinite
Emergency Management Officer	Vernon Woytassek	Indefinite

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Wilkin County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Wilkin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilkin County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of Wilkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO  
STATE AUDITOR

November 26, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007  
(Unaudited)**

As management of Wilkin County, Minnesota, we offer the readers of the Wilkin County financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Wilkin County exceeded its liabilities on December 31, 2007, by \$45,391,031. Of this amount, \$5,437,473 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of 2007, Wilkin County's governmental funds reported combined ending fund balances of \$5,546,663, an increase of \$1,641,218 in comparison with 2006. Of this balance amount, \$4,915,896 was unreserved by Wilkin County and thus available for spending at the government's discretion.
- At the end of 2007, unreserved fund balance of the General Fund was \$2,565,375, or 77 percent, of the total General Fund expenditures for that year.
- The County had general obligation bonds in the amount of \$3,555,000 at the end of 2007.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis is intended to serve as an introduction to Wilkin County's basic financial statements. The County's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other supplementary information.

**Government-Wide Financial Statements**

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

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

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

Wilkin County's government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Wilkin 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 statements can be found as Exhibits 1 and 2 of this report.

### **Fund Level Statements**

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 financial 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 near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Wilkin County adopts an annual appropriated budget for its General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Environmental Special Revenue Fund, Public Health Nurse Special Revenue Fund, and Courthouse Improvement Debt Service Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of Wilkin County. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support Wilkin County's own programs or activities. The accounting for fiduciary funds is much like that used for the government-wide statements.

## Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Other Information

Other information is provided in supplementary information schedules on Wilkin County's budgeted funds, deposits and investments, ditch balances, and intergovernmental revenues.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Wilkin County's assets exceeded liabilities by \$45,391,031 at the close of 2007. The largest portion of the County's net assets (87 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets. However, it should be noted that these assets are not for future spending or for liquidating any remaining debt.

	Net Assets	
	2007	2006
Current and other assets	\$ 6,857,065	\$ 5,878,057
Capital assets	43,101,570	42,153,914
Total Assets	\$ 49,958,635	\$ 48,031,971
Long-term liabilities	\$ 3,964,032	\$ 4,228,355
Other liabilities	603,572	1,403,460
Total Liabilities	\$ 4,567,604	\$ 5,631,815
Net Assets		
Invested in capital assets	\$ 39,445,033	\$ 38,206,088
Restricted	508,525	202,697
Unrestricted	5,437,473	3,991,371
Total Net Assets	\$ 45,391,031	\$ 42,400,156

The unrestricted net assets amount of \$5,437,473 as of December 31, 2007, may be used to meet the County's ongoing obligations to citizens and creditors.

## Governmental Activities

Wilkin County's activities increased Wilkin County's net assets during 2007 by \$2,990,875. Key elements in this increase are due to an increase in County infrastructure and a decrease in the long-term and other liabilities.

	Changes in Net Assets	
	2007	2006
Revenues		
Program revenues		
Charges for services	\$ 2,389,663	\$ 1,719,737
Operating grants and contributions	4,807,757	5,219,618
Capital grants and contributions	1,237,014	924,515
General revenues		
Property taxes	4,737,001	4,094,929
Other taxes	16,059	13,337
Grants and contributions not restricted	1,004,515	1,169,107
Other general revenues	253,215	255,048
Total Revenues	\$ 14,445,224	\$ 13,396,291
Expenses		
General government	\$ 1,721,033	\$ 1,633,398
Public safety	1,474,794	1,387,120
Highways and streets	4,121,468	3,829,594
Sanitation	369,519	377,457
Human services	2,319,957	2,547,480
Health	740,543	719,802
Culture and recreation	53,807	53,623
Conservation of natural resources	507,930	403,408
Economic development	800	800
Interest	144,498	160,753
Total Expenses	\$ 11,454,349	\$ 11,113,435
Increase in Net Assets	\$ 2,990,875	\$ 2,282,856
Net Assets - January 1	42,400,156	40,117,300
Net Assets - December 31	\$ 45,391,031	\$ 42,400,156

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, Wilkin 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, unreserved 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, Wilkin County's governmental funds reported combined ending fund balances of \$5,546,663, an increase of \$1,641,218 in comparison with the prior year. Of the ending fund balance, \$4,915,896 represents unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is a chief operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$2,565,375. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. General Fund unreserved fund balance represents 77 percent of total General Fund expenditures. In 2007, ending fund balance in the General Fund increased by \$30,093. The primary reason for this increase was due to an increase in charges for services.

The Road and Bridge Special Revenue Fund's unreserved fund balance was \$905,018 at year-end.

The Human Services Special Revenue Fund's unreserved fund balance of \$682,847 at year-end represents 30 percent of the fund's annual expenditures. Fund balance increased \$358,242 during 2007 due to excess revenues over expenditures.

### **General Fund Budgetary Highlights**

The Wilkin County Board of Commissioners did not make any budgetary amendments/revisions in 2007.

Actual revenues exceeded budgeted revenues by \$464,818, primarily due to increases in intergovernmental revenues.

Actual expenditures exceeded budgeted expenditures by \$392,178, due to excess costs in general government unallocated and in public safety for the Sheriff, jail, and emergency management.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2007, totaled \$43,101,570 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

Governmental Capital Assets (Net of Depreciation)		
	2007	2006
Land	\$ 1,049,314	\$ 1,049,314
Infrastructure	34,301,043	32,884,752
Buildings	6,336,577	6,471,006
Improvements other than buildings	57,858	58,054
Machinery and equipment	1,320,533	1,652,631
Construction in progress	36,245	38,157
Total	<u>\$ 43,101,570</u>	<u>\$ 42,153,914</u>

Additional information on the County's capital assets can be found in Note 3.A.3. in the notes to the financial statements.

### Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$3,555,000.

	2007	2006
General obligation bonds	<u>\$ 3,555,000</u>	<u>\$ 3,750,000</u>

The County debt related to general obligation bonds decreased by \$195,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for Wilkin County at the end of 2007 was 5.2 percent. This compares favorably with the state unemployment rate of 5.9 percent and shows an increase from the 3.7 percent rate of one year ago.

By the end of 2007, Wilkin County approved its balanced 2008 revenue and expenditure budgets.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Wilkin County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Wilkin County Auditor, 300 South 5th Street, Breckenridge, Minnesota 56520.

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## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

**Assets**

Cash and pooled investments	\$ 5,178,479
Taxes receivable	
Current - net	37,676
Prior - net	21,638
Special assessments receivable	
Current - net	1,967
Prior - net	579
Deferred - net	250,046
Accounts receivable - net	175,053
Accrued interest receivable	37,105
Due from other governments	842,025
Inventories	256,622
Deferred charges	55,875
Capital assets	
Non-depreciable	1,085,559
Depreciable - net of accumulated depreciation	<u>42,016,011</u>
<b>Total Assets</b>	<b><u>\$ 49,958,635</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

**Liabilities**

Accounts payable	\$ 265,248
Salaries payable	35,436
Contracts payable	132,968
Due to other governments	63,773
Accrued interest payable	63,093
Unearned revenue	43,054
Long-term liabilities	
Due within one year	519,764
Due in more than one year	<u>3,444,268</u>
<b>Total Liabilities</b>	<b><u>\$ 4,567,604</u></b>

**Net Assets**

Invested in capital assets - net of related debt	\$ 39,445,033
Restricted for	
General government	93,698
Public safety	164,421
Highways and streets	146,802
Economic development	100,000
Held in trust for other purposes	3,604
Unrestricted	<u>5,437,473</u>
<b>Total Net Assets</b>	<b><u>\$ 45,391,031</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

		Program Revenues			Net (Expense)
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
	Expenses				
<u>Functions/Programs</u>					
<b>Governmental activities</b>					
General government	\$ 1,721,033	\$ 245,392	\$ 48,187	\$ -	\$ (1,427,454)
Public safety	1,474,794	358,418	265,164	-	(851,212)
Highways and streets	4,121,468	653,624	3,149,838	1,237,014	919,008
Sanitation	369,519	350,300	-	-	(19,219)
Human services	2,319,957	225,536	1,018,856	-	(1,075,565)
Health	740,543	268,478	230,734	-	(241,331)
Culture and recreation	53,807	-	-	-	(53,807)
Conservation of natural resources	507,930	287,915	94,978	-	(125,037)
Economic development	800	-	-	-	(800)
Interest	144,498	-	-	-	(144,498)
<b>Total Governmental Activities</b>	<b>\$ 11,454,349</b>	<b>\$ 2,389,663</b>	<b>\$ 4,807,757</b>	<b>\$ 1,237,014</b>	<b>\$ (3,019,915)</b>
<b>General Revenues</b>					
Property taxes					\$ 4,737,001
Gravel taxes					16,059
Payments in lieu of tax					27,292
Grants and contributions not restricted to specific programs					1,004,515
Investment income					225,923
<b>Total general revenues</b>					<b>\$ 6,010,790</b>
<b>Change in net assets</b>					<b>\$ 2,990,875</b>
<b>Net Assets - Beginning</b>					<b>42,400,156</b>
<b>Net Assets - Ending</b>					<b>\$ 45,391,031</b>

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## **FUND FINANCIAL STATEMENTS**

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## **GOVERNMENTAL FUNDS**

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 2,875,663	\$ 684,457
Petty cash and change funds	3,000	100
Undistributed cash in agency funds (taxes and other)	35,005	16,024
Taxes receivable		
Current	15,349	8,365
Prior	10,154	5,034
Special assessments		
Current	-	-
Prior	-	-
Deferred	-	-
Accounts receivable	14,447	28,270
Accrued interest receivable	37,105	-
Due from other funds	1,073	107,573
Due from other governments	202,206	473,372
Inventories	-	256,622
<b>Total Assets</b>	<b><u>\$ 3,194,002</u></b>	<b><u>\$ 1,579,817</u></b>

**EXHIBIT 3**

<b>Human Services</b>	<b>Ditch</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 713,903	\$ 136,775	\$ 674,970	\$ 5,085,768
-	-	5,000	8,100
17,972	4,956	10,654	84,611
9,387	-	4,575	37,676
4,860	-	1,590	21,638
-	1,967	-	1,967
-	579	-	579
-	250,046	-	250,046
2,896	-	129,440	175,053
-	-	-	37,105
-	-	8,841	117,487
99,855	-	66,222	841,655
-	-	-	256,622
<b>\$ 848,873</b>	<b>\$ 394,323</b>	<b>\$ 901,292</b>	<b>\$ 6,918,307</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 50,627	\$ 75,152
Salaries payable	12,409	10,092
Contracts payable	-	132,968
Due to other funds	1,033	-
Due to other governments	42,921	2,894
Deferred revenue - unavailable	159,914	197,071
Deferred revenue - unearned	-	-
<b>Total Liabilities</b>	<b><u>\$ 266,904</u></b>	<b><u>\$ 418,177</u></b>
<b>Fund Balances</b>		
Reserved for		
Inventories	\$ -	\$ 256,622
Real estate tax shortfall	21,330	-
HAVA	6,933	-
Gravel pit restoration	-	-
Missing heirs	3,604	-
Economic development	100,000	-
Recorder's compliance fund	48,732	-
Recorder's equipment purchases	16,703	-
Enhanced 911	164,421	-
Unreserved		
Designated for future expenditures	206,955	-
Designated for cash flows	1,381,369	-
Designated for capital improvements	-	128,710
Undesignated	977,051	776,308
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
<b>Total Fund Balances</b>	<b><u>\$ 2,927,098</u></b>	<b><u>\$ 1,161,640</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 3,194,002</u></b>	<b><u>\$ 1,579,817</u></b>

**EXHIBIT 3**  
**(Continued)**

<b>Human Services</b>	<b>Ditch</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 126,401	\$ -	\$ 13,068	\$ 265,248
9,627	-	3,308	35,436
-	-	-	132,968
9,526	106,326	232	117,117
10,550	2,251	5,157	63,773
9,922	250,916	96,225	714,048
-	-	43,054	43,054
<b>\$ 166,026</b>	<b>\$ 359,493</b>	<b>\$ 161,044</b>	<b>\$ 1,371,644</b>
\$ -	\$ -	\$ -	\$ 256,622
-	-	-	21,330
-	-	-	6,933
-	-	12,422	12,422
-	-	-	3,604
-	-	-	100,000
-	-	-	48,732
-	-	-	16,703
-	-	-	164,421
-	-	-	206,955
-	-	-	1,381,369
-	-	-	128,710
682,847	34,830	-	2,471,036
-	-	626,741	626,741
-	-	101,085	101,085
<b>\$ 682,847</b>	<b>\$ 34,830</b>	<b>\$ 740,248</b>	<b>\$ 5,546,663</b>
<b>\$ 848,873</b>	<b>\$ 394,323</b>	<b>\$ 901,292</b>	<b>\$ 6,918,307</b>

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 5,546,663</b>
Amounts reported for governmental activities in the statement of net assets 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.	43,101,570
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	714,048
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General obligation bonds	\$ (3,555,000)
Capital leases	(101,537)
Bond premium	(22,134)
Deferred charges	55,875
Accrued interest payable	(63,093)
Compensated absences	(285,361)
	<u>(3,971,250)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b><u>\$ 45,391,031</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
<b>Revenues</b>		
Taxes	\$ 1,955,906	\$ 1,058,970
Special assessments	-	-
Licenses and permits	9,520	-
Intergovernmental	637,877	4,637,286
Charges for services	458,282	597,121
Fines and forfeits	10,743	-
Gifts and contributions	-	-
Investment earnings	219,503	-
Miscellaneous	89,494	86,260
<b>Total Revenues</b>	<b>\$ 3,381,325</b>	<b>\$ 6,379,637</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 1,627,980	\$ -
Public safety	1,429,416	-
Highways and streets	-	5,052,704
Sanitation	-	-
Human services	-	-
Health	3,932	-
Culture and recreation	53,807	-
Conservation of natural resources	199,350	-
Economic development	800	-
<b>Intergovernmental</b>		
Highways and streets	-	243,056
Conservation of natural resources	-	-
<b>Debt service</b>		
Principal	-	96,289
Interest	-	10,781
Administrative (fiscal) charges	-	-
<b>Total Expenditures</b>	<b>\$ 3,315,285</b>	<b>\$ 5,402,830</b>
<b>Excess of Revenues Over (Under)</b>		
<b>Expenditures</b>	<b>\$ 66,040</b>	<b>\$ 976,807</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Ditch</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 1,171,180	\$ -	\$ 572,318	\$ 4,758,374
-	255,119	-	255,119
-	-	3,750	13,270
1,273,626	-	472,418	7,021,207
110,958	-	365,963	1,532,324
4,847	-	-	15,590
-	-	2,077	2,077
-	-	-	219,503
109,731	-	329,384	614,869
<b>\$ 2,670,342</b>	<b>\$ 255,119</b>	<b>\$ 1,745,910</b>	<b>\$ 14,432,333</b>
\$ -	\$ 910	\$ -	\$ 1,628,890
-	-	-	1,429,416
-	-	-	5,052,704
-	-	339,387	339,387
2,312,100	-	-	2,312,100
-	-	729,328	733,260
-	-	-	53,807
-	140,496	13,283	353,129
-	-	-	800
-	-	-	243,056
-	154,539	-	154,539
-	-	195,000	291,289
-	-	142,660	153,441
-	-	403	403
<b>\$ 2,312,100</b>	<b>\$ 295,945</b>	<b>\$ 1,420,061</b>	<b>\$ 12,746,221</b>
<b>\$ 358,242</b>	<b>\$ (40,826)</b>	<b>\$ 325,849</b>	<b>\$ 1,686,112</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 103,000	\$ 15,000
Transfers out	<u>(138,947)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u><b>\$ (35,947)</b></u>	<u><b>\$ 15,000</b></u>
<b>Change in Fund Balances</b>	<b>\$ 30,093</b>	<b>\$ 991,807</b>
<b>Fund Balances - January 1</b>	<b>2,897,005</b>	<b>214,727</b>
<b>Increase (decrease) in reserved for inventories</b>	<u><b>-</b></u>	<u><b>(44,894)</b></u>
<b>Fund Balances - December 31</b>	<u><u><b>\$ 2,927,098</b></u></u>	<u><u><b>\$ 1,161,640</b></u></u>

**EXHIBIT 5**  
**(Continued)**

<b>Human Services</b>	<b>Ditch</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 103,000	\$ -	\$ 20,947	\$ 241,947
(103,000)	-	-	(241,947)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,947</u>	<u>\$ -</u>
\$ 358,242	\$ (40,826)	\$ 346,796	\$ 1,686,112
324,605	75,656	393,452	3,905,445
<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,894)</u>
<u><u>\$ 682,847</u></u>	<u><u>\$ 34,830</u></u>	<u><u>\$ 740,248</u></u>	<u><u>\$ 5,546,663</u></u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Net change in fund balances - total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>1,686,112</b>
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Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 714,048	
Deferred revenue - January 1	<u>(579,753)</u>	134,295

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

Expenditures for general capital assets and infrastructure	\$ 2,606,107	
Current year depreciation	<u>(1,658,451)</u>	947,656

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General obligation bonds	\$ 195,000	
Capital lease	<u>96,289</u>	291,289

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.	(2,579)
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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	\$ 7,654	
Change in compensated absences	(28,658)	
Change in inventories	<u>(44,894)</u>	<u>(65,898)</u>

<b>Change in Net Assets of Governmental Activities (Exhibit 2)</b>	<b>\$</b>	<b><u>2,990,875</u></b>
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## **FIDUCIARY FUNDS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2007**

**Assets**

Cash and pooled investments	\$ 138,945
Due from other governments	<u>2,703</u>
<b>Total Assets</b>	<b><u>\$ 141,648</u></b>

**Liabilities**

Due to other funds	\$ 370
Due to other governments	127,118
Funds held in trust	<u>14,160</u>
<b>Total Liabilities</b>	<b><u>\$ 141,648</u></b>

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007**

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**1. Summary of Significant Accounting Policies**

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Wilkin County was established March 6, 1868, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

**Joint Ventures**

The County participates in joint ventures, jointly-governed organizations, and a related organization, which are described in Notes 5.D., 5.E., and 5.F., respectively.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of governmental net assets, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. 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 revenue. 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 revenue, including all taxes, are presented as general revenue.

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 required to be accounted for in another fund.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

The Ditch Special Revenue Fund is used to account for the financial transactions of the County drainage systems. Financing is provided by special assessments levied against benefited property owners.

Additionally, the County reports the following fund types:

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

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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

C. Measurement Focus and Basis of Accounting

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Wilkin County considers all revenue as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2007 were \$219,503.

Wilkin 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 MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets 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 receivables are shown net of an allowance for uncollectibles.

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

3. Inventories

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the current period, the County did not have any capitalized interest.

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Building improvements	20 - 35
Public domain infrastructure	15 - 75
Furniture, equipment, and vehicles	3 - 15

5. Compensated Absences

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

6. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenue not considered to be available to liquidate liabilities of the current period.



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets 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 assets.

In the fund financial statements, the face amount of the debt issued is reported as an other financing source.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

9. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 3,315,285	\$ 2,923,107	\$ 392,178
Special Revenue Funds			
Road and Bridge	5,402,830	5,059,700	343,130
Public Health Nurse	729,328	701,754	27,574

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 5,178,479
Fiduciary funds	
Cash and pooled investments	
Agency funds	<u>138,945</u>
Total Cash and Investments	<u>\$ 5,317,424</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest 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, 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 that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2007, the County's deposits were not exposed to custodial credit risk.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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. It is the County's policy to invest only in securities that meet the ratings requirement set by state statute.

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 investment or collateral securities that are in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2007, \$922,235 of government securities and \$731,191 of publicly traded certificates of deposit were exposed to custodial credit risk because they were held by the counterparty.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit.

The following table presents the County's cash and investment balances at December 31, 2007, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	Aaa	Moody's	10.9%	12/12/2017	\$ 350,984
Federal Home Loan Mortgage Corporation	AAA	S&P		09/15/2013	\$ 100,072
Federal Home Loan Bank	Aaa	Moody's		07/29/2008	\$ 375,589
Federal Home Loan Bank	Aaa	Moody's		10/29/2009	100,000
Federal Home Loan Bank	AAA	S&P		06/26/2013	100,234
Federal Home Loan Bank	Aaa	Moody's		06/26/2013	174,557
Federal Home Loan Bank	Aaa	Moody's		07/16/2013	99,685
Total Federal Home Loan Bank			26.3%		\$ 850,065
Investment pools/mutual funds					
MAGIC Fund			N/A		\$ 974,365
Negotiable certificates of deposit			N/A		\$ 952,305
Total investments					\$ 3,227,791
Deposits					2,081,533
Change funds					8,100
Total Cash and Investments					\$ 5,317,424

N/R - Not Rated

N/A - Not Applicable

<5% - Concentration is less than 5% of investments

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2007, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 59,314	\$ -
Special assessments	252,592	-
Accounts (net)	175,053	-
Interest	37,105	-
Due from other governments	842,025	-
Total Governmental Activities	<u>\$ 1,366,089</u>	<u>\$ -</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,049,314	\$ -	\$ -	\$ 1,049,314
Construction in progress	38,157	24,353	26,265	36,245
Total capital assets not depreciated	<u>\$ 1,087,471</u>	<u>\$ 24,353</u>	<u>\$ 26,265</u>	<u>\$ 1,085,559</u>
Capital assets depreciated				
Improvements other than buildings	\$ 75,716	\$ -	\$ -	\$ 75,716
Buildings	7,379,402	40,207	-	7,419,609
Machinery, furniture, and equipment	4,841,527	32,607	239,424	4,634,710
Infrastructure	47,027,441	2,535,205	-	49,562,646
Total capital assets depreciated	<u>\$ 59,324,086</u>	<u>\$ 2,608,019</u>	<u>\$ 239,424</u>	<u>\$ 61,692,681</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Improvements other than buildings	\$ 17,662	\$ 196	\$ -	\$ 17,858
Buildings	908,396	174,636	-	1,083,032
Machinery, furniture, and equipment	3,188,896	364,705	239,424	3,314,177
Infrastructure	14,142,689	1,118,914	-	15,261,603
	<u>\$ 18,257,643</u>	<u>\$ 1,658,451</u>	<u>\$ 239,424</u>	<u>\$ 19,676,670</u>
Total accumulated depreciation				
	<u>\$ 18,257,643</u>	<u>\$ 1,658,451</u>	<u>\$ 239,424</u>	<u>\$ 19,676,670</u>
Total capital assets depreciated, net	<u>\$ 41,066,443</u>	<u>\$ 949,568</u>	<u>\$ -</u>	<u>\$ 42,016,011</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 42,153,914</u>	<u>\$ 973,921</u>	<u>\$ 26,265</u>	<u>\$ 43,101,570</u>

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

General government	\$ 87,389
Public safety	180,513
Highways and streets, including depreciation of infrastructure assets	1,354,226
Human services	4,506
Health	1,777
Sanitation	29,530
Conservation of natural resources	510
	<u>                    </u>
Total Depreciation Expense	<u>\$ 1,658,451</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Fund	\$ 703
	Agency funds	370
Total due to General Fund		<u>\$ 1,073</u>
Road and Bridge Fund	General Fund	\$ 1,015
	Ditch Fund	106,326
	Environmental Fund	232
Total due to Road and Bridge Fund		<u>\$ 107,573</u>
Public Health Nurse Fund	General Fund	\$ 18
	Human Services Fund	8,823
Total due to Public Health Nurse Fund		<u>\$ 8,841</u>
Total Due To/From Other Funds		<u><u>\$ 117,487</u></u>

The outstanding balances between the 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.



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfer to General Fund from Human Services Fund	\$ 103,000	Payback of funds transferred for cash flow purposes
Transfer to Road and Bridge Fund from General Fund	15,000	Provide for payment of gravel pit acquisition
Transfer to Human Services Fund from General Fund	103,000	Provide funds for cash flow purposes
Transfer to Law Enforcement Capital Projects Fund From General Fund	20,947	To close out the Law Enforcement Capital Projects Fund
Total Transfers Between Funds	<u>\$ 241,947</u>	

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

	Governmental Activities
Accounts	\$ 265,248
Salaries	35,436
Contracts	132,968
Due to other governments	63,773
Total Payables	<u>\$ 497,425</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2007, for the County is as follows:

	Deferred Unavailable	Deferred Unearned
Taxes and special assessments	\$ 297,065	\$ -
State-aid highway allotments	136,255	-
Charges for services	131,290	-
Grants	21,614	43,054
Interest	6,420	-
Public safety expenditures	121,404	-
Total Deferred Revenue	<u>\$ 714,048</u>	<u>\$ 43,054</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Capital Lease

The County has entered into a lease agreement as lessee for financing the acquisition of certain equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. This capital lease consists of the following at December 31, 2007:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental activities 2006 dump trucks	2008	Yearly	\$ 107,071	<u>\$ 304,897</u>	<u>\$ 101,537</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2008	\$ 107,071
Less: amount representing interest	<u>(5,534)</u>
Present Value of Minimum Lease Payments	<u>\$ 101,537</u>

4. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2007</u>
General obligation bonds					
2005 G.O. Jail Bonds	2021	\$195,000 - \$325,000	3.99	<u>\$ 3,750,000</u>	\$ 3,555,000
Add: unamortized premium					<u>22,134</u>
Total General Obligation Bonds, net					<u>\$ 3,577,134</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2008	\$ 200,000	\$ 135,747
2009	205,000	128,404
2010	215,000	120,529
2011	220,000	112,372
2012	225,000	104,029
2013 - 2017	1,275,000	378,194
2018 - 2021	1,215,000	102,382
Total	<u>\$ 3,555,000</u>	<u>\$ 1,081,657</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 3,750,000	\$ -	\$ 195,000	\$ 3,555,000	\$ 200,000
Add: Unamortized premium	23,826	-	1,692	22,134	-
Total bonds payable	\$ 3,773,826	\$ -	\$ 196,692	\$ 3,577,134	\$ 200,000
Capital leases	197,826	-	96,289	101,537	101,537
Compensated absences	256,703	390,526	361,868	285,361	218,227
Long-Term Liabilities	<u>\$ 4,228,355</u>	<u>\$ 390,526</u>	<u>\$ 654,849</u>	<u>\$ 3,964,032</u>	<u>\$ 519,764</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by the state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008.

	<u>2007</u>	<u>2008</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Employees Retirement Fund	\$ 197,451	\$ 186,591	\$ 160,175
Public Employees Police and Fire Fund	34,975	33,369	27,905
Public Employees Correctional Fund	28,653	21,732	883

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

One Wilkin County Commissioner is covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 889	\$ 889
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. 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 Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risks, the County carries commercial insurance. The County retains risk for the deductible portions of the insurance policies. The amounts of these deductibles are considered immaterial to the financial statements. 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 \$400,000 per claim in 2007 and \$410,000 in 2008. 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.

B. Claims and Litigation

The County, in connection with the normal conduct of its affairs, may be involved in various claims, judgments, and litigation. The County Attorney identified no potential claims against the County that would materially affect the financial statements.

C. 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.



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

D. Joint Ventures

Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of withdrawal.

Control is vested in the West Central Board on Aging. The Board consists of one County Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

Complete financial statements for the Area Agency on Aging can be obtained from its administrative office, P. O. Box 726, Fergus Falls, Minnesota 56537.

Wilkin County Children's Collaborative

The Wilkin County Children's Collaborative was established in 1997, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Wilkin County; Wilkin County Family Service Agency; Wilkin County Public Health Nursing Service; Wilkin County Courts Services; Independent School District Nos. 846, 850, and 852; St. Mary School; St. Francis Medical Center/Hope Unit; and Clay-Wilkin Opportunity Council/Head Start. The purpose of the Collaborative is to provide coordinated family services and to commit resources to an integrated fund.

Control of the Wilkin County Children's Collaborative is vested in a Board of Directors, which is composed of one member appointed by each member party.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Wilkin County Children's Collaborative (Continued)

In the event of a withdrawal from the Wilkin County Children's Collaborative, the withdrawing party shall give a 90-day notice. The withdrawing party shall not be entitled to a refund of monies contributed to the Collaborative prior to the effective date of withdrawal. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Board's debts and liabilities, settling its affairs, and disposing of its remaining property.

Financing is provided by state grants and appropriations and contributions from its member parties. Wilkin County, in an agent capacity, reports the cash transactions of the Wilkin County Children's Collaborative as an agency fund on its financial statements. During 2007, the County did not contribute any funds to the Collaborative.

E. Jointly-Governed Organizations

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

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. §§ 103D.201-.231, effective June 17, 1963, and includes land within Becker, Clay, and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of five members having staggered terms of three years each, with three appointed by the Clay County Board, one appointed by the Becker County Board, and one appointed by the Wilkin County Board.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Western Area City/County Co-Op

Wilkin County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burden on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county.

District IV Transportation Planning

Wilkin County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2007, Wilkin County provided \$42,207 in the form of an appropriation.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

F. Related Organization

Bois De Sioux Watershed District

Wilkin County and the Bois De Sioux Watershed District entered into a joint powers agreement for the purpose of providing for the repair and maintenance of Wilkin County Ditch No. 8, which lies outside the present boundaries of the Bois De Sioux Watershed District, effective November 19, 1991, and authorized under Minn. Stat. § 103D.335, subds. 2 and 21.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 2,136,034	\$ 2,136,034	\$ 1,955,906	\$ (180,128)
Licenses and permits	9,965	9,965	9,520	(445)
Intergovernmental	322,588	322,588	637,877	315,289
Charges for services	284,920	284,920	458,282	173,362
Fines and forfeits	-	-	10,743	10,743
Investment earnings	135,000	135,000	219,503	84,503
Miscellaneous	28,000	28,000	89,494	61,494
<b>Total Revenues</b>	<b>\$ 2,916,507</b>	<b>\$ 2,916,507</b>	<b>\$ 3,381,325</b>	<b>\$ 464,818</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 132,159	\$ 132,159	\$ 132,199	\$ (40)
County auditor	256,731	256,731	265,637	(8,906)
County treasurer	180,537	180,537	185,620	(5,083)
County assessor	183,009	183,009	183,170	(161)
Elections	-	-	122	(122)
Accounting and auditing	33,000	33,000	50,193	(17,193)
Data processing	87,500	87,500	67,969	19,531
Attorney	169,608	169,608	166,218	3,390
Law library	-	-	14,935	(14,935)
Recorder	166,664	166,664	186,685	(20,021)
Planning and zoning	6,550	6,550	5,937	613
Buildings and plant	143,252	143,252	152,180	(8,928)
Veterans service officer	66,350	66,350	69,194	(2,844)
Unallocated	71,115	71,115	147,921	(76,806)
<b>Total general government</b>	<b>\$ 1,496,475</b>	<b>\$ 1,496,475</b>	<b>\$ 1,627,980</b>	<b>\$ (131,505)</b>
<b>Public safety</b>				
Sheriff	\$ 588,509	\$ 588,509	\$ 646,653	\$ (58,144)
Coroner	4,800	4,800	4,800	-
E-911 system	-	-	14,216	(14,216)
County jail	535,707	535,707	648,652	(112,945)
Probation and parole	60,600	60,600	78,363	(17,763)
Civil defense	12,569	12,569	36,732	(24,163)
<b>Total public safety</b>	<b>\$ 1,202,185</b>	<b>\$ 1,202,185</b>	<b>\$ 1,429,416</b>	<b>\$ (227,231)</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Health</b>				
Aging grant	\$ 1,700	\$ 1,700	\$ 932	\$ 768
Rural life outreach	3,000	3,000	3,000	-
<b>Total health</b>	<b>\$ 4,700</b>	<b>\$ 4,700</b>	<b>\$ 3,932</b>	<b>\$ 768</b>
<b>Culture and recreation</b>				
Historical society	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Regional library	42,207	42,207	42,207	-
Celebrations	400	400	400	-
Other	3,000	3,000	2,200	800
<b>Total culture and recreation</b>	<b>\$ 54,607</b>	<b>\$ 54,607</b>	<b>\$ 53,807</b>	<b>\$ 800</b>
<b>Conservation of natural resources</b>				
County extension	\$ 92,214	\$ 92,214	\$ 91,432	\$ 782
Soil and water conservation	54,500	54,500	54,500	-
Agricultural society/County fair	8,000	8,000	8,000	-
Weed control	9,448	9,448	9,062	386
Other conservation	178	178	36,356	(36,178)
<b>Total conservation of natural resources</b>	<b>\$ 164,340</b>	<b>\$ 164,340</b>	<b>\$ 199,350</b>	<b>\$ (35,010)</b>
<b>Economic development</b>				
Community development	\$ 800	\$ 800	\$ 800	\$ -
<b>Total Expenditures</b>	<b>\$ 2,923,107</b>	<b>\$ 2,923,107</b>	<b>\$ 3,315,285</b>	<b>\$ (392,178)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (6,600)</b>	<b>\$ (6,600)</b>	<b>\$ 66,040</b>	<b>\$ 72,640</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 103,000	\$ 103,000
Transfers out	-	-	(138,947)	(138,947)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (35,947)</b>	<b>\$ (35,947)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (6,600)</b>	<b>\$ (6,600)</b>	<b>\$ 30,093</b>	<b>\$ 36,693</b>
<b>Fund Balance - January 1</b>	<b>2,897,005</b>	<b>2,897,005</b>	<b>2,897,005</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,890,405</b>	<b>\$ 2,890,405</b>	<b>\$ 2,927,098</b>	<b>\$ 36,693</b>

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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 1,147,948	\$ 1,147,948	\$ 1,058,970	\$ (88,978)
Intergovernmental	3,599,352	3,599,352	4,637,286	1,037,934
Charges for services	255,400	255,400	597,121	341,721
Miscellaneous	42,000	42,000	86,260	44,260
<b>Total Revenues</b>	<b>\$ 5,044,700</b>	<b>\$ 5,044,700</b>	<b>\$ 6,379,637</b>	<b>\$ 1,334,937</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 254,898	\$ 254,898	\$ 248,651	\$ 6,247
Maintenance	944,568	944,568	906,395	38,173
Construction	2,702,982	2,702,982	2,548,929	154,053
Equipment maintenance and shop	943,131	943,131	894,838	48,293
Materials and services for resale	-	-	184,858	(184,858)
Federal disaster	-	-	-	-
Unallocated - highways and streets	214,121	214,121	269,033	(54,912)
<b>Total highways and streets</b>	<b>\$ 5,059,700</b>	<b>\$ 5,059,700</b>	<b>\$ 5,052,704</b>	<b>\$ 6,996</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	243,056	(243,056)
<b>Debt service</b>				
Principal	-	-	96,289	(96,289)
Interest	-	-	10,781	(10,781)
<b>Total Expenditures</b>	<b>\$ 5,059,700</b>	<b>\$ 5,059,700</b>	<b>\$ 5,402,830</b>	<b>\$ (343,130)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (15,000)</b>	<b>\$ (15,000)</b>	<b>\$ 976,807</b>	<b>\$ 991,807</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	15,000	15,000	15,000	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 991,807</b>	<b>\$ 991,807</b>
<b>Fund Balance - January 1</b>	<b>214,727</b>	<b>214,727</b>	<b>214,727</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(44,894)</b>	<b>(44,894)</b>
<b>Fund Balance - December 31</b>	<b>\$ 214,727</b>	<b>\$ 214,727</b>	<b>\$ 1,161,640</b>	<b>\$ 946,913</b>

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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 3**

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,283,758	\$ 1,283,758	\$ 1,171,180	\$ (112,578)
Intergovernmental	1,104,869	1,104,869	1,273,626	168,757
Charges for services	106,153	106,153	110,958	4,805
Fines and forfeits	-	-	4,847	4,847
Miscellaneous	141,675	141,675	109,731	(31,944)
<b>Total Revenues</b>	<b>\$ 2,636,455</b>	<b>\$ 2,636,455</b>	<b>\$ 2,670,342</b>	<b>\$ 33,887</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 608,631	\$ 608,631	\$ 513,026	\$ 95,605
Social services	2,027,824	2,027,824	1,799,074	228,750
<b>Total Expenditures</b>	<b>\$ 2,636,455</b>	<b>\$ 2,636,455</b>	<b>\$ 2,312,100</b>	<b>\$ 324,355</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 358,242</b>	<b>\$ 358,242</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 103,000	\$ 103,000
Transfers out	-	-	(103,000)	(103,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 358,242</b>	<b>\$ 358,242</b>
<b>Fund Balance - January 1</b>	<b>324,605</b>	<b>324,605</b>	<b>324,605</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 324,605</b>	<b>\$ 324,605</b>	<b>\$ 682,847</b>	<b>\$ 358,242</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch and Gravel Tax Reserve Special Revenue Funds and the Law Enforcement Capital Projects 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 Wilkin County Auditor 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. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments, except in the Public Health Nurse Special Revenue Fund.

Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

**2. Excess of Expenditures Over Appropriations**

The following is a summary of certain individual funds which had expenditures in excess of budgeted expenditures for the year ended December 31, 2007.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 3,315,285	\$ 2,923,107	\$ 392,178
Road and Bridge Special Revenue Fund	5,402,830	5,059,700	343,130

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## **SUPPLEMENTARY INFORMATION**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Environmental Fund - to account for the financial transactions of providing environmental services. Financing is provided by special assessments, charges for services, and intergovernmental revenues designated for environmental purposes.

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

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

DEBT SERVICE FUND

Courthouse Improvement - to account for accumulation of resources and payment of principal and interest of the general obligation jail bonds.

CAPITAL PROJECTS FUND

Law Enforcement - to account for financial resources to be used for the construction of the Law Enforcement Center. This fund was closed in 2007.

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Statement A-1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<b>Special Revenue (Statement B-1)</b>	<b>Courthouse Improvement Debt Service</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 580,616	\$ 94,354	\$ 674,970
Petty cash and change funds	5,000	-	5,000
Undistributed cash in agency funds	5,223	5,431	10,654
Taxes receivable			
Current	1,731	2,844	4,575
Prior	1,092	498	1,590
Accounts receivable	129,440	-	129,440
Due from other funds	8,841	-	8,841
Due from other governments	66,222	-	66,222
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 798,165</b>	<b>\$ 103,127</b>	<b>\$ 901,292</b>
	<hr/>	<hr/>	<hr/>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 13,068	\$ -	\$ 13,068
Salaries payable	3,308	-	3,308
Due to other funds	232	-	232
Due to other governments	5,157	-	5,157
Deferred revenue - unavailable	94,183	2,042	96,225
Deferred revenue - unearned	43,054	-	43,054
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 159,002</b>	<b>\$ 2,042</b>	<b>\$ 161,044</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
Reserved for gravel pit restoration	\$ 12,422	\$ -	\$ 12,422
Unreserved			
Designated for debt service	-	101,085	101,085
Undesignated	626,741	-	626,741
	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>\$ 639,163</b>	<b>\$ 101,085</b>	<b>\$ 740,248</b>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 798,165</b>	<b>\$ 103,127</b>	<b>\$ 901,292</b>
	<hr/>	<hr/>	<hr/>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Statement A-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Special Revenue (Statement B-2)</u>	<u>Courthouse Improvement Debt Service</u>	<u>Law Enforcement Capital Projects</u>	<u>Total (Exhibit 5)</u>
<b>Revenues</b>				
Taxes	\$ 218,547	\$ 353,771	\$ -	\$ 572,318
Licenses and permits	3,750	-	-	3,750
Intergovernmental	395,854	76,564	-	472,418
Charges for services	365,963	-	-	365,963
Gifts and contributions	2,077	-	-	2,077
Miscellaneous	258,188	-	71,196	329,384
<b>Total Revenues</b>	<u><b>\$ 1,244,379</b></u>	<u><b>\$ 430,335</b></u>	<u><b>\$ 71,196</b></u>	<u><b>\$ 1,745,910</b></u>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	\$ 339,387	\$ -	\$ -	\$ 339,387
Health	729,328	-	-	729,328
Conservation of natural resources	13,283	-	-	13,283
<b>Debt service</b>				
Principal	-	195,000	-	195,000
Interest	-	142,660	-	142,660
Administrative - fiscal charges	-	403	-	403
<b>Total Expenditures</b>	<u><b>\$ 1,081,998</b></u>	<u><b>\$ 338,063</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,420,061</b></u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 162,381</b>	<b>\$ 92,272</b>	<b>\$ 71,196</b>	<b>\$ 325,849</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	20,947	20,947
<b>Net Change in Fund Balance</b>	<b>\$ 162,381</b>	<b>\$ 92,272</b>	<b>\$ 92,143</b>	<b>\$ 346,796</b>
<b>Fund Balance - January 1</b>	<u><b>476,782</b></u>	<u><b>8,813</b></u>	<u><b>(92,143)</b></u>	<u><b>393,452</b></u>
<b>Fund Balance - December 31</b>	<u><b>\$ 639,163</b></u>	<u><b>\$ 101,085</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 740,248</b></u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Statement B-1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2007**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Statement A-1)</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 277,374	\$ 12,160	\$ 291,082	\$ 580,616
Petty cash and change funds	5,000	-	-	5,000
Undistributed cash in agency funds	1,940	-	3,283	5,223
Taxes receivable				
Current	17	-	1,714	1,731
Prior	25	-	1,067	1,092
Accounts receivable	15,254	262	113,924	129,440
Due from other funds	-	-	8,841	8,841
Due from other governments	-	-	66,222	66,222
	<u>-</u>	<u>-</u>	<u>66,222</u>	<u>66,222</u>
<b>Total Assets</b>	<b><u>\$ 299,610</u></b>	<b><u>\$ 12,422</u></b>	<b><u>\$ 486,133</u></b>	<b><u>\$ 798,165</u></b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 5,166	\$ -	\$ 7,902	\$ 13,068
Salaries payable	-	-	3,308	3,308
Due to other funds	232	-	-	232
Due to other governments	5,157	-	-	5,157
Deferred revenue - unavailable	5,733	-	88,450	94,183
Deferred revenue - unearned	43,054	-	-	43,054
	<u>43,054</u>	<u>-</u>	<u>-</u>	<u>43,054</u>
<b>Total Liabilities</b>	<b><u>\$ 59,342</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 99,660</u></b>	<b><u>\$ 159,002</u></b>
<b>Fund Balances</b>				
Reserved for gravel pit restoration	\$ -	\$ 12,422	\$ -	\$ 12,422
Unreserved				
Undesignated	240,268	-	386,473	626,741
	<u>240,268</u>	<u>-</u>	<u>386,473</u>	<u>626,741</u>
<b>Total Fund Balances</b>	<b><u>\$ 240,268</u></b>	<b><u>\$ 12,422</u></b>	<b><u>\$ 386,473</u></b>	<b><u>\$ 639,163</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 299,610</u></b>	<b><u>\$ 12,422</u></b>	<b><u>\$ 486,133</u></b>	<b><u>\$ 798,165</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Statement B-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Statement A-2)</u>
<b>Revenues</b>				
Taxes	\$ 2,644	\$ 1,852	\$ 214,051	\$ 218,547
Licenses and permits	3,750	-	-	3,750
Intergovernmental	95,871	-	299,983	395,854
Charges for services	96,524	-	269,439	365,963
Gifts and contributions	-	-	2,077	2,077
Miscellaneous	249,799	-	8,389	258,188
<b>Total Revenues</b>	<b><u>\$ 448,588</u></b>	<b><u>\$ 1,852</u></b>	<b><u>\$ 793,939</u></b>	<b><u>\$ 1,244,379</u></b>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	\$ 339,387	\$ -	\$ -	\$ 339,387
Health	-	-	729,328	729,328
Conservation of natural resources	5,216	8,067	-	13,283
<b>Total Expenditures</b>	<b><u>\$ 344,603</u></b>	<b><u>\$ 8,067</u></b>	<b><u>\$ 729,328</u></b>	<b><u>\$ 1,081,998</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 103,985</u></b>	<b><u>\$ (6,215)</u></b>	<b><u>\$ 64,611</u></b>	<b><u>\$ 162,381</u></b>
<b>Fund Balance - January 1</b>	<b><u>136,283</u></b>	<b><u>18,637</u></b>	<b><u>321,862</u></b>	<b><u>476,782</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$ 240,268</u></b>	<b><u>\$ 12,422</u></b>	<b><u>\$ 386,473</u></b>	<b><u>\$ 639,163</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
ENVIRONMENTAL SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 2,253	\$ 2,253	\$ 2,644	\$ 391
Licenses and permits	1,000	1,000	3,750	2,750
Intergovernmental	83,247	83,247	95,871	12,624
Charges for services	90,500	90,500	96,524	6,024
Miscellaneous	180,000	180,000	249,799	69,799
<b>Total Revenues</b>	<b>\$ 357,000</b>	<b>\$ 357,000</b>	<b>\$ 448,588</b>	<b>\$ 91,588</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 201,650	\$ 201,650	\$ 189,278	\$ 12,372
Recycling	157,250	157,250	150,109	7,141
<b>Total sanitation</b>	<b>\$ 358,900</b>	<b>\$ 358,900</b>	<b>\$ 339,387</b>	<b>\$ 19,513</b>
<b>Conservation of natural resources</b>				
Water planning	5,000	5,000	5,216	(216)
<b>Total Expenditures</b>	<b>\$ 363,900</b>	<b>\$ 363,900</b>	<b>\$ 344,603</b>	<b>\$ 19,297</b>
<b>Net Change in Fund Balance</b>	<b>\$ (6,900)</b>	<b>\$ (6,900)</b>	<b>\$ 103,985</b>	<b>\$ 110,885</b>
<b>Fund Balance - January 1</b>	<b>136,283</b>	<b>136,283</b>	<b>136,283</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 129,383</b>	<b>\$ 129,383</b>	<b>\$ 240,268</b>	<b>\$ 110,885</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 234,263	\$ 234,263	\$ 214,051	\$ (20,212)
Intergovernmental	25,472	230,970	299,983	69,013
Charges for services	235,442	231,871	269,439	37,568
Gifts and contributions	-	-	2,077	2,077
Miscellaneous	-	4,650	8,389	3,739
	<u>-</u>	<u>4,650</u>	<u>8,389</u>	<u>3,739</u>
<b>Total Revenues</b>	<b>\$ 495,177</b>	<b>\$ 701,754</b>	<b>\$ 793,939</b>	<b>\$ 92,185</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	<u>495,177</u>	<u>701,754</u>	<u>729,328</u>	<u>(27,574)</u>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 64,611</b>	<b>\$ 64,611</b>
<b>Fund Balance - January 1</b>	<b><u>321,862</u></b>	<b><u>321,862</u></b>	<b><u>321,862</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$ 321,862</u></b>	<b><u>\$ 321,862</u></b>	<b><u>\$ 386,473</u></b>	<b><u>\$ 64,611</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 6**

**BUDGETARY COMPARISON SCHEDULE  
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 388,949	\$ 388,949	\$ 353,771	\$ (35,178)
Intergovernmental	42,283	42,283	76,564	34,281
<b>Total Revenues</b>	<b>\$ 431,232</b>	<b>\$ 431,232</b>	<b>\$ 430,335</b>	<b>\$ (897)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 268,037	\$ 268,037	\$ 195,000	\$ 73,037
Interest	142,660	142,660	142,660	-
Administrative (fiscal) charges	20,535	20,535	403	20,132
<b>Total Expenditures</b>	<b>\$ 431,232</b>	<b>\$ 431,232</b>	<b>\$ 338,063</b>	<b>\$ 93,169</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,272</b>	<b>\$ 92,272</b>
<b>Fund Balance - January 1</b>	<b>8,813</b>	<b>8,813</b>	<b>8,813</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 8,813</b>	<b>\$ 8,813</b>	<b>\$ 101,085</b>	<b>\$ 92,272</b>

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## **FIDUCIARY FUNDS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Statement C-1**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>CHILDREN'S COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 69,358	\$ 29,231	\$ 41,900	\$ 56,689
Due from other governments	-	5,595	2,892	2,703
<b>Total Assets</b>	<b>\$ 69,358</b>	<b>\$ 34,826</b>	<b>\$ 44,792</b>	<b>\$ 59,392</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 69,358</b>	<b>\$ 34,826</b>	<b>\$ 44,792</b>	<b>\$ 59,392</b>
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 17,437</b>	<b>\$ 470,777</b>	<b>\$ 475,886</b>	<b>\$ 12,328</b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ -	\$ 4,975	\$ 4,605	\$ 370
Due to other governments	17,437	465,802	471,281	11,958
<b>Total Liabilities</b>	<b>\$ 17,437</b>	<b>\$ 470,777</b>	<b>\$ 475,886</b>	<b>\$ 12,328</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Statement C-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 64,597	\$ 2,619,965	\$ 2,614,634	\$ 69,928
<b><u>Liabilities</u></b>				
Due to other governments	\$ 56,472	\$ 2,605,805	\$ 2,606,509	\$ 55,768
Funds held in trust	8,125	14,160	8,125	14,160
<b>Total Liabilities</b>	<b>\$ 64,597</b>	<b>\$ 2,619,965</b>	<b>\$ 2,614,634</b>	<b>\$ 69,928</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 151,392	\$ 3,119,973	\$ 3,132,420	\$ 138,945
Due from other governments	-	5,595	2,892	2,703
<b>Total Assets</b>	<b>\$ 151,392</b>	<b>\$ 3,125,568</b>	<b>\$ 3,135,312</b>	<b>\$ 141,648</b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ -	\$ 4,975	\$ 4,605	\$ 370
Due to other governments	143,267	3,106,433	3,122,582	127,118
Funds held in trust	8,125	14,160	8,125	14,160
<b>Total Liabilities</b>	<b>\$ 151,392</b>	<b>\$ 3,125,568</b>	<b>\$ 3,135,312</b>	<b>\$ 141,648</b>

## **OTHER SCHEDULES**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 7**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
<b>Cash and Pooled Investments</b>				
Interest-bearing checking	Two	Various	Continuous	\$ 245,331
Certificates of deposit	Five	2.41 to 5.01	January 24, 2008 to July 10, 2009	212,830
Money market savings	Two	Variable	Continuous	1,623,372
Brokerage certificate of deposit	Eleven	4.60 to 5.25	February 13, 2008 to December 20, 2012	952,305
Minnesota Association of Governments Investing for Counties Fund		Variable	Continuous	974,365
Federal National Mortgage Association		5.00	December 12, 2017	350,984
Federal Home Loan Mortgage Corporation		5.00	September 15, 2013	100,072
Federal Home Loan Bank	Five	4.00 to 5.00	July 29, 2008 to July 16, 2013	850,065
<b>Total Cash and Pooled Investments</b>				<b><u>\$ 5,309,324</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2007**

	Assets				
	Cash	Undistributed Cash	Special Assessments Receivable		
			Current	Delinquent	Deferred
<b>County Ditches</b>					
1A	\$ 4,397	\$ 38	\$ 117	\$ -	\$ -
1B	1,429	-	-	-	10,000
1C	5,538	279	-	-	10,000
2	6,932	5	46	-	-
3	11,250	288	109	77	20,001
4	10,132	397	-	-	60,001
6	7,812	-	-	-	20,002
7	5,086	798	250	-	5,001
12	1,502	283	59	-	10,000
15	3,596	317	-	-	5,000
23	6,807	106	318	-	-
27	4,330	-	-	-	10,001
28	4,821	-	-	-	-
29	5,501	-	-	-	-
31	12,759	110	27	49	10,000
34	4,536	-	-	-	-
37	11,328	83	-	-	-
<b>Bois De Sioux Watershed</b>					
9	-	-	1	-	2,801
10	-	7	7	-	-
18	-	1	-	-	2,100
25	-	-	-	-	3,300
35	-	-	-	-	2,600
39	-	240	-	-	6,400
<b>Buffalo-Red River Watershed</b>					
5	-	24	1	-	-
13	-	193	13	-	-
13 lateral	-	744	278	310	25,000
22	-	190	37	-	10,002
26	-	193	1	3	1,500
40	-	48	3	-	9,763
41	-	115	30	22	-
43	-	31	96	111	-
44	-	15	478	-	3,929
<b>Joint Ditches</b>					
County					
J-2	29,019	-	-	-	-
Bois De Sioux Watershed					
J-3	-	17	14	-	-
J-6	-	-	-	-	4,248
J-7	-	-	-	2	2,534
J-11	-	62	-	1	5,454
J-12	-	-	-	-	5,159
Buffalo-Red River Watershed					
Clay 34	-	132	-	-	-
J-1	-	240	82	4	5,250
<b>Total</b>	<b>\$ 136,775</b>	<b>\$ 4,956</b>	<b>\$ 1,967</b>	<b>\$ 579</b>	<b>\$ 250,046</b>



**Schedule 8**

Liabilities							Total Liabilities and Fund Balances
Total	Due to Other Funds	Due to Other Governments	Deferred Revenue	Total	Fund Balances		
\$ 4,552	\$ 534	\$ -	\$ -	\$ 534	\$ 4,018	\$	4,552
11,429	2,078	-	10,000	12,078	(649)		11,429
15,817	7,765	-	10,000	17,765	(1,948)		15,817
6,983	-	-	46	46	6,937		6,983
31,725	19,909	-	20,155	40,064	(8,339)		31,725
70,530	55,694	-	60,001	115,695	(45,165)		70,530
27,814	6,264	-	20,002	26,266	1,548		27,814
11,135	2,171	-	5,001	7,172	3,963		11,135
11,844	3,517	-	10,000	13,517	(1,673)		11,844
8,913	2,949	-	5,000	7,949	964		8,913
7,231	1,843	-	-	1,843	5,388		7,231
14,331	-	-	10,001	10,001	4,330		14,331
4,821	-	-	-	-	4,821		4,821
5,501	-	-	-	-	5,501		5,501
22,945	940	-	10,076	11,016	11,929		22,945
4,536	-	-	-	-	4,536		4,536
11,411	-	-	-	-	11,411		11,411
2,802	-	-	2,801	2,801	1		2,802
14	-	7	4	11	3		14
2,101	-	1	2,100	2,101	-		2,101
3,300	-	-	3,300	3,300	-		3,300
2,600	-	-	2,600	2,600	-		2,600
6,640	-	240	6,400	6,640	-		6,640
25	-	24	-	24	1		25
206	-	193	-	193	13		206
26,332	-	744	25,541	26,285	47		26,332
10,229	-	190	10,039	10,229	-		10,229
1,697	-	193	1,504	1,697	-		1,697
9,814	-	48	9,766	9,814	-		9,814
167	-	115	-	115	52		167
238	-	31	-	31	207		238
4,422	-	15	3,929	3,944	478		4,422
29,019	2,662	-	-	2,662	26,357		29,019
31	-	17	3	20	11		31
4,248	-	-	4,248	4,248	-		4,248
2,536	-	-	2,536	2,536	-		2,536
5,517	-	62	5,454	5,516	1		5,517
5,159	-	-	5,159	5,159	-		5,159
132	-	131	-	131	1		132
5,576	-	240	5,250	5,490	86		5,576
<b>\$ 394,323</b>	<b>\$ 106,326</b>	<b>\$ 2,251</b>	<b>\$ 250,916</b>	<b>\$ 359,493</b>	<b>\$ 34,830</b>		<b>\$ 394,323</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 9**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b><u>Governmental Funds</u></b>
<b>Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 3,087,379
County program aid	561,616
PERA rate reimbursement	14,876
Disparity reduction credit	11,957
Police aid	33,369
Market value credit	400,367
Market value credit - MH	3,151
Disparity reduction aid	10,353
Border cities reimbursement	2,195
	<hr/>
<b>Total Shared Revenue</b>	<b>\$ 4,125,263</b>
	<hr/>
<b>Reimbursement for Services</b>	
<b>State</b>	
Minnesota Department of Human Services	\$ 489,772
	<hr/>
<b>Payments</b>	
<b>Local</b>	
Payments in lieu of taxes	\$ 27,292
	<hr/>
<b>Grants</b>	
<b>State</b>	
Minnesota Department/Board of	
Corrections	\$ 12,244
Public Safety	128,446
Health	45,392
Natural Resources	94,596
Human Services	379,960
Veterans Affairs	4,400
Water and Soil Resources	42,939
Peace Officer Standards and Training Board	2,412
Office of Environmental Assistance	52,039
	<hr/>
<b>Total State</b>	<b>\$ 762,428</b>
	<hr/>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 9  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Governmental Funds</b>
<b>Grants (Continued)</b>	
<b>Federal</b>	
Department of	
Transportation	\$ 1,203,914
Health and Human Services	338,870
Agriculture	42,465
Justice	180
Homeland Security	31,023
	<hr/>
<b>Total Federal</b>	<b><u>\$ 1,616,452</u></b>
<b>Total State and Federal Grants</b>	<b><u>\$ 2,378,880</u></b>
<b>Total Intergovernmental Revenue</b>	<b><u><u>\$ 7,021,207</u></u></b>

Revenues on this schedule differ from expenditures on the Schedule of Federal Awards due to timing differences in revenue recognition under the modified accrual basis of accounting. Individual grants affected are:

Special Supplemental Nutrition Program for Women, Infants, and Children	CFDA #10.557	\$ (8,000)
Help America Vote Act	CFDA #90.401	1,415
Centers for Disease Control and Prevention - Investigations and Technical Assistance	CFDA #93.283	2,479
		<hr/>
<b>Total</b>		<b><u><u>\$ (4,106)</u></u></b>

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 10**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the basic financial statements of Wilkin County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Wilkin County and are reported in the "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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Wilkin County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Wilkin County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
  - Highway Planning and Construction
  - CFDA #20.205
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wilkin County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-4 Segregation of Duties

Due to the limited number of personnel within several Wilkin County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Wilkin County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

Without proper segregation of duties, errors or irregularities may not be detected timely.

We recommend that Wilkin County's management be aware of the absence of segregation of duties within the accounting functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

Client's Response:

*The County is aware of this issue and has assumed the risk. Total compliance is not economically feasible for Wilkin County.*

06-1 Preparation of Financial Statements

Wilkin County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Wilkin County has established controls and procedures for recording, processing, and summarizing its accounting data used in the preparation of its financial statements.



As is the case with many small and medium-sized entities, however, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the government lacks internal controls over the preparation and reporting of financial information in accordance with GAAP.

We recommend Wilkin County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Wilkin County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, the County must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the County's financial statements, including notes. As an alternative, the County could consider hiring an outside consultant to assist in preparing its basic financial statements.

Client's Response:

*The County will continue to consider having a consultant assist in this area.*

ITEM ARISING THIS YEAR

07-1 Audit Adjustments

A control deficiency 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 misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our review of the Public Health Nurse Accounts Receivable Aging Register for the period ending December 31, 2007, we noted that the report contained several receivable amounts listed on the prior year report. The Public Health Nurse Accountant has subsequently reviewed the Accounts Receivable Aging Register and found it includes charges for services dating back to 1994. Receivables for services included on the Accounts Receivable Aging Register for services from 1994 through 2007 deemed uncollectible amount to \$42,361. An audit adjustment made to the Public Health Special Revenue Fund for an allowance for uncollectible accounts in the amount of \$42,361 is reflected in the financial statements. During the 2005 audit, we noted the same type of situation in which the Public Health Nurse Accounts Receivable Aging Register contained several receivable amounts listed on the prior year report resulting in the County writing off the old receivables. It is unknown why the Public Health Nurse Accounts Receivable Aging Register for the period ending December 31, 2007, contained some receivables dating back to 1994, since old uncollectible receivables were written off as a result of the 2005 audit.

An adjustment was made to the Environmental Special Revenue Fund in the amount of \$43,054 to defer a Natural Resource Block Grant received in 2007 which was not earned until 2008.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County Public Health Nurse Department review the Accounts Receivable Aging Register to determine if previously approved write-offs were properly removed from the system. Any uncollectible receivables not previously approved for write-off should be presented to the County Board for approval. We recommend the County establish policies and procedures for reviewing the Accounts Receivable Agency Register to ensure amounts uncollectible are written off timely and the balance in the register is correctly stated so receivables are reported in accordance with GAAP in the County's annual financial statements. We further recommend the County establish procedures for monitoring and reporting advance payments of grants to ensure the revenue is reported in the correct year.

Client's Response:

*Public Health presented the aging receivables to the Commission and they were charged off on November 10. The County began to establish procedures and monitoring.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Audit Adjustments (06-2)**

Material adjustments were made in the Road and Bridge Special Revenue Fund to increase receivables by \$106,750 for state-aid highway project allotments, offset the additional receivables at the fund level with deferred revenue of \$40,876, and adjust deferred unearned revenue of \$282,758 for advances the County had received on future allotments.

**Resolution**

The Highway Accountant prepared the necessary working papers to determine the correct receivables, revenues, and deferred revenue amounts for state-aid highway allotment amounts for 2007.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

**A. MINNESOTA LEGAL COMPLIANCE**

**ITEMS ARISING THIS YEAR**

**07-2 Final Payment on Contract**

On May 8, 2007, the Wilkin County Board approved the final contract payment in the amount of \$100,000 to Comstock Construction for the \$4,731,000 Jail and Law Enforcement Center project. This final payment was made without obtaining an IC-134 Form or a Minnesota Department of Revenue Withholding Affidavit Confirmation online printout from the general contractor or any of the subcontractors.

Minn. Stat. § 270C.66 provides that a governmental subdivision shall not make final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor and by subcontractors until the contractor and subcontractors have satisfactorily shown the County that the contractor and subcontractors have complied with the withholding requirements of Minn. Stat. § 290.92. Documentation can be either the IC-134 Form or a Contractor's Withholding Affidavit Confirmation from the Minnesota Department of Revenue.

We recommend, for all applicable future contracts, the County obtain proper documentation that the contractor and subcontractors have complied with the withholding requirements of Minn. Stat. § 290.92 prior to making the final payment to a contractor.

Client's Response:

*The County will be more mindful of this requirement for future contracts.*

07-3

Forfeited Land Sale Distribution

Wilkin County has not distributed the net collections on forfeited land sales for 2003, 2004, 2005, and 2007. The net cash balance from forfeited land sales at December 31, 2007, was \$54,215. Revenues from forfeited land sales and other activities in 2007 account for \$37,740 of that balance.

Minn. Stat. § 282.09 provides that the County Auditor shall make an annual settlement of the net proceeds received on the settlement day determined in Minn. Stat. § 276.09 for the preceding calendar year. Minn. Stat. § 276.09 lists the settlement date as being May 20.

We recommend that Wilkin County settle the net proceeds from 2007 and prior along with their October 2008 settlement. In addition, we recommend Wilkin County comply with provisions of Minn. Stat. §§ 282.09 and 276.09 on all future forfeited land sales.

Client's Response:

*The County will settle the tax forfeited funds with the year end settlement for 2008, as time did not allow same with October or November settlements. This procedure will be added to the auditor's checklist for the forfeitures.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Credit Card Policy (01-2)**

The County does not have a credit card policy.

**Resolution**

On June 12, 2007, the County Board approved a formal credit card policy.

**B. OTHER ITEM FOR CONSIDERATION**

**Other Postemployment Benefits (OPEB)**

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

This year, the legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both irrevocable and revocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both irrevocable and revocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Some of the issues that the Wilkin County Board will need to address in order to comply with the statement are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the Wilkin County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the Wilkin County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the Wilkin County Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, the Wilkin County Board will have to decide whether to establish an irrevocable or a revocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the Wilkin County Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to Wilkin County for the year ended December 31, 2009.



REBECCA OTTO  
STATE AUDITOR

## STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### **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  
Wilkin County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wilkin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-4, 06-1, and 07-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Wilkin County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Wilkin County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 07-2 and 07-3.



Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to Wilkin County, and it is reported for that purpose.

Wilkin County's written responses to the significant deficiencies and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Wilkin County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 26, 2008

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Wilkin County

#### Compliance

We have audited the compliance of Wilkin County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. Wilkin County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wilkin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Wilkin County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

#### Internal Control Over Compliance

The management of Wilkin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Wilkin County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 26, 2008. Our audit was performed for the purpose of forming opinions on Wilkin County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 26, 2008

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 11**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 32,707
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for Food Stamp Program	10.561	1,758
<b>Total U.S. Department of Agriculture</b>		<b>\$ 34,465</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety		
Enforcing Underage Drinking Laws Program	16.727	<b>\$ 180</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.505	\$ 1,177,224
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	23,369
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	3,321
<b>Total U.S. Department of Transportation</b>		<b>\$ 1,203,914</b>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State		
Help America Vote Act	90.401	<b>\$ 1,415</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health and West Central Area Agency on Aging		
Title III-B Special Programs for the Aging	93.044	\$ 13,750
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	25,879
Temporary Assistance for Needy Families (TANF)	93.558	4,996
Maternal and Child Health Services Block Grant	93.994	10,500
Passed Through Minnesota Department of Health		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	1,000

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 11  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	8,451
Temporary Assistance for Needy Families (TANF)	93.558	62,997
Family Support Payments to State Assistance Program	93.560	24
Child Care Mandatory and Matching Funds	93.596	43,573
Foster Care Title IV-E	93.658	12,437
Social Services Block Grant Title XX	93.667	60,314
Chafee Foster Care Independent Living	93.674	1,259
Community Mental Health Block Grant	93.958	1,736
Direct		
Drug-Free Communities Support	93.276	94,433
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 341,349</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 25,694
Homeland Security Grant Program	97.067	5,329
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 31,023</b>
<b>Total Federal Awards</b>		<b>\$ 1,612,346</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Wilkin County.  
The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.