

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

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.

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Year Ended December 31, 2011



**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, 2011**

Office	Name	Term Expires
Commissioners		
1st District	John Blaufuss	January 2013
2nd District	Stephanie Miranowski	January 2015
3rd District	Lyle Hovland	January 2013
4th District	Neal Folstad ¹	January 2015
5th District	Robert Perry	January 2013
Officials		
Elected		
Attorney	Timothy Fox	January 2015
Auditor	Wayne Bezenek	January 2015
County Recorder	Renae Niemi	January 2015
Registrar of Titles	Renae Niemi	January 2015
Sheriff	Thomas Matejka	January 2015 ²
Treasurer	Rose Ann Hulne	January 2015
Appointed		
Assessor	Cheryl Wall	July 2013
Highway Engineer	Tom Richels	August 2012 ³
Medical Examiner	Dr. Gregory A. Smith	August 2012
Veterans Service Officer	Ron Verhaagen	November 2013
Family Services Director	Dave Sayler	Indefinite
Emergency Management Officer	Breanna Koval	Indefinite

¹Chair

²Tom Matejka retired at the end of his term. Rick Fiedler was elected as the new County Sheriff.

³Tom Richels has a Phased Retirement Agreement with the County, which expires on August 31, 2012.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 December 31, 2011, 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.

As discussed in Note 1.D.8., Wilkin County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilkin County's basic financial statements as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2012, 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, 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 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

September 13, 2012

/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, 2011
(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, 2011. 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, 2011, by \$49,227,421. Of this amount, \$7,779,397 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2011, Wilkin County's governmental funds reported combined ending fund balances of \$7,891,120, an increase of \$1,279,527 in comparison with 2010. Of this balance amount, \$6,353,886 was unrestricted by Wilkin County and thus available for spending at the government's discretion.

At the end of 2011, unrestricted fund balance of the General Fund was \$2,560,188, or 71 percent, of the total General Fund expenditures for that year.

The County had general obligation bonds in the amount of \$2,715,000 at the end of 2011.

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 (for example: 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, 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, intergovernmental revenues, and expenditures of federal awards.

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 \$49,227,421 at the close of 2011. The largest portion of the County’s net assets (79 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	
	2011	2010
Current and other assets	\$ 11,254,720	\$ 10,290,883
Capital assets	41,743,173	41,781,602
Total Assets	\$ 52,997,893	\$ 52,072,485
Long-term liabilities	\$ 3,111,103	\$ 3,433,358
Other liabilities	659,369	737,805
Total Liabilities	\$ 3,770,472	\$ 4,171,163

	2011	2010
Increase in Net Assets	\$ 1,326,099	\$ 932,194
Net Assets - January 1	47,901,322	46,969,128
Net Assets - December 31	\$ 49,227,421	\$ 47,901,322

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 \$7,891,120, an increase of \$1,279,527 in comparison with the prior year. Of the ending fund balance, \$6,353,886 represents unrestricted fund balance, which is available for spending at the County's discretion. The remainder of fund balance is nonspendable or restricted to indicate that it is not available for new spending 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 unrestricted fund balance of \$2,560,188. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 71 percent of total General Fund expenditures. In 2011, ending fund balance in the General Fund increased by \$557,439 due to a large transfer from the Human Services Special Revenue Fund.

The Road and Bridge Special Revenue Fund's unrestricted fund balance of \$1,162,136 at year-end represents 21 percent of expenditures. Fund balance increased \$89,466 due to excess revenues over expenditures of \$126,077 and a decline in inventory of \$36,611.

The Human Services Special Revenue Fund's unrestricted fund balance of \$1,729,983 at year-end represents 79 percent of the fund's annual expenditures. Fund balance decreased \$122,630 during 2011 due to a large transfer to the General Fund.

General Fund Budgetary Highlights

The Wilkin County Board of Commissioners did not make any significant budgetary amendments/revisions in 2011.

Actual revenues were greater than budgeted revenues by \$92,807, primarily due to intergovernmental transactions.

Actual expenditures are greater than budgeted expenditures by \$253,090, due to expenditures for public safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2011, totaled \$41,743,173 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

	Governmental Capital Assets (Net of Depreciation)	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,042,274	\$ 1,042,274
Infrastructure	33,497,384	33,428,870
Buildings	5,681,826	5,828,731
Improvements other than buildings	39,781	44,300
Machinery and equipment	1,414,548	1,391,702
Construction in progress	<u>67,360</u>	<u>45,725</u>
Total	<u>\$ 41,743,173</u>	<u>\$ 41,781,602</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had a total outstanding debt of \$2,715,000.

	<u>2011</u>	<u>2010</u>
General Obligation Bonds	<u>\$ 2,715,000</u>	<u>\$ 2,935,000</u>

The County debt related to general obligation bonds decreased by \$220,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for Wilkin County at the end of 2011 was 4.9 percent. This compares favorably with the state unemployment rate of 5.7 percent and shows a decrease from the 5.4 percent rate of one year ago.

By the end of 2011, Wilkin County approved its balanced 2012 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, 2011**

Assets

Cash and pooled investments	\$	7,274,129
Taxes receivable		
Current - net		44,834
Prior - net		31,741
Special assessments receivable		
Current - net		82,543
Prior - net		40
Deferred - net		931,846
Accounts receivable - net		100,127
Accrued interest receivable		9,206
Due from other governments		2,491,886
Inventories		249,576
Deferred charges		38,792
Capital assets		
Non-depreciable		1,109,634
Depreciable - net of accumulated depreciation		40,633,539
		52,997,893
Total Assets	\$	52,997,893

Liabilities

Accounts payable	\$	259,660
Salaries payable		16,750
Contracts payable		260,142
Due to other governments		49,210
Accrued interest payable		45,103
Unearned revenue		28,504
Long-term liabilities		
Due within one year		496,146
Due in more than one year		2,614,957
		3,770,472
Total Liabilities	\$	3,770,472

Net Assets

Invested in capital assets - net of related debt	\$	38,966,234
Restricted for		
General government		144,099
Public safety		372,901
Highways and streets		1,416,421
Conservation of natural resources		309,238
Economic development		100,000
Debt service		135,527
Held in trust for other purposes		3,604
Unrestricted		7,779,397
		49,227,421
Total Net Assets	\$	49,227,421

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 1,730,839	\$ 200,212	\$ 43,479	\$ -	\$ (1,487,148)
Public safety	1,755,588	140,668	102,186	82,084	(1,430,650)
Highways and streets	5,353,517	471,174	3,758,565	178,149	(945,629)
Sanitation	365,375	292,708	2,252	-	(70,415)
Human services	2,173,629	251,537	998,908	-	(923,184)
Health	774,770	288,112	243,367	-	(243,291)
Culture and recreation	60,718	-	-	-	(60,718)
Conservation of natural resources	712,281	869,473	113,295	-	270,487
Interest	112,044	-	-	-	(112,044)
Total	\$ 13,038,761	\$ 2,513,884	\$ 5,262,052	\$ 260,233	\$ (5,002,592)
General Revenues					
Property taxes					\$ 5,760,717
Gravel taxes					8,248
Payments in lieu of tax					43,552
Grants and contributions not restricted to specific programs					455,442
Investment income					35,082
Miscellaneous					25,650
Total general revenues					\$ 6,328,691
Change in net assets					\$ 1,326,099
Net Assets - Beginning					47,901,322
Net Assets - Ending					\$ 49,227,421

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 3,166,580	\$ 741,093
Petty cash and change funds	2,750	100
Undistributed cash in agency funds (taxes and other)	26,574	10,250
Taxes receivable		
Current	19,647	9,248
Prior	13,796	6,735
Special assessments		
Current	-	-
Prior	-	-
Deferred	-	-
Accounts receivable	22,285	28,726
Accrued interest receivable	9,206	-
Due from other funds	10,261	289,220
Due from other governments	157,256	2,058,656
Advance to other funds	116,905	-
Inventories	-	249,576
Total Assets	\$ 3,545,260	\$ 3,393,604

EXHIBIT 3

Human Services	Ditch	Other Governmental Funds	Total Governmental Funds
\$ 1,677,222	\$ 574,934	\$ 1,047,111	\$ 7,206,940
-	-	5,000	7,850
12,244	2,897	7,374	59,339
11,047	-	4,892	44,834
7,844	-	3,366	31,741
-	82,543	-	82,543
-	40	-	40
-	931,846	-	931,846
3,000	-	46,116	100,127
-	-	-	9,206
611	-	13,209	313,301
133,925	-	141,821	2,491,658
-	-	-	116,905
-	-	-	249,576
\$ 1,845,893	\$ 1,592,260	\$ 1,268,889	\$ 11,645,906

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 95,536	\$ 81,221
Salaries payable	3,916	2,716
Contracts payable	-	260,142
Due to other funds	5,168	632
Due to other governments	24,380	6,232
Deferred revenue - unavailable	118,563	1,547,206
Deferred revenue - unearned	-	-
Advance from other funds	-	-
	\$ 247,563	\$ 1,898,149
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 249,576
Advance to other funds	116,905	-
Restricted		
Debt service	-	-
Law library	17,200	-
Recorder's technology equipment	57,617	-
Real estate tax shortfall	21,330	-
Enhanced 911	372,901	-
Recorder's compliance fund	47,952	-
Economic development	100,000	-
Gravel pit restoration	-	-
County state-aid highway system	-	83,743
Ditch maintenance and construction	-	-
Missing heirs	3,604	-
Assigned		
Subsequent year's appropriated budget	600,000	-
Highways and streets	-	1,162,136
Human services	-	-
Sanitation	-	-
Public health	-	-
Unassigned	1,960,188	-
	\$ 3,297,697	\$ 1,495,455
Total Liabilities and Fund Balances	\$ 3,545,260	\$ 3,393,604

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Ditch</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 67,541	\$ 5,242	\$ 10,120	\$ 259,660
7,237	-	2,881	16,750
-	-	-	260,142
17,109	288,525	1,639	313,073
8,008	2,738	7,852	49,210
16,015	935,839	92,919	2,710,542
-	-	28,504	28,504
-	116,905	-	116,905
<u>\$ 115,910</u>	<u>\$ 1,349,249</u>	<u>\$ 143,915</u>	<u>\$ 3,754,786</u>
\$ -	\$ -	\$ -	\$ 249,576
-	-	-	116,905
-	-	135,527	135,527
-	-	-	17,200
-	-	-	57,617
-	-	-	21,330
-	-	-	372,901
-	-	-	47,952
-	-	-	100,000
-	-	21,641	21,641
-	-	-	83,743
-	309,238	-	309,238
-	-	-	3,604
-	-	-	600,000
-	-	-	1,162,136
1,729,983	-	-	1,729,983
-	-	332,867	332,867
-	-	634,939	634,939
-	(66,227)	-	1,893,961
<u>\$ 1,729,983</u>	<u>\$ 243,011</u>	<u>\$ 1,124,974</u>	<u>\$ 7,891,120</u>
<u>\$ 1,845,893</u>	<u>\$ 1,592,260</u>	<u>\$ 1,268,889</u>	<u>\$ 11,645,906</u>

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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, 2011**

Fund balances - total governmental funds (Exhibit 3)		\$ 7,891,120
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.		41,743,173
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		2,710,542
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	\$ (2,715,000)	
Capital leases	(46,572)	
Other postemployment benefits	(49,651)	
Bond premium	(15,367)	
Deferred charges	38,792	
Accrued interest payable	(45,103)	
Compensated absences	(284,513)	
	(3,117,414)	(3,117,414)
Net Assets of Governmental Activities (Exhibit 1)		<u><u>\$ 49,227,421</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge
Revenues		
Taxes	\$ 2,545,822	\$ 1,184,445
Special assessments	-	-
Licenses and permits	10,550	-
Intergovernmental	489,707	4,147,955
Charges for services	273,675	273,025
Fines and forfeits	19,478	-
Gifts and contributions	-	-
Investment earnings	37,241	-
Miscellaneous	62,827	143,834
	\$ 3,439,300	\$ 5,749,259
Expenditures		
Current		
General government	\$ 1,739,319	\$ -
Public safety	1,632,963	-
Highways and streets	-	5,182,575
Sanitation	-	-
Human services	-	-
Health	4,018	-
Culture and recreation	57,334	3,356
Conservation of natural resources	176,949	-
Intergovernmental		
Highways and streets	-	318,047
Conservation of natural resources	-	-
Debt service		
Principal	-	112,361
Interest	-	6,843
Administrative (fiscal) charges	-	-
	\$ 3,610,583	\$ 5,623,182
Excess of Revenues Over (Under) Expenditures	\$ (171,283)	\$ 126,077
Other Financing Sources (Uses)		
Transfers in	\$ 728,722	\$ -
Transfers out	-	-
	\$ 728,722	\$ -
Change in Fund Balances	\$ 557,439	\$ 126,077
Fund Balances - January 1	2,740,258	1,405,989
Increase (decrease) in inventories	-	(36,611)
Fund Balances - December 31	\$ 3,297,697	\$ 1,495,455

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

EXHIBIT 5

<u>Human Services</u>	<u>Ditch</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,409,178	\$ -	\$ 631,177	\$ 5,770,622
-	1,077,176	-	1,077,176
-	-	1,200	11,750
1,119,834	-	435,833	6,193,329
226,136	-	352,183	1,125,019
681	-	-	20,159
-	-	725	725
-	-	-	37,241
24,720	-	223,322	454,703
<u>\$ 2,780,549</u>	<u>\$ 1,077,176</u>	<u>\$ 1,644,440</u>	<u>\$ 14,690,724</u>
\$ -	\$ 1,121	\$ -	\$ 1,740,440
-	-	-	1,632,963
-	-	-	5,182,575
-	-	331,914	331,914
2,174,457	-	-	2,174,457
-	-	766,132	770,150
-	-	-	60,690
-	347,038	13,253	537,240
-	-	-	318,047
-	174,131	-	174,131
-	-	220,000	332,361
-	-	112,372	119,215
-	-	403	403
<u>\$ 2,174,457</u>	<u>\$ 522,290</u>	<u>\$ 1,444,074</u>	<u>\$ 13,374,586</u>
<u>\$ 606,092</u>	<u>\$ 554,886</u>	<u>\$ 200,366</u>	<u>\$ 1,316,138</u>
\$ -	\$ -	\$ -	\$ 728,722
(728,722)	-	-	(728,722)
<u>\$ (728,722)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ (122,630)	\$ 554,886	\$ 200,366	\$ 1,316,138
1,852,613	(311,875)	924,608	6,611,593
-	-	-	(36,611)
<u>\$ 1,729,983</u>	<u>\$ 243,011</u>	<u>\$ 1,124,974</u>	<u>\$ 7,891,120</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, 2011**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,316,138

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 or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 2,710,542	
Deferred revenue - January 1	<u>(2,949,406)</u>	(238,864)

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. In the statement of activities, the net book value of assets disposed of is expensed, while not reported in the fund statements.

Expenditures for general capital assets and infrastructure	\$ 1,760,220	
Current year depreciation	<u>(1,798,649)</u>	(38,429)

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	\$ 220,000	
Capital lease	<u>112,361</u>	332,361

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)

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	\$ 5,882	
Change in compensated absences	(1,194)	
Change in other postemployment benefits	(10,605)	
Change in inventories	<u>(36,611)</u>	<u>(42,528)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,326,099

FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2011**

<u>Assets</u>	
Cash and pooled investments	\$ 197,881
Due from other governments	<u>17</u>
Total Assets	<u><u>\$ 197,898</u></u>
<u>Liabilities</u>	
Due to other funds	\$ 228
Due to other governments	95,704
Funds held in trust	<u>101,966</u>
Total Liabilities	<u><u>\$ 197,898</u></u>

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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**

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 revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general 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 accounted for in another fund.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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.

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**

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, unless the County Board takes specific action to appropriate those unrestricted resources.

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, 2011, 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 2011 were \$37,241.

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**

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 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 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**

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
Improvements other than buildings	20 - 35
Infrastructure	15 - 75
Machinery, furniture, and equipment	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**

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. Classification of Fund Balances

In 2011, Wilkin County implemented the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund types.

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

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

Restricted - fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Classification of Fund Balances (Continued)

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

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

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Minimum Fund Balance

Wilkin County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Wilkin County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less than five months of operating expenditures.

10. 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.

11. Reclassifications

Several account balances were reclassified as of and for the year ended December 31, 2010, as previously reported due to implementation of GASB Statement 54. These reclassifications, which did not require a restatement of net assets or fund balance, were required for comparability to the financial statements as of and for the year ended December 31, 2011. Although comparative statements for 2010 are not presented here, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Of 38 drainage systems, 3 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue Fund as of December 31, 2011.

Account balances	\$	309,238
Account deficits		(66,227)
Fund Balance	\$	243,011

For internal purposes, the County accounts for its ditches on the accrual basis. Under the full accrual basis where revenues are recognized when earned, the Ditch Special Revenue Fund reports a positive fund balance of \$1,178,850, with one ditch reporting a deficit.

B. Excess of Expenditures Over Budget

	Expenditures	Budget	Excess
General Fund	\$ 3,610,583	\$ 3,357,493	\$ 253,090
Special Revenue Funds			
Road and Bridge	5,623,182	4,699,800	923,382
Environmental	345,167	292,415	52,752

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	\$	7,274,129
Fiduciary funds		
Cash and pooled investments		
Agency funds		197,881
Total Cash and Investments	\$	7,472,010

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2011, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2011, \$1,052,587 of government securities and \$122,960 of publicly traded certificates of deposit were exposed to custodial credit risk because they were held by the counterparty.

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.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2011, 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 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank	Aaa	Moody's		07/27/18	\$ 500,035
Federal Home Loan Bank	Aaa	Moody's		11/23/18	100,044
Federal Home Loan Bank	Aaa	Moody's		08/25/21	200,030
Federal Home Loan Bank	Aaa	Moody's		09/23/21	300,069
Total Federal Home Loan Bank			39.5%		\$ 1,100,178
Federal Home Loan Mortgage Corporation					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		10/19/16	\$ 199,916
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/01/21	200,194
Total Federal Home Loan Mortgage Corporation			14.4%		\$ 400,110
Investment pools/mutual funds					
MAGIC Fund			N/A		\$ 1,107,309
Negotiable certificates of deposit					
			N/A		\$ 175,259
Total investments					\$ 2,782,856
Deposits					
Change funds					4,681,304
					7,850
Total Cash and Investments					\$ 7,472,010

N/A - Not Applicable

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2011, 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	\$ 76,575	\$ -
Special assessments	1,014,429	-
Accounts - net	100,127	-
Interest	9,206	-
Due from other governments	2,491,886	-
Total Governmental Activities	\$ 3,692,223	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,042,274	\$ -	\$ -	\$ 1,042,274
Construction in progress	45,725	32,766	11,131	67,360
Total capital assets not depreciated	\$ 1,087,999	\$ 32,766	\$ 11,131	\$ 1,109,634
Capital assets depreciated				
Improvements other than buildings	\$ 75,716	\$ -	\$ -	\$ 75,716
Buildings	7,437,594	28,574	-	7,466,168
Machinery, furniture, and equipment	4,782,115	329,193	204,115	4,907,193
Infrastructure	52,620,244	1,380,818	-	54,001,062
Total capital assets depreciated	\$ 64,915,669	\$ 1,738,585	\$ 204,115	\$ 66,450,139

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Improvements other than buildings	\$ 31,416	\$ 4,519	\$ -	\$ 35,935
Buildings	1,608,863	175,479	-	1,784,342
Machinery, furniture, and equipment	3,390,413	306,347	204,115	3,492,645
Infrastructure	19,191,374	1,312,304	-	20,503,678
	<u>\$ 24,222,066</u>	<u>\$ 1,798,649</u>	<u>\$ 204,115</u>	<u>\$ 25,816,600</u>
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 40,693,603	\$ (60,064)	\$ -	\$ 40,633,539
Governmental Activities				
Capital Assets, Net	\$ 41,781,602	\$ (27,298)	\$ 11,131	\$ 41,743,173

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

General government	\$ 64,804
Public safety	203,110
Highways and streets, including depreciation of infrastructure assets	1,485,543
Human services	11,362
Sanitation	33,320
Conservation of natural resources	510
	<u>510</u>
Total Depreciation Expense	<u>\$ 1,798,649</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road and Bridge Special Revenue Fund	\$ 632
	Human Services Special Revenue Fund	8,539
	Public Health Nurse Special Revenue Fund	862
	Agency funds	228
		<u>228</u>
Total due to General Fund		<u>\$ 10,261</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue Fund	General Fund Ditch Special Revenue Fund Environmental Special Revenue Fund	\$ 437 288,525 <u>258</u>
Total due to Road and Bridge Special Revenue Fund		<u>\$ 289,220</u>
Human Services Special Revenue Fund	General Fund Public Health Nurse Special Revenue Fund	\$ 92 <u>519</u>
Total due to Human Services Special Revenue Fund		<u>\$ 611</u>
Environmental Special Revenue Fund	General Fund	\$ <u>4,243</u>
Public Health Nurse Special Revenue Fund	General Fund Human Services Special Revenue Fund	\$ 396 <u>8,570</u>
Total due to Public Health Nurse Special Revenue Fund		<u>\$ 8,966</u>
Total Due To/From Other Funds		<u><u>\$ 313,301</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.

2. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	\$ <u>116,905</u>

The purpose of the advance from the General Fund to the Ditch Special Revenue Fund is to provide cash flow for various drainage systems. The advance will be repaid in future years through the use of special assessments levied on the benefited parcels.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfer to General Fund from Human Services Special Revenue Fund	\$	<u>728,722</u>	Return funds transferred to Human Services in a prior year.
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C. Liabilities

1. Payables

Payables at December 31, 2011, were as follows:

		<u>Governmental Activities</u>
Accounts	\$	259,660
Salaries		16,750
Contracts		260,142
Due to other governments		<u>49,210</u>
Total Payables	\$	<u>585,762</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2011, for the County is as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Taxes and special assessments	\$ 996,302	\$ -
State-aid highway allotments	1,311,037	-
Charges for services	162,461	-
Grants	145,027	28,504
Interest	8,715	-
Expenditures	<u>87,000</u>	<u>-</u>
Total Deferred Revenue	<u>\$ 2,710,542</u>	<u>\$ 28,504</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction and Other Significant Commitments

The County has active construction projects and commitments as of December 31, 2011.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Highways and Streets		
Truck	\$ -	\$ 183,216
Conservation of natural resources		
Ditch repairs and maintenance	250,064	131,482
Total Construction and Commitments	\$ 250,064	\$ 314,698

4. Capital Lease

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. Capital leases consist of the following at December 31, 2011:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental activities					
2010 Motor grader	2012	Yearly	\$ 48,388	\$ 139,046	\$ 46,572

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ending December 31	Governmental Activities
2012	\$ 48,388
Less: amount representing interest	(1,816)
Present Value of Minimum Lease Payments	\$ 46,572

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. 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, 2011</u>
General obligation bonds					
2005 G.O. Jail Bonds	2021	\$200,000 - \$325,000	3.99	<u>\$ 3,750,000</u>	\$ 2,715,000
Add: unamortized premium					<u>15,367</u>
Total General Obligation Bonds, Net					<u>\$ 2,730,367</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 225,000	\$ 104,029
2013	235,000	95,404
2014	245,000	86,097
2015	255,000	76,098
2016	265,000	65,698
2017 - 2021	<u>1,490,000</u>	<u>157,279</u>
Total	<u>\$ 2,715,000</u>	<u>\$ 584,605</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 2,935,000	\$ -	\$ 220,000	\$ 2,715,000	\$ 225,000
Add: Unamortized premium	17,059	-	1,692	15,367	-
Total bonds payable	\$ 2,952,059	\$ -	\$ 221,692	\$ 2,730,367	\$ 225,000
Capital leases	158,933	-	112,361	46,572	46,572
Compensated absences	283,319	387,732	386,538	284,513	224,574
OPEB liability	39,047	10,604	-	49,651	-
Total Long-Term Liabilities	<u>\$ 3,433,358</u>	<u>\$ 398,336</u>	<u>\$ 720,591</u>	<u>\$ 3,111,103</u>	<u>\$ 496,146</u>

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 General 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.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all General 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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. 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 General 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; 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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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 2011:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 234,415	\$ 227,085	\$ 225,584
Public Employees Police and Fire Fund	45,069	47,375	46,440
Public Employees Correctional Fund	33,666	33,735	31,415

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 administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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, 2011, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 975	\$ 975
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Wilkin County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2011, there were 101 participants in the plan, including 2 retirees and surviving spouses.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	35,590
Interest on net OPEB obligation		1,757
Adjustment to ARC		(2,367)

Annual OPEB cost (expense)	\$	34,980
Contributions made		(24,376)

Increase in net OPEB obligation	\$	10,604
Net OPEB Obligation - Beginning of Year		39,047

Net OPEB Obligation - End of Year	\$	49,651

The County's annual OPEB cost for December 31, 2011, was \$34,980. The percentage of annual OPEB cost contributed to the plan was 69.7 percent, and the net OPEB obligation for 2011 was \$49,651.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010, and 2011 were as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
December 31, 2009	\$ 35,590	\$ 13,613	38.2%	\$ 21,977
December 31, 2010	35,259	18,189	51.6	39,047
December 31, 2011	34,980	24,376	69.7	49,651

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan had no funding. The actuarial accrued liability for benefits was \$297,047, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$297,047. The covered payroll (annual payroll of active employees covered by the plan) was \$3,731,784, and the ratio of the UAAL to the covered payroll was 8.0 percent.

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

Actuarial Methods and Assumptions

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

In the January 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Wilkin County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 8 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2011, was 27 years.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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 Intergovernmental 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. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011 and \$460,000 per claim in 2012. 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**

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

D. Joint Ventures

Central Minnesota Emergency Services Board

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

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

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

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. Complete financial information can be obtained from Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56303.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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

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

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.

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.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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.

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 2011, the County did not contribute any funds to the Collaborative.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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

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.

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 WACCO 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.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library, 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 2011, Wilkin County provided \$43,825 in the form of an appropriation.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,721,430	\$ 2,721,430	\$ 2,545,822	\$ (175,608)
Licenses and permits	8,575	8,575	10,550	1,975
Intergovernmental	154,628	154,628	489,707	335,079
Charges for services	330,260	330,260	273,675	(56,585)
Fines and forfeits	1,800	1,800	19,478	17,678
Investment earnings	79,300	79,300	37,241	(42,059)
Miscellaneous	50,500	50,500	62,827	12,327
Total Revenues	\$ 3,346,493	\$ 3,346,493	\$ 3,439,300	\$ 92,807
Expenditures				
Current				
General government				
Commissioners	\$ 144,283	\$ 144,283	\$ 144,516	\$ (233)
County auditor	279,271	279,271	283,468	(4,197)
County treasurer	196,974	196,974	196,185	789
County assessor	231,911	231,911	226,906	5,005
Elections	10,500	10,500	9,926	574
Accounting and auditing	40,000	40,000	68,853	(28,853)
Data processing	69,500	69,500	65,643	3,857
Attorney	182,855	182,855	174,827	8,028
Law library	-	-	8,079	(8,079)
Recorder	199,772	199,772	190,482	9,290
Planning and zoning	7,550	7,550	5,753	1,797
Buildings and plant	162,924	162,924	189,673	(26,749)
Veterans service officer	76,695	76,695	77,310	(615)
GIS	13,550	13,550	13,259	291
Unallocated	117,200	117,200	84,439	32,761
Total general government	\$ 1,732,985	\$ 1,732,985	\$ 1,739,319	\$ (6,334)
Public safety				
Sheriff	\$ 792,152	\$ 792,152	\$ 1,080,196	\$ (288,044)
Coroner	4,800	4,800	6,300	(1,500)
E-911 system	-	-	23,547	(23,547)
County jail	467,650	467,650	429,261	38,389
Probation and parole	95,660	95,660	70,422	25,238
Sheriff's contingent	1,800	1,800	-	1,800
Civil defense	21,708	22,708	23,237	(529)
Total public safety	\$ 1,383,770	\$ 1,384,770	\$ 1,632,963	\$ (248,193)

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Aging grant	\$ -	\$ -	\$ 1,018	\$ (1,018)
Rural life outreach	3,000	3,000	3,000	-
Other	500	500	-	500
Total health	\$ 3,500	\$ 3,500	\$ 4,018	\$ (518)
Culture and recreation				
Historical society	\$ 13,000	\$ 13,000	\$ 9,309	\$ 3,691
Regional library	43,825	43,825	43,825	-
Celebrations	400	400	400	-
Other	4,100	4,100	3,800	300
Total culture and recreation	\$ 61,325	\$ 61,325	\$ 57,334	\$ 3,991
Conservation of natural resources				
County extension	\$ 98,229	\$ 98,229	\$ 99,512	\$ (1,283)
Soil and water conservation	61,000	61,000	61,000	-
Agricultural society/County fair	8,000	8,000	8,000	-
Weed control	7,684	7,684	6,487	1,197
Other conservation	-	-	1,950	(1,950)
Total conservation of natural resources	\$ 174,913	\$ 174,913	\$ 176,949	\$ (2,036)
Total Expenditures	\$ 3,356,493	\$ 3,357,493	\$ 3,610,583	\$ (253,090)
Excess of Revenues Over (Under) Expenditures	\$ (10,000)	\$ (11,000)	\$ (171,283)	\$ (160,283)
Other Financing Sources (Uses)				
Transfers in	-	-	728,722	728,722
Net Change in Fund Balance	\$ (10,000)	\$ (11,000)	\$ 557,439	\$ 568,439
Fund Balance - January 1	2,740,258	2,740,258	2,740,258	-
Fund Balance - December 31	\$ 2,730,258	\$ 2,729,258	\$ 3,297,697	\$ 568,439

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,268,700	\$ 1,268,700	\$ 1,184,445	\$ (84,255)
Intergovernmental	3,360,000	3,360,000	4,147,955	787,955
Charges for services	30,000	30,000	273,025	243,025
Miscellaneous	40,300	40,300	143,834	103,534
Total Revenues	\$ 4,699,000	\$ 4,699,000	\$ 5,749,259	\$ 1,050,259
Expenditures				
Current				
Highways and streets				
Administration	\$ 196,272	\$ 196,272	\$ 191,417	\$ 4,855
Maintenance	945,164	945,164	1,335,991	(390,827)
Construction	2,503,976	2,503,976	2,466,561	37,415
Equipment maintenance and shop	836,057	836,057	844,129	(8,072)
Materials and services for resale	-	-	61,234	(61,234)
Federal disaster	-	-	23,144	(23,144)
Unallocated - highways and streets	216,131	216,131	260,099	(43,968)
Total highways and streets	\$ 4,697,600	\$ 4,697,600	\$ 5,182,575	\$ (484,975)
Culture and recreation				
Parks	2,200	2,200	3,356	(1,156)
Intergovernmental				
Highways and streets	-	-	318,047	(318,047)
Debt service				
Principal	-	-	112,361	(112,361)
Interest	-	-	6,843	(6,843)
Total Expenditures	\$ 4,699,800	\$ 4,699,800	\$ 5,623,182	\$ (923,382)
Net Change in Fund Balance	\$ (800)	\$ (800)	\$ 126,077	\$ 126,877
Fund Balance - January 1	1,405,989	1,405,989	1,405,989	-
Increase (decrease) in inventories	-	-	(36,611)	(36,611)
Fund Balance - December 31	\$ 1,405,189	\$ 1,405,189	\$ 1,495,455	\$ 90,266

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,508,439	\$ 1,508,439	\$ 1,409,178	\$ (99,261)
Intergovernmental	838,017	838,017	1,119,834	281,817
Charges for services	135,987	135,987	226,136	90,149
Fines and forfeits	-	-	681	681
Investment earnings	244	244	-	(244)
Miscellaneous	22,684	22,684	24,720	2,036
Total Revenues	\$ 2,505,371	\$ 2,505,371	\$ 2,780,549	\$ 275,178
Expenditures				
Current				
Human services				
Income maintenance	\$ 630,759	\$ 630,759	\$ 621,039	\$ 9,720
Social services	1,874,612	1,874,612	1,553,418	321,194
Total Expenditures	\$ 2,505,371	\$ 2,505,371	\$ 2,174,457	\$ 330,914
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 606,092	\$ 606,092
Other Financing Sources (Uses)				
Transfers out	-	-	(728,722)	(728,722)
Net Change in Fund Balance	\$ -	\$ -	\$ (122,630)	\$ (122,630)
Fund Balance - January 1	1,852,613	1,852,613	1,852,613	-
Fund Balance - December 31	\$ 1,852,613	\$ 1,852,613	\$ 1,729,983	\$ (122,630)

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	\$ -	\$ 297,047	\$ 297,047	0.0%	\$ 3,731,784	8.0%

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

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. 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 one budgetary amendment in the General Fund.

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2011.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 3,610,583	\$ 3,357,493	\$ 253,090
Road and Bridge Special Revenue Fund	5,623,182	4,699,800	923,382

3. Other Postemployment Benefits

See Note 4.C., Other Postemployment Benefits, for more information.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Other Postemployment Benefits (Continued)

Currently, only one actuarial valuation is available. Future reports will provide additional trend analysis to meet the three most recent valuation funding status requirements as the information becomes available.

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 on the general obligation jail bonds.

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Special Revenue (Exhibit B -3)	Courthouse Improvement Debt Service	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 915,790	\$ 131,321	\$ 1,047,111
Petty cash and change funds	5,000	-	5,000
Undistributed cash in agency funds	4,542	2,832	7,374
Taxes receivable			
Current	2,336	2,556	4,892
Prior	1,572	1,794	3,366
Accounts receivable	46,116	-	46,116
Due from other funds	13,209	-	13,209
Due from other governments	141,821	-	141,821
	\$ 1,130,386	\$ 138,503	\$ 1,268,889
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 10,120	\$ -	\$ 10,120
Salaries payable	2,881	-	2,881
Due to other funds	1,639	-	1,639
Due to other governments	7,852	-	7,852
Deferred revenue - unavailable	89,943	2,976	92,919
Deferred revenue - unearned	28,504	-	28,504
	\$ 140,939	\$ 2,976	\$ 143,915
 Fund Balances			
Restricted			
Debt service	\$ -	\$ 135,527	\$ 135,527
Gravel pit restoration	21,641	-	21,641
Assigned			
Sanitation	332,867	-	332,867
Public health	634,939	-	634,939
	\$ 989,447	\$ 135,527	\$ 1,124,974
Total Fund Balances	\$ 989,447	\$ 135,527	\$ 1,124,974
 Total Liabilities and Fund Balances	\$ 1,130,386	\$ 138,503	\$ 1,268,889

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Special Revenue (Exhibit B-4)	Courthouse Improvement Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 304,757	\$ 326,420	\$ 631,177
Licenses and permits	1,200	-	1,200
Intergovernmental	408,528	27,305	435,833
Charges for services	352,183	-	352,183
Gifts and contributions	725	-	725
Miscellaneous	223,322	-	223,322
	\$ 1,290,715	\$ 353,725	\$ 1,644,440
Expenditures			
Current			
Sanitation	\$ 331,914	\$ -	\$ 331,914
Health	766,132	-	766,132
Conservation of natural resources	13,253	-	13,253
Debt service			
Principal	-	220,000	220,000
Interest	-	112,372	112,372
Administrative - fiscal charges	-	403	403
	\$ 1,111,299	\$ 332,775	\$ 1,444,074
Net Change in Fund Balance	\$ 179,416	\$ 20,950	\$ 200,366
Fund Balance - January 1	810,031	114,577	924,608
Fund Balance - December 31	\$ 989,447	\$ 135,527	\$ 1,124,974

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2011**

	Environmental	Gravel Tax Reserve	Public Health Nurse	Total (Exhibit B-1)
<u>Assets</u>				
Cash and pooled investments	\$ 353,380	\$ 19,932	\$ 542,478	\$ 915,790
Petty cash and change funds	5,000	-	-	5,000
Undistributed cash in agency funds	1,981	-	2,561	4,542
Taxes receivable				
Current	25	-	2,311	2,336
Prior	16	-	1,556	1,572
Accounts receivable	16,351	2,996	26,769	46,116
Due from other funds	4,243	-	8,966	13,209
Due from other governments	2,252	-	139,569	141,821
	\$ 383,248	\$ 22,928	\$ 724,210	\$ 1,130,386
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 4,800	\$ -	\$ 5,320	\$ 10,120
Salaries payable	-	-	2,881	2,881
Due to other funds	258	-	1,381	1,639
Due to other governments	6,514	1,287	51	7,852
Deferred revenue - unavailable	10,305	-	79,638	89,943
Deferred revenue - unearned	28,504	-	-	28,504
	\$ 50,381	\$ 1,287	\$ 89,271	\$ 140,939
 Fund Balances				
Restricted				
Gravel pit restoration	\$ -	\$ 21,641	\$ -	\$ 21,641
Assigned				
Sanitation	332,867	-	-	332,867
Public health	-	-	634,939	634,939
	\$ 332,867	\$ 21,641	\$ 634,939	\$ 989,447
Total Fund Balances	\$ 332,867	\$ 21,641	\$ 634,939	\$ 989,447
 Total Liabilities and Fund Balances	 \$ 383,248	 \$ 22,928	 \$ 724,210	 \$ 1,130,386

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Environmental	Gravel Tax Reserve	Public Health Nurse	Total (Exhibit B-2)
Revenues				
Taxes	\$ 4,592	\$ 2,752	\$ 297,413	\$ 304,757
Licenses and permits	1,200	-	-	1,200
Intergovernmental	114,003	-	294,525	408,528
Charges for services	90,779	-	261,404	352,183
Gifts and contributions	-	-	725	725
Miscellaneous	198,696	-	24,626	223,322
	\$ 409,270	\$ 2,752	\$ 878,693	\$ 1,290,715
Expenditures				
Current				
Sanitation	\$ 331,914	\$ -	\$ -	\$ 331,914
Health	-	-	766,132	766,132
Conservation of natural resources	13,253	-	-	13,253
	\$ 345,167	\$ -	\$ 766,132	\$ 1,111,299
Net Change in Fund Balance	\$ 64,103	\$ 2,752	\$ 112,561	\$ 179,416
Fund Balance - January 1	268,764	18,889	522,378	810,031
Fund Balance - December 31	\$ 332,867	\$ 21,641	\$ 634,939	\$ 989,447

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,345	\$ 3,345	\$ 4,592	\$ 1,247
Licenses and permits	1,100	1,100	1,200	100
Intergovernmental	91,125	91,125	114,003	22,878
Charges for services	93,000	93,000	90,779	(2,221)
Miscellaneous	83,060	83,060	198,696	115,636
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 271,630	\$ 271,630	\$ 409,270	\$ 137,640
Expenditures				
Current				
Sanitation				
Solid waste	\$ 195,100	\$ 195,100	\$ 204,329	\$ (9,229)
Recycling	93,000	93,000	127,585	(34,585)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total sanitation	\$ 288,100	\$ 288,100	\$ 331,914	\$ (43,814)
Conservation of natural resources				
Water planning	4,315	4,315	13,253	(8,938)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 292,415	\$ 292,415	\$ 345,167	\$ (52,752)
Net Change in Fund Balance	\$ (20,785)	\$ (20,785)	\$ 64,103	\$ 84,888
Fund Balance - January 1	268,764	268,764	268,764	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 247,979	\$ 247,979	\$ 332,867	\$ 84,888
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 315,425	\$ 315,425	\$ 297,413	\$ (18,012)
Intergovernmental	242,507	242,507	294,525	52,018
Charges for services	202,292	202,292	261,404	59,112
Gifts and contributions	50	50	725	675
Miscellaneous	14,138	14,138	24,626	10,488
Total Revenues	\$ 774,412	\$ 774,412	\$ 878,693	\$ 104,281
Expenditures				
Current				
Health				
Nursing service	775,250	775,250	766,132	9,118
Net Change in Fund Balance	\$ (838)	\$ (838)	\$ 112,561	\$ 113,399
Fund Balance - January 1	522,378	522,378	522,378	-
Fund Balance - December 31	\$ 521,540	\$ 521,540	\$ 634,939	\$ 113,399

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 349,600	\$ 349,600	\$ 326,420	\$ (23,180)
Intergovernmental	-	-	27,305	27,305
Total Revenues	\$ 349,600	\$ 349,600	\$ 353,725	\$ 4,125
Expenditures				
Debt service				
Principal	\$ 237,227	\$ 237,227	\$ 220,000	\$ 17,227
Interest	112,373	112,373	112,372	1
Administrative (fiscal) charges	-	-	403	(403)
Total Expenditures	\$ 349,600	\$ 349,600	\$ 332,775	\$ 16,825
Net Change in Fund Balance	\$ -	\$ -	\$ 20,950	\$ 20,950
Fund Balance - January 1	114,577	114,577	114,577	-
Fund Balance - December 31	\$ 114,577	\$ 114,577	\$ 135,527	\$ 20,950

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FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 45,229	\$ 24,263	\$ 34,463	\$ 35,029
Due from other governments	42	17	42	17
Total Assets	\$ 45,271	\$ 24,280	\$ 34,505	\$ 35,046
<u>Liabilities</u>				
Due to other governments	\$ 45,271	\$ 24,280	\$ 34,505	\$ 35,046
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 30,368	\$ 519,803	\$ 542,584	\$ 7,587
<u>Liabilities</u>				
Due to other funds	\$ 911	\$ 228	\$ 911	\$ 228
Due to other governments	29,457	519,575	541,673	7,359
Total Liabilities	\$ 30,368	\$ 519,803	\$ 542,584	\$ 7,587

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 130,387	\$ 11,515,691	\$ 11,490,813	\$ 155,265
<u>Liabilities</u>				
Due to other governments	\$ 85,469	\$ 11,413,725	\$ 11,445,895	\$ 53,299
Funds held in trust	44,918	101,966	44,918	101,966
Total Liabilities	\$ 130,387	\$ 11,515,691	\$ 11,490,813	\$ 155,265
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 205,984	\$ 12,059,757	\$ 12,067,860	\$ 197,881
Due from other governments	42	17	42	17
Total Assets	\$ 206,026	\$ 12,059,774	\$ 12,067,902	\$ 197,898
<u>Liabilities</u>				
Due to other funds	\$ 911	\$ 228	\$ 911	\$ 228
Due to other governments	160,197	11,957,580	12,022,073	95,704
Funds held in trust	44,918	101,966	44,918	101,966
Total Liabilities	\$ 206,026	\$ 12,059,774	\$ 12,067,902	\$ 197,898

SCHEDULES

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Cash on hand	N/A	N/A	N/A	\$ 7,850
Interest-bearing checking	Two	Various	Continuous	507,748
Certificates of deposit	Three	1.00 to 1.45	December 31, 2011 to May 6, 2014	62,830
Money market savings	Two	Variable	Continuous	4,110,726
Brokerage certificates of deposit	One	2.10	December 2, 2016	175,259
Minnesota Association of Governments Investing for Counties Fund	N/A	Variable	Continuous	1,107,309
Federal Home Loan Bank	Four	1.25 to 2.25	July 27, 2018 to September 23, 2021	1,100,178
Federal Home Loan Mortgage Corporation	Two	0.50 to 2.38	October 19, 2016 to December 1, 2021	<u>400,110</u>
Total Cash and Pooled Investments				<u>\$ 7,472,010</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2011**

	Assets						Total
	Cash	Undistributed Cash	Special Assessments Receivable			Total	
			Current	Delinquent	Deferred		
County Ditches							
1A	\$ 4,027	\$ -	\$ -	\$ -	\$ 23,723	\$ 27,750	
1A - new	7,647	-	11	-	12,502	20,160	
1B	2,998	62	-	-	38,766	41,826	
1B - new	9,421	-	90	-	13,002	22,513	
1C	7,909	-	875	-	15,000	23,784	
2	14,112	44	27	-	-	14,183	
3	117,770	201	2,278	20	120,002	240,271	
4	9,958	410	-	-	5,001	15,369	
6	88,131	172	269	-	175,002	263,574	
7	9,802	1	89	-	5,001	14,893	
12	10,112	-	76	19	10,000	20,207	
15	10,274	-	-	-	5,000	15,274	
23	147,771	111	96	-	110,001	257,979	
27	4,619	76	-	-	5,000	9,695	
28	8,835	-	6	1	12,001	20,843	
29	14,843	-	-	-	18,695	33,538	
31	75,308	113	509	-	130,003	205,933	
34	8,533	-	356	-	12,000	20,889	
37	2,514	-	63,459	-	-	65,973	
Bois de Sioux Watershed							
8	-	77	-	-	17,701	17,778	
9	-	32	60	-	-	92	
25	-	-	222	-	13,201	13,423	
35	-	50	145	-	2,600	2,795	
39	-	-	52	-	6,650	6,702	
Buffalo-Red River Watershed							
5	-	195	26	-	20,000	20,221	
13	-	45	65	-	25,000	25,110	
22	-	370	-	-	20,000	20,370	
26	-	-	1	-	2,000	2,001	
41	-	82	134	-	20,001	20,217	
44	-	398	153	-	19,648	20,199	
Joint Ditches							
County							
J-2	20,350	161	-	-	-	20,511	
Bois de Sioux Watershed							
J-6	-	73	-	-	8,850	8,923	
J-7	-	45	362	-	5,069	5,476	
J-11	-	124	6,412	-	10,907	17,443	
J-12	-	2	6,099	-	15,477	21,578	
Sub-drainage Ditch 1	-	-	-	-	5,421	5,421	
Buffalo-Red River Watershed							
J-1	-	53	414	-	23,622	24,089	
J-1 Br 4	-	-	257	-	5,000	5,257	
Total	\$ 574,934	\$ 2,897	\$ 82,543	\$ 40	\$ 931,846	\$ 1,592,260	

EXHIBIT D-2

Liabilities						Fund Balances	Total Liabilities and Fund Balances
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Advance from Other Funds	Total		
\$ -	\$ -	\$ -	\$ 23,723	\$ 31,507	\$ 55,230	\$ (27,480)	\$ 27,750
-	128	-	12,502	-	12,630	7,530	20,160
-	-	-	38,766	33,398	72,164	(30,338)	41,826
-	1,126	-	13,078	-	14,204	8,309	22,513
400	135	-	15,057	-	15,592	8,192	23,784
-	3,603	-	-	-	3,603	10,580	14,183
-	38,317	-	121,575	-	159,892	80,379	240,271
-	348	-	5,001	-	5,349	10,020	15,369
-	96,981	-	175,002	-	271,983	(8,409)	263,574
-	1,252	-	5,001	-	6,253	8,640	14,893
-	-	-	10,095	-	10,095	10,112	20,207
-	-	-	5,000	-	5,000	10,274	15,274
919	102,215	-	110,097	-	213,231	44,748	257,979
-	-	-	5,000	-	5,000	4,695	9,695
-	-	-	12,008	-	12,008	8,835	20,843
-	5,631	-	18,695	-	24,326	9,212	33,538
401	37,321	-	130,351	-	168,073	37,860	205,933
401	473	-	12,000	-	12,874	8,015	20,889
3,121	565	-	1,741	52,000	57,427	8,546	65,973
-	-	77	17,701	-	17,778	-	17,778
-	-	32	-	-	32	60	92
-	-	-	13,200	-	13,200	223	13,423
-	-	50	2,600	-	2,650	145	2,795
-	-	-	6,650	-	6,650	52	6,702
-	-	195	20,000	-	20,195	26	20,221
-	-	45	25,000	-	25,045	65	25,110
-	-	370	20,000	-	20,370	-	20,370
-	-	-	2,001	-	2,001	-	2,001
-	-	82	20,001	-	20,083	134	20,217
-	-	398	19,648	-	20,046	153	20,199
-	430	1,192	-	-	1,622	18,889	20,511
-	-	73	8,850	-	8,923	-	8,923
-	-	45	5,069	-	5,114	362	5,476
-	-	124	10,907	-	11,031	6,412	17,443
-	-	2	15,477	-	15,479	6,099	21,578
-	-	-	5,421	-	5,421	-	5,421
-	-	53	23,622	-	23,675	414	24,089
-	-	-	5,000	-	5,000	257	5,257
\$ 5,242	\$ 288,525	\$ 2,738	\$ 935,839	\$ 116,905	\$ 1,349,249	\$ 243,011	\$ 1,592,260

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Funds</u>
Shared Revenue	
State	
Highway users tax	\$ 3,760,127
County program aid	98,425
PERA rate reimbursement	14,876
Disparity reduction credit	58,901
Local option disaster abatement	2,509
Police aid	39,913
Market value credit	253,623
Market value credit - MH	2,613
Disparity reduction aid	10,351
Border cities reimbursement	10,144
	<u>10,144</u>
Total shared revenue	\$ 4,251,482
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 163,936
	<u>163,936</u>
Payments	
Local	
Otto Bremer Grant	\$ 4,000
Payments in lieu of taxes	43,552
	<u>43,552</u>
Total payments	\$ 47,552
Grants	
State	
Minnesota Department/Board of	
Corrections	\$ 11,841
Public Safety	141,795
Health	44,987
Natural Resources	1,726
Human Services	275,002
Water and Soil Resources	57,345
Pollution Control Agency	55,950
Peace Officer Standards and Training Board	1,894
	<u>1,894</u>
Total state	\$ 590,540

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

***EXHIBIT D-3
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Funds</u>
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 165,576
Commerce	37,112
Education	1,007
Health and Human Services	656,964
Homeland Security	255,196
Transportation	23,964
	<hr/>
Total federal	<u>\$ 1,139,819</u>
Total state and federal grants	<u>\$ 1,730,359</u>
Total Intergovernmental Revenue	<u><u>\$ 6,193,329</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT D-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 45,918
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>117,241</u>
Total U.S. Department of Agriculture		<u>\$ 163,159</u>
U.S. Department of Commerce		
Passed Through Minnesota Department of Public Safety Public Safety Interoperable Communications Grant Program	11.555	\$ 6,605
Passed Through Minnesota Department of Public Safety and City of St. Cloud Public Safety Interoperable Communications Grant Program	11.555	<u>30,507</u>
Total U.S. Department of Commerce		<u>\$ 37,112</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 17,639
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	3,076
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>3,249</u>
Total U.S. Department of Transportation		<u>\$ 23,964</u>
U.S. Department of Education		
Passed Through Minnesota Department of Education Special Education Grants to States	84.027	<u>\$ 1,007</u>
U.S. Department of Health and Human Services		
Direct Drug-Free Communities Support Program Grants	93.276	\$ 94,775
Passed Through Minnesota Department of Health and West Central Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	20,639

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services		
Public Health Emergency Preparedness	93.069	23,132
Universal Newborn Hearing Screening	93.251	325
Temporary Assistance for Needy Families	93.558	404
Immunization - ARRA	93.712	110
Maternal and Child Health Services Block Grant to the States	93.994	11,345
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	6,359
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	72,758
Emergency Contingency Fund for Temporary Assistance for Needy Families		
State Programs - ARRA	93.714	2,436
Child Support Enforcement	93.563	160,688
Child Care Cluster		
Child Care and Development Block Grants	93.575	1,305
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2,520
Foster Care Title IV-E	93.658	13,419
Social Services Block Grant	93.667	59,358
Chafee Foster Care Independence Program	93.674	4,399
Children's Health Insurance Program	93.767	25
Medical Assistance Program	93.778	157,720
Block Grants for Community Mental Health Services	93.958	2,944
Total U.S. Department of Health and Human Services		\$ 634,661
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 192,335
Emergency Management Performance Grants	97.042	3,853
Passed Through Minnesota Department of Public Safety and City of St. Cloud		
Homeland Security Grant Program	97.067	24,564
Passed Through Minnesota Department of Public Safety and West Central Minnesota EMS Corporation		
Homeland Security Grant Program	97.067	20,408
Total U.S. Department of Homeland Security		\$ 241,160
Total Federal Awards		\$ 1,101,063

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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wilkin County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wilkin County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wilkin County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

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

Temporary Assistance for Needy Families Cluster	\$ 75,598
Child Care Cluster	3,825

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,139,819
Grants received more than 60 days after year-end, deferred in 2011	
Public Health Emergency Preparedness	6,255
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	96,739
Grants deferred in 2010, recognized in 2011	
Special Supplemental Nutrition Program for Women, Infants, and Children	(2,417)
Public Health Emergency Preparedness	(1,156)
Centers for Disease Control and Prevention - Investigations and Technical Assistance	(2,638)
Drug-Free Community Support	(24,604)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(110,775)
Immunization Grants - ARRA	(160)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,101,063</u>

6. Subrecipients

Wilkin County did not pass any federal awards through to subrecipients in 2011.

7. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

Child Support Enforcement	CFDA #93.563
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA #97.036

The threshold for distinguishing between Types A and B programs was \$300,000.

Wilkin County qualified as low-risk auditee? **No**

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

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

Condition: Due to the limited number of personnel within several Wilkin County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: This is not unusual in operations the size of 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.

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

Cause: The size of Wilkin County and its staffing limits the internal control that management can design and implement into the organization.

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

Client's Response:

The County Commissioners are aware of the risk for limited segregation of duties and are prepared to assume same because total compliance is not economically feasible for a small county.

07-1 Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: Audit adjustments were necessary in the Road and Bridge Special Revenue Fund to reflect revenues and expenditures in the amount of \$318,047 for town road allotments, and to recognize additional receivables in the amount of \$1,389,932 for municipal maintenance, regular construction, municipal construction, and town bridge which were offset with deferred revenue in the amount of \$1,311,037 for receivables not available within the revenue recognition period.

Cause: Wilkin County uses its Taxes and Penalties Agency Fund to account for the collection and distribution of town road allotments. As provided in Minn. Stat. § 162.08, subd. 3, the County Board has discretion on how the funds are allocated and the revenues and expenditures should be shown in the County financial statements. Generally, this is done in the Road and Bridge Special Revenue Fund. For the municipal maintenance, regular construction, municipal construction, and town bridge allotments, the County reflected only the receivables collected within the revenue recognition period rather than the undistributed allotment balances.

Recommendation: We recommend that the County establish internal controls necessary to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

Client's Response:

The County will continue to work towards compliance.

08-1 Documenting and Monitoring Internal Controls

Criteria: Management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

Condition: Wilkin County maintains narratives to document the controls in place over its significant transaction cycles; however, there is no formal risk assessment process in place to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

Context: Local governments tend to establish controls but fail to periodically review those controls to ensure they are appropriate for all of the changes that take place over time.

Effect: The internal control environment is constantly changing with changes in staffing, information systems, processes, and services provided. Changes may have taken place that reduce or negate the effectiveness of internal controls which may go unnoticed without a formal and timely risk assessment process in place.

Cause: Lack of resources dedicated to establish a formal process for assessing risks, documenting the internal controls established to reduce those risks, and monitoring of those controls.

Recommendation: Wilkin County management should document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. A formal plan should be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

County will begin documentation as recommended.

PREVIOUSLY REPORTED ITEMS RESOLVED

Preparation of Financial Statements (06-1)

The County needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

Resolution

The County provides a general ledger, accruals, and other supporting schedules necessary for preparing fund level and government-wide financial statements. The County has improved its understanding and preparation of underlying accounting data used in the preparation of the financial statements.

Gravel Stockpile Inventory (08-2)

The Wilkin County Highway Department maintains a perpetual inventory system of parts, fuel, field materials, and other supplies. Each year, Highway Department employees count inventory items including parts, fuel, and certain field materials such as culverts, signs, and sign materials. In 2010, Highway Department employees did not measure any of the seven stockpiles of gravel which make up 92 percent of the Highway Department's total inventory.

Resolution

For 2011, the County measured and documented three of the four locations with a substantial gravel amount. The fourth had just been crushed by the contractor and was certified by the contractor according to the amount in the stockpile in that location. From these four locations, 95.5 percent of the gravel inventory was accounted for.

Preparation of the Schedule of Expenditures of Federal Awards (10-1)

The County needed to improve its system of identifying federal award information to facilitate preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Resolution

The County has improved its system of identifying federal award information to provide sufficient information for the preparation of the SEFA.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

11-1 Central Services Cost Allocation Plan

Programs: Child Support Enforcement (CFDA No. 93.563) and Medical Assistance (MA) (CFDA No. 93.778)

Criteria: Indirect costs allocated through the Central Services Cost Allocation Plan should be allowable costs in accordance with OMB Circular A-87. The costs and allocation bases reported in the Central Services Cost Allocation Plan should reconcile with County records.

Condition: During our testing of the Central Services Cost Allocation Plan, we were able to tie the indirect costs reported in the County's 2009 Account Activity Report and verify those costs as allowable costs in accordance with OMB Circular A-87; however, we could not verify the correctness of the allocation base information of the banking services for the Treasurer's Office or the legal practice service for the Attorney's Office. The banking service allocation is based on the number of checks written. Using the County's Account Activity Report downloads, we noted significant differences in the check counts for three of the departments reported; however, the effect on the allocation of expenditures reported and resulting revenue for the Child Support and Medical Assistance program was not material to the programs. The legal service allocation is based on the percentage of time for the benefitting departments. Supporting documentation to verify the "effort by department" was not available, so the determination of an amount of differences, if any, could not be readily determined.

Questioned Costs: None.

Context: For Wilkin County, the cost allocation plan is primarily used for the recovery of indirect costs expended on behalf of programs of the U.S. Department of Health and Human Services, including Child Support Enforcement and Medical Assistance. Wilkin County hires the Government Management Group to compile information and produce a cost allocation plan. The County Auditor certifies that the costs in the plan are allowable and allocable and that the indirect costs have not been claimed as direct costs, but does not review the report for accuracy.

Effect: We were unable to verify the correctness of accounting service allocation base information for the two central service departments tested because the source documentation of the allocation base information was not retained.

Cause: Source documentation was not retained by the Government Management Group or the County.

Recommendation: The source documentation of data used to determine the allocation base should be retained.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Wayne Bezenek – County Auditor

Corrective Action Planned:

Complete and retain documentation of data to be used to determine the allocation base. Review the finding with the departments involved and with Dennis Pond, Government Management Group. Begin documenting and retaining said documents for GMG to complete the cost allocation plan and for audit verification.

Anticipated Completion Date:

October 1, 2012

11-2 Income Maintenance DHS 2550/Social Services DHS 2556 Reporting

Programs: Child Support Enforcement (CFDA No. 93.563) and Medical Assistance (MA) (CFDA No. 93.778)

Criteria: The Minnesota Department of Human Services (DHS) provides guidance on the completion of the quarterly Income Maintenance DHS 2550 report in DHS bulletin no. 11-32-02. DHS bulletin no. 11-32-02 provides that costs reported in Section A of DHS-2550 are the “direct costs associated with staff required to participate in the random moment time study (IMRMS).” The DHS bulletin no. 11-32-07 provides the Income Maintenance Random Moment Time Study (IMRMS) Operational Procedures which requires that the IMRMS Coordinator in the county identify Income Maintenance employees as participants in the IMRMS time study and update the IMRMS employee data base quarterly.

Condition: During our review of the Income Maintenance DHS 2550 reporting, we noted that one of the three employees identified as participants in the random moment study by the IMRMS Coordinator was not correctly reported in the IMRMS Section A of the quarterly Income Maintenance DHS 2550 reports during 2011. This employee’s salary was reported as income maintenance administrative overhead expenses on the Income Maintenance DHS 2550 report and social services expenditures on the Social Services DHS 2556 report.

Questioned Costs: None.

Context: The amount of federal administrative reimbursements through DHS for several programs is determined based on the reporting done through the quarterly Income Maintenance DHS 2550 and Social Services DHS 2556 reports.

Effect: Incorrect reporting of an employee's expenses on the quarterly Income Maintenance DHS 2550 and Social Services DHS 2556 reports results in receiving funding from the wrong sources and may effect the amount of funding received. The differences could not be readily determined.

Cause: The Fiscal Officer was not informed by the IMRMS Coordinator that the employee's position was an IMRMS position.

Recommendation: We recommend Wilkin County contact the Minnesota Department of Human Services to discuss the implications and any resolution of reporting this employee incorrectly on the Income Maintenance DHS 2550 and the Social Services DHS 2556 reports.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

LaRae Kuhfal

Corrective Action Planned:

Fix the payroll coding so that the financial workers payroll will be reflected in the correct area on the DHS reports. Contacted Sue Johanson (payroll) to change the payroll coding to match the other two financial workers codes.

Anticipated Completion Date:

Codes were changed before the July 2012 payroll was processed.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Ditch Fund Balance Deficits (09-2)

Twelve of the 40 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2010, totaling \$365,807.

Resolution

Although three ditch systems still had deficit fund balances as of December 31, 2011, two of the ditch systems have sufficient current levies to cover the deficits and after considering current levies the remaining ditch system had a deficit balance of only \$3,757. It is anticipated that the 2012 levy will be sufficient to cover the remaining deficit.

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

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, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 13, 2012. 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

Management of Wilkin County is responsible for establishing and maintaining effective 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of

Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 07-1 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-4 and 08-1 to be significant deficiencies.

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 Political Subdivisions*, 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 Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because Wilkin County has no tax increment financing districts.

The results of our tests indicate that for the items tested, Wilkin County complied with the material terms and conditions of applicable legal provisions.

Wilkin County's written responses to the internal control 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

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 13, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Wilkin County

Compliance

We have audited Wilkin County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. Wilkin County's major federal programs are 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 each of its major federal programs 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 of the County's compliance with those requirements.

In our opinion, Wilkin County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as item 11-2.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 11-1 and 11-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Wilkin County's corrective action plans to the federal award findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plans 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 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

September 13, 2012