# STATE OF MINNESOTA

## Office of the State Auditor

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

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

YEAR ENDED DECEMBER 31, 2017

# Description of the Office of the State Auditor

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

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

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

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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# WILKIN COUNTY
# BRECKENRIDGE, MINNESOTA

## Year Ended December 31, 2017

## 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**

ORGANIZATION SCHEDULE
DECEMBER 31, 2017

| Office | Name | Term Expires |
|---|---|---|
| Commissioners | | |
| 1st District | Eric Klindt | January 2021 |
| 2nd District | Stephanie Miranowski[1] | January 2019 |
| 3rd District | Lyle E. Hovland | January 2021 |
| 4th District | Neal Folstad | January 2019 |
| 5th District | Dennis Larson | January 2021 |
| Officials | | |
| Elected | | |
| Attorney | Carl Thunem | January 2019 |
| Auditor-Treasurer | Janelle Krump | January 2019 |
| County Recorder | Renae Niemi | January 2019 |
| Registrar of Titles | Renae Niemi | January 2019 |
| Sheriff | Rick Fiedler | January 2019 |
| Appointed | | |
| Assessor | Cheryl Wall* | January 2021 |
| Highway Engineer | Brian Noetzelman | Indefinite |
| Medical Examiner | Dr. Gregory A. Smith | Indefinite |
| Veterans Service Officer | Russel Foster | Indefinite |
| Family Services Director | Dave Sayler | Indefinite |
| Emergency Management Officer | Breanna Koval | Indefinite |

[1]Chair

*Replaced by Michelle Snobl effective June 1, 2018.

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# Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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# INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wilkin County
Breckenridge, Minnesota

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2018, on our consideration of Wilkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wilkin County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wilkin County's internal control over financial reporting and compliance.

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

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

| | |
|---|---|
| */s/Rebecca Otto* | */s/Greg Hierlinger* |
| REBECCA OTTO<br>STATE AUDITOR | GREG HIERLINGER, CPA<br>DEPUTY STATE AUDITOR |

August 17, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Unaudited)

Wilkin County's Management's Discussion and Analysis (MD&A) provides an overview of County financial activities for the fiscal year ended December 31, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Wilkin County's financial statements and the notes to the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

## FINANCIAL HIGHLIGHTS

- Governmental activities' total net position totals $52,769,415 for the year ended December 31, 2017. Net investment in capital assets represents $46,840,454 of the total, $1,395,479 is restricted to specific purposes/uses, and $4,533,482 is unrestricted.

- Wilkin County's net position increased by $1,119,511 for the year ended December 31, 2017.

- The net cost of Wilkin County's governmental activities for the year ended December 31, 2017, was $6,991,319. The net cost was funded by general revenues of $8,110,830.

- Wilkin County's fund balances of the governmental funds decreased by $320,454 in 2017. This net decrease consisted of a decrease of $250,593 in the General Fund, an increase of $381,888 in the Road and Bridge Special Revenue Fund, a decrease of $376,183 in the Human Services Special Revenue Fund, a decrease of $38,372 in the Public Health Special Revenue Fund, and a decrease of $37,204 in Other Governmental Funds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A 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. The MD&A (this section) is required to accompany the basic financial statements and is included as required supplementary information. This report also contains other required supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

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

The Statement of Net Position presents information on all assets, deferred inflows of resources, deferred outflows of resources, and liabilities of Wilkin County using the full accrual basis of accounting, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial health of the County is improving or deteriorating. It is important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The Statement of Activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Property taxes and state and federal grants finance most of these activities. Wilkin County has no business-type activities or component units for which the County is legally accountable.

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

**Fund Level Statements**

Fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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 how money flows into and out of these funds and the balances left at the end of the year available for spending. 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.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit 7.

### 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 as supplementary information regarding Wilkin County's budgeted funds, deposits and investments, intergovernmental revenues, and federal award programs.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Wilkin County's assets exceeded liabilities by $52,769,415 at the close of 2017. The largest portion of the County's net position (89 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 Position**

| | 2017 | 2016 |
|---|---|---|
| Assets | | |
| Current and other assets | $ 12,035,408 | $ 12,594,858 |
| Capital assets | 48,059,442 | 45,864,294 |
| Total Assets | $ 60,094,850 | $ 58,459,152 |
| Deferred Outflows of Resources | | |
| Deferred pension outflows | $ 2,431,346 | $ 4,070,560 |
| Liabilities | | |
| Long-term liabilities | $ 6,882,481 | $ 9,474,954 |
| Other liabilities | 725,931 | 602,968 |
| Total Liabilities | $ 7,608,412 | $ 10,077,922 |

| | 2017 | 2016 |
|---|---|---|
| Deferred Inflows of Resources | | |
| Deferred pension inflows | $ 2,023,410 | $ 801,886 |
| Prepaid taxes | 124,959 | - |
| Total Deferred Inflows of Resources | $ 2,148,369 | $ 801,886 |
| Net Position | | |
| Net investment in capital assets | $ 46,840,454 | $ 44,355,904 |
| Restricted | 1,395,479 | 1,901,587 |
| Unrestricted | 4,533,482 | 5,392,413 |
| Total Net Position | $ 52,769,415 | $ 51,649,904 |

The unrestricted net position amount of $4,533,482, 8.6 percent of the net position, as of December 31, 2017, may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements.

## Governmental Activities

Wilkin County's activities increased net position during 2017 by 2.17 percent. The net position for 2017 was $52,769,415 compared to $51,649,904 in 2016. Key elements in this increase in net position are as follows.

**Changes in Net Position**

| | 2017 | 2016 |
|---|---|---|
| Revenues | | |
| Program revenues | | |
| Fees, charges, fines, and other | $ 1,606,418 | $ 1,360,260 |
| Operating grants and contributions | 6,650,165 | 6,428,711 |
| Capital grants and contributions | 556,909 | 153,539 |
| General revenues | | |
| Property taxes | 7,245,808 | 7,229,072 |
| Other taxes | 63,384 | 13,255 |
| Grants and contributions not restricted | 651,997 | 567,183 |
| Other general revenues | 149,641 | 168,715 |
| Total Revenues | $ 16,924,322 | $ 15,920,735 |

| | 2017 | 2016 |
|---|---|---|
| Expenses | | |
| Program expenses | | |
| General government | $ 2,297,261 | $ 2,657,663 |
| Public safety | 2,890,025 | 2,654,617 |
| Highways and streets | 5,777,107 | 6,222,688 |
| Sanitation | 536,171 | 343,856 |
| Human services | 2,863,813 | 2,795,438 |
| Health | 950,881 | 959,677 |
| Culture and recreation | 71,164 | 69,762 |
| Conservation of natural resources | 401,099 | 237,548 |
| Economic development | 2,000 | 2,000 |
| Interest | 15,290 | 20,881 |
| Total Expenses | $ 15,804,811 | $ 15,964,130 |
| Increase (Decrease) in Net Position | $ 1,119,511 | $ (43,395) |
| Net Position - January 1 | 51,649,904 | 51,693,299 |
| Net Position - December 31 | $ 52,769,415 | $ 51,649,904 |

## 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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $10,134,881, a decrease of $320,454 in comparison with the prior year. Of the ending fund balance, $8,699,588 represents unrestricted (committed, assigned, and unassigned) 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 restricted for various reasons either by state law, grant agreements, or bond covenants, or is nonspendable.

The General Fund is a main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of $1,772,517. 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 32.72 percent of total General Fund expenditures. In 2017, ending fund balance in the General Fund decreased by $250,583 due to excess expenditures over revenues.

The Road and Bridge Special Revenue Fund's unrestricted fund balance of $3,185,333 at year-end represents 41.03 percent of expenditures. The ending fund balance increased $381,888 due to excess revenues over expenditures of $396,986 and a decrease in inventory of $15,098.

The Human Services Special Revenue Fund's unrestricted fund balance of $2,417,786 at year-end represents 86.03 percent of the fund's annual expenditures. The ending fund balance decreased $376,183 during 2017, which was a planned reduction due to a lower levy amount in order to spend down excess funds.

The Public Health Nurse Special Revenue Fund's unrestricted fund balance of $1,131,145 at year-end represents 124.84 percent of the fund's annual expenditures. The ending fund balance decreased $38,372 during 2017, which was a planned reduction due to a lower levy amount in order to spend down excess funds.

All Other Governmental Funds' unrestricted fund balance of $192,807 at year-end represents 23.64 percent of the funds' annual expenditures. The ending fund balances decreased $37,204 during 2017 due to excess expenditures over revenues.

**Governmental Activities**

The County's total revenues were $16,924,322. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2017.

**Table 1**
**Total County Revenues**

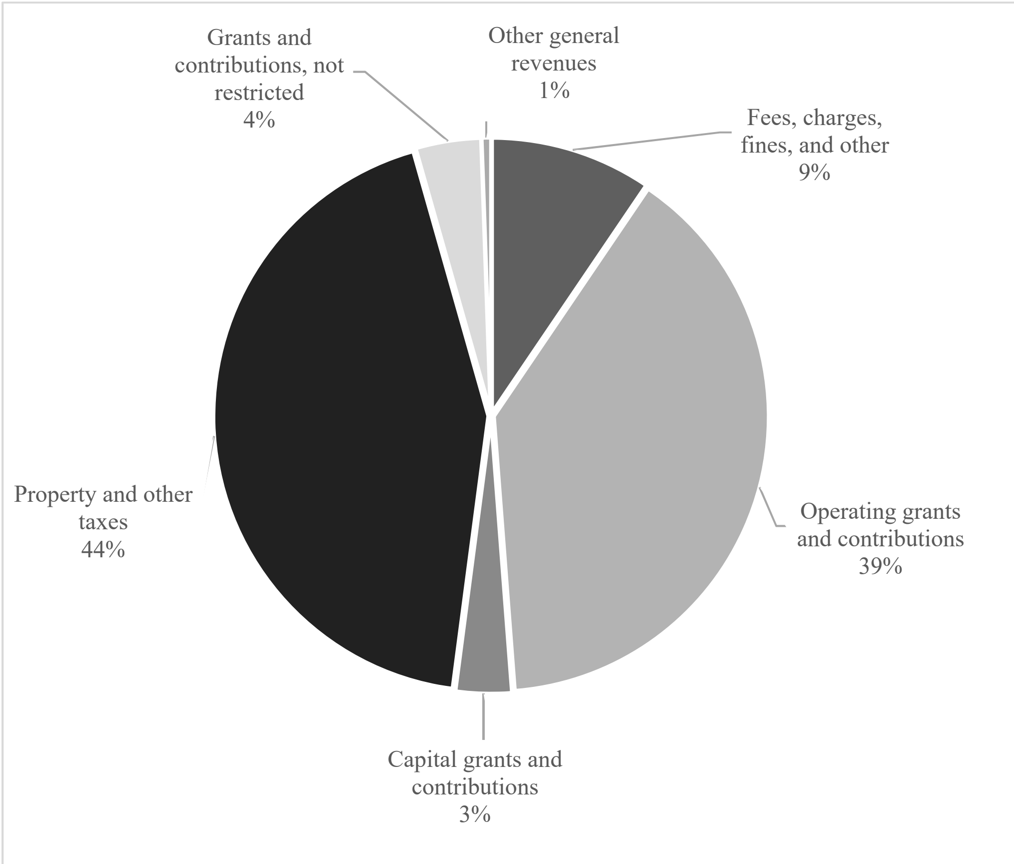


Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program and general revenues for the County were $16,924,322, while total expenses were $15,804,811. This reflects a $1,119,511 increase in net position for the year ended December 31, 2017.

**Table 2**
**General Revenues, Program Revenues, and Expenses**

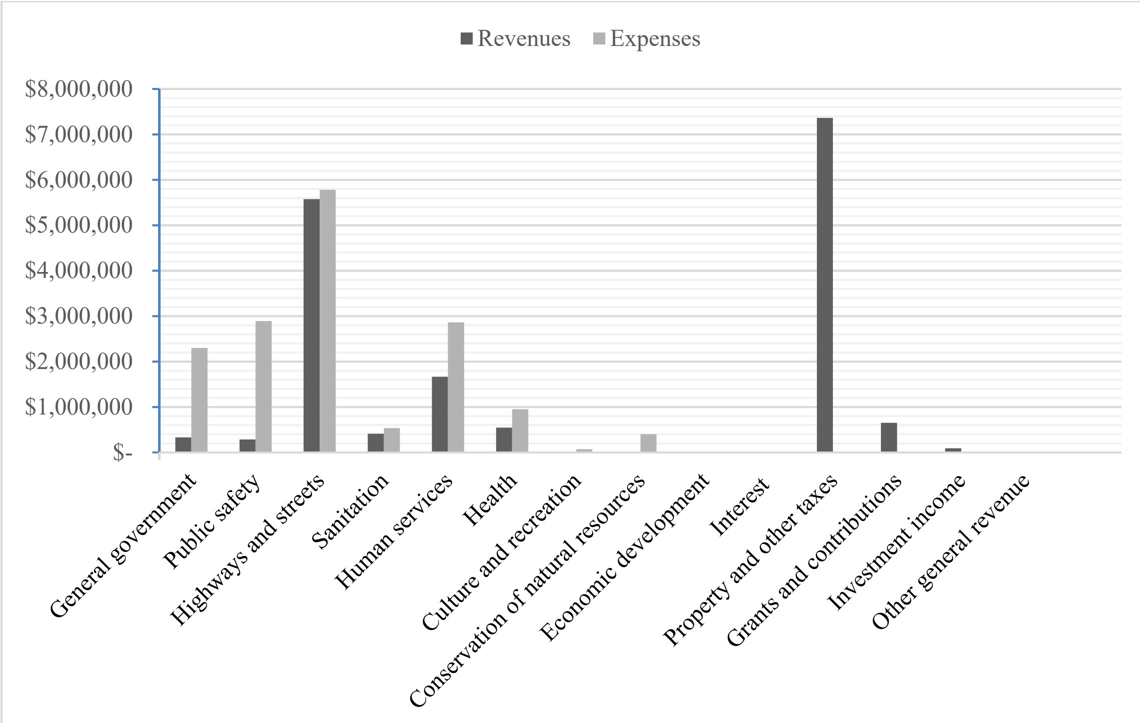


Table 3 presents the cost of each of the County's four largest program functions, as well as each function's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Table 3**
**Governmental Activities**

| | Total Cost of Services 2017 | Net Cost of Services 2017 |
|---|---|---|
| General government | $ 2,297,261 | $ 1,965,535 |
| Public safety | 2,890,025 | 2,604,218 |
| Highways and streets | 5,777,107 | 203,982 |
| Human services | 2,863,813 | 1,198,809 |
| All others | 1,976,605 | 1,018,775 |
| Totals | $ 15,804,811 | $ 6,991,319 |

## General Fund Budgetary Highlights

The Wilkin County Board of Commissioners, over the course of the year, may amend/revise the County's budget. These budget amendments usually will fall into one of two categories: new information changing original budget estimations and greater than anticipated revenues or costs. During 2017, the County did not make any significant budgetary amendments/revisions.

Actual revenues were greater than budgeted revenues by $441,832, primarily due to intergovernmental transactions.

Actual expenditures were more than budgeted expenditures by $401,215.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2017, totaled $48,059,442 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investments in capital assets increased $2,195,148, or 4.8 percent, from the previous year.

**Governmental Capital Assets**
**(Net of Depreciation)**

| | 2017 | 2016 |
|---|---|---|
| Land | $ 1,224,023 | $ 1,224,023 |
| Infrastructure | 37,806,035 | 35,729,413 |
| Buildings | 5,719,610 | 5,521,066 |
| Improvements other than buildings | 85,293 | 95,768 |
| Machinery and equipment | 2,417,362 | 2,488,717 |
| Software | 135,145 | 148,659 |
| Construction in progress | 671,974 | 656,648 |
| Total | $ 48,059,442 | $ 45,864,294 |

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

**Long-Term Debt**

At the end of the current fiscal year, the County had total outstanding debt of $1,190,000.

| | 2017 | 2016 |
|---|---|---|
| General obligation refunding bonds | $ 1,190,000 | $ 1,470,000 |

The County's debt related to general obligation bonds decreased by $280,000 during the fiscal year.

Additional information on the County's long-term debt can be found in Notes 3.C.2. to 3.C.4. to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Wilkin County's elected and appointed officials considered many factors when setting the 2018 budget and tax levy. These factors include state-aid levels, increasing input costs, appropriate fund balances, being mindful of the burden on County taxpayers, and a need to provide a certain level of services to Wilkin County residents/taxpayers.

- The unemployment rate for Wilkin County at the end of 2017 was 3.2 percent. This is comparable with the state unemployment rate of 3.4 percent. This does show an decrease of 0.6 percent rate from one year ago.

- The County's expenditures for 2018 are budgeted to increase 1.32 percent ($219,053) over the 2017 original budget. The 2018 anticipated revenues, other than tax levy, and special assessments, are budgeted to decrease 2.5 percent ($188,527) over the 2017 original budget.

- The net tax levy (the amount spread to taxpayers) increased 1.39 percent ($103,749) from 2017.

## 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-Treasurer, Janelle Krump, Wilkin County Courthouse, 300 South 5th Street, P. O. Box, 409, Breckenridge, Minnesota 56520.

# BASIC FINANCIAL STATEMENTS

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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## WILKIN COUNTY
## BRECKENRIDGE, MINNESOTA

*EXHIBIT 1*

### STATEMENT OF NET POSITION
### GOVERNMENTAL ACTIVITIES
### DECEMBER 31, 2017

| | | |
|---|---|---|
| **Assets** | | |
| Cash and pooled investments | $ | 9,501,142 |
| Taxes receivable - delinquent | | 42,533 |
| Accounts receivable - net | | 75,131 |
| Accrued interest receivable | | 23,972 |
| Due from other governments | | 1,932,319 |
| Inventories | | 460,311 |
| Capital assets | | |
| Non-depreciable | | 1,895,997 |
| Depreciable - net of accumulated depreciation | | 46,163,445 |
| **Total Assets** | **$** | **60,094,850** |
| **Deferred Outflows of Resources** | | |
| Deferred pension outflows | **$** | **2,431,346** |
| **Liabilities** | | |
| Accounts payable | $ | 309,268 |
| Salaries payable | | 27,280 |
| Contracts payable | | 182,789 |
| Due to other governments | | 194,045 |
| Accrued interest payable | | 9,917 |
| Unearned revenue | | 2,632 |
| Long-term liabilities | | |
| Due within one year | | 545,413 |
| Due in more than one year | | 1,000,776 |
| Other postemployment benefits | | 89,869 |
| Net pension liability | | 5,246,423 |
| **Total Liabilities** | **$** | **7,608,412** |
| **Deferred Inflows of Resources** | | |
| Deferred pension inflows | $ | 2,023,410 |
| Prepaid taxes | | 124,959 |
| **Total Deferred Inflows of Resources** | **$** | **2,148,369** |
| **Net Position** | | |
| Net investment in capital assets | $ | 46,840,454 |
| Restricted for | | |
| General government | | 187,949 |
| Public safety | | 88,074 |
| Highways and streets | | 1,019,456 |
| Economic development | | 100,000 |
| Unrestricted | | 4,533,482 |
| **Total Net Position** | **$** | **52,769,415** |

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, 2017

| | Expenses | Program Revenues: Fees, Charges, Fines, and Other | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| **Functions/Programs** | | | | | |
| **Governmental activities** | | | | | |
| General government | $ 2,297,261 | $ 276,506 | $ 55,220 | $ - | $ (1,965,535) |
| Public safety | 2,890,025 | 180,629 | 105,178 | - | (2,604,218) |
| Highways and streets | 5,777,107 | 377,691 | 4,638,525 | 556,909 | (203,982) |
| Sanitation | 536,171 | 194,805 | 215,315 | - | (126,051) |
| Human services | 2,863,813 | 224,888 | 1,440,116 | - | (1,198,809) |
| Health | 950,881 | 351,899 | 192,284 | - | (406,698) |
| Culture and recreation | 71,164 | - | - | - | (71,164) |
| Conservation of natural resources | 401,099 | - | 3,527 | - | (397,572) |
| Economic development | 2,000 | - | - | - | (2,000) |
| Interest | 15,290 | - | - | - | (15,290) |
| **Total Governmental Activities** | **$ 15,804,811** | **$ 1,606,418** | **$ 6,650,165** | **$ 556,909** | **$ (6,991,319)** |

| | |
|---|---|
| **General Revenues** | |
| Property taxes | $ 7,245,808 |
| Gravel taxes | 63,384 |
| Payments in lieu of tax | 55,447 |
| Grants and contributions not restricted to specific programs | 651,997 |
| Investment income | 90,024 |
| Miscellaneous | 4,170 |
| **Total general revenues** | **$ 8,110,830** |
| **Change in net position** | **$ 1,119,511** |
| **Net Position - Beginning** | **51,649,904** |
| **Net Position - Ending** | **$ 52,769,415** |

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

# FUND FINANCIAL STATEMENTS

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# GOVERNMENTAL FUNDS

# WILKIN COUNTY
# BRECKENRIDGE, MINNESOTA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## DECEMBER 31, 2017

| | General | Road and Bridge |
|---|---|---|
| **Assets** | | |
| Cash and pooled investments | $ 2,232,442 | $ 3,114,091 |
| Petty cash and change funds | 2,250 | 100 |
| Undistributed cash in agency funds | 127,782 | 53,372 |
| Taxes receivable - delinquent | 22,029 | 11,160 |
| Accounts receivable | 4,831 | 5,441 |
| Accrued interest receivable | 23,972 | - |
| Due from other funds | 11,027 | 88 |
| Due from other governments | 26,855 | 1,589,565 |
| Inventories | - | 460,311 |
| **Total Assets** | **$ 2,451,188** | **$ 5,234,128** |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | |
| **Liabilities** | | |
| Accounts payable | $ 73,927 | $ 126,247 |
| Salaries payable | 5,517 | 4,385 |
| Contracts payable | - | 182,789 |
| Due to other funds | 2,061 | 345 |
| Due to other governments | 113,142 | 186 |
| Unearned revenues | - | - |
| **Total Liabilities** | **$ 194,647** | **$ 313,952** |
| **Deferred Inflows of Resources** | | |
| Unavailable revenues | $ 30,349 | $ 884,330 |
| Prepaid taxes | 74,048 | 30,726 |
| **Total Deferred Inflows of Resources** | **$ 104,397** | **$ 915,056** |

*EXHIBIT 3*

| Human Services | Public Health Nurse | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| $ 2,407,994 | $ 1,077,176 | $ 441,550 | $ 9,273,253 |
| - | - | 5,000 | 7,350 |
| 20,600 | 7,283 | 11,502 | 220,539 |
| 5,373 | 2,002 | 1,969 | 42,533 |
| 954 | 56,857 | 7,048 | 75,131 |
| - | - | - | 23,972 |
| 2,301 | 6,709 | - | 20,125 |
| 167,964 | 102,618 | 44,767 | 1,931,769 |
| - | - | - | 460,311 |
| **$ 2,605,186** | **$ 1,252,645** | **$ 511,836** | **$ 12,054,983** |
| | | | |
| $ 87,188 | $ 14,638 | $ 7,268 | $ 309,268 |
| 9,723 | 7,655 | - | 27,280 |
| - | - | - | 182,789 |
| 15,663 | 1,473 | 33 | 19,575 |
| 22,347 | - | 58,370 | 194,045 |
| - | - | 2,632 | 2,632 |
| **$ 134,921** | **$ 23,766** | **$ 68,303** | **$ 735,589** |
| | | | |
| $ 40,850 | $ 94,171 | $ 9,854 | $ 1,059,554 |
| 11,629 | 3,563 | 4,993 | 124,959 |
| **$ 52,479** | **$ 97,734** | **$ 14,847** | **$ 1,184,513** |

# WILKIN COUNTY
# BRECKENRIDGE, MINNESOTA

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## DECEMBER 31, 2017

| | General | Road and Bridge |
|---|---|---|
| **Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)** | | |
| **Fund Balances** | | |
| Nonspendable | | |
| Inventories | $ - | $ 460,311 |
| Missing heirs | 3,604 | - |
| Restricted | | |
| Debt service | - | - |
| Law library | 39,930 | - |
| Recorder's technology equipment | 75,978 | - |
| Real estate tax shortfall | 21,330 | - |
| Enhanced 911 | 86,099 | - |
| Recorder's compliance fund | 50,711 | - |
| Economic development | 100,000 | - |
| Gravel pit restoration | - | - |
| County state-aid highway system | - | 359,476 |
| Sheriff's contingencies | 1,975 | - |
| Committed | | |
| Future aggregate | - | 256,750 |
| Assigned | | |
| Subsequent year's appropriated budget | 603,000 | - |
| Highways and streets | - | 2,928,583 |
| Human services | - | - |
| Sanitation | - | - |
| Public health | - | - |
| Unassigned | 1,169,517 | - |
| **Total Fund Balances** | **$ 2,152,144** | **$ 4,005,120** |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | **$ 2,451,188** | **$ 5,234,128** |

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

*EXHIBIT 3*
*(Continued)*

| Human Services | Public Health Nurse | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| | | | |
| $ - | $ - | $ - | $ 460,311 |
| - | - | - | 3,604 |
| | | | |
| - | - | 226,514 | 226,514 |
| - | - | - | 39,930 |
| - | - | - | 75,978 |
| - | - | - | 21,330 |
| - | - | - | 86,099 |
| - | - | - | 50,711 |
| - | - | - | 100,000 |
| - | - | 9,365 | 9,365 |
| - | - | - | 359,476 |
| - | - | - | 1,975 |
| | | | |
| - | - | - | 256,750 |
| | | | |
| - | - | - | 603,000 |
| - | - | - | 2,928,583 |
| 2,417,786 | - | - | 2,417,786 |
| - | - | 192,807 | 192,807 |
| - | 1,131,145 | - | 1,131,145 |
| - | - | - | 1,169,517 |
| **$ 2,417,786** | **$ 1,131,145** | **$ 428,686** | **$ 10,134,881** |
| **$ 2,605,186** | **$ 1,252,645** | **$ 511,836** | **$ 12,054,983** |

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WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT 4*

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2017**

| | | |
|---|---|---|
| **Fund balances - total governmental funds (Exhibit 3)** | | **$ 10,134,881** |
| 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. | | 48,059,442 |
| Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds. | | 2,431,346 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. | | 1,059,554 |
| 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 | $ (1,190,000) | |
| Bond premium | (28,988) | |
| Accrued interest payable | (9,917) | |
| Compensated absences | (327,201) | |
| Net other postemployment benefits liability | (89,869) | |
| Net pension liability | (5,246,423) | (6,892,398) |
| Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | (2,023,410) |
| **Net Position of Governmental Activities (Exhibit 1)** | | **$ 52,769,415** |

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

## WILKIN COUNTY
## BRECKENRIDGE, MINNESOTA

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
### GOVERNMENTAL FUNDS
### FOR THE YEAR ENDED DECEMBER 31, 2017

| | General | Road and Bridge |
|---|---|---|
| **Revenues** | | |
| Taxes | $ 3,980,127 | $ 1,916,447 |
| Licenses and permits | 6,120 | - |
| Intergovernmental | 633,303 | 5,899,284 |
| Charges for services | 369,461 | 288,546 |
| Fines and forfeits | 10,830 | - |
| Gifts and contributions | - | - |
| Investment earnings | 92,544 | - |
| Miscellaneous | 74,894 | 55,569 |
| **Total Revenues** | **$ 5,167,279** | **$ 8,159,846** |
| **Expenditures** | | |
| **Current** | | |
| General government | $ 2,643,377 | $ - |
| Public safety | 2,305,878 | - |
| Highways and streets | - | 7,371,015 |
| Sanitation | - | - |
| Human services | - | - |
| Health | 2,135 | - |
| Culture and recreation | 67,433 | 1,738 |
| Conservation of natural resources | 397,039 | - |
| Economic development | 2,000 | - |
| **Intergovernmental** | | |
| Highways and streets | - | 390,107 |
| **Debt service** | | |
| Principal | - | - |
| Interest | - | - |
| Administrative (fiscal) charges | - | - |
| **Total Expenditures** | **$ 5,417,862** | **$ 7,762,860** |
| **Net Change in Fund Balance** | **$ (250,583)** | **$ 396,986** |
| **Fund Balances - January 1** | **2,402,727** | **3,623,232** |
| **Increase (decrease) in inventories** | **-** | **(15,098)** |
| **Fund Balances - December 31** | **$ 2,152,144** | **$ 4,005,120** |

# *EXHIBIT 5*

| Human Services | Public Health Nurse | Other Governmental Funds | Total |
|---|---|---|---|
| $ 753,557 | $ 311,051 | $ 345,535 | $ 7,306,717 |
| - | - | 950 | 7,070 |
| 1,456,023 | 282,006 | 238,164 | 8,508,780 |
| 203,348 | 203,318 | 81,365 | 1,146,038 |
| - | - | - | 10,830 |
| - | 53,815 | - | 53,815 |
| 3 | - | - | 92,547 |
| 21,437 | 17,494 | 112,490 | 281,884 |
| **$ 2,434,368** | **$ 867,684** | **$ 778,504** | **$ 17,407,681** |
| $ - | $ - | $ - | $ 2,643,377 |
| - | - | - | 2,305,878 |
| - | - | - | 7,371,015 |
| - | - | 306,332 | 306,332 |
| 2,810,551 | - | - | 2,810,551 |
| - | 906,056 | - | 908,191 |
| - | - | - | 69,171 |
| - | - | 202,351 | 599,390 |
| - | - | - | 2,000 |
| - | - | - | 390,107 |
| - | - | 280,000 | 280,000 |
| - | - | 26,600 | 26,600 |
| - | - | 425 | 425 |
| **$ 2,810,551** | **$ 906,056** | **$ 815,708** | **$ 17,713,037** |
| **$ (376,183)** | **$ (38,372)** | **$ (37,204)** | **$ (305,356)** |
| **2,793,969** | **1,169,517** | **465,890** | **10,455,335** |
| **-** | **-** | **-** | **(15,098)** |
| **$ 2,417,786** | **$ 1,131,145** | **$ 428,686** | **$ 10,134,881** |

*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, 2017

| | | |
|---|---|---|
| **Net change in fund balances - total governmental funds (Exhibit 5)** | | **$ (305,356)** |
| 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. | | |
| Unavailable revenue - December 31 | $ 1,059,554 | |
| Unavailable revenue - January 1 | (1,548,805) | (489,251) |
| 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 | $ 4,714,133 | |
| Current year depreciation | (2,518,985) | 2,195,148 |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| General obligation bonds | | 280,000 |
| Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. | | 9,402 |
| 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 | $ 2,333 | |
| Change in compensated absences | (23,073) | |
| Change in net other postemployment benefits liability | (6,629) | |
| Change in net pension liability | 2,332,773 | |
| Change in deferred pension outflows of resources | (1,639,214) | |
| Change in deferred pension inflows of resources | (1,221,524) | |
| Change in inventories | (15,098) | (570,432) |
| **Change in Net Position of Governmental Activities (Exhibit 2)** | | **$ 1,119,511** |

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

**FIDUCIARY FUNDS**

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# WILKIN COUNTY
# BRECKENRIDGE, MINNESOTA

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET POSITION**
**AGENCY FUNDS**
**DECEMBER 31, 2017**

| | | |
|---|---|---|
| **Assets** | | |
| Cash and pooled investments | **$** | **248,472** |
| **Liabilities** | | |
| Due to other funds | $ | 550 |
| Due to other governments | | 247,922 |
| **Total Liabilities** | **$** | **248,472** |

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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, Jointly-Governed Organizations, and Related Organization

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

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, 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 position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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 Public Health Nurse Fund is used 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.

Additionally, the County reports the following fund types:

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

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

Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

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 investment in the pool is measured at the net asset value per share provided by the pool.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were $92,547.

2. Receivables and Payables

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

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 - delinquent.

3. Inventories

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

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

| Assets | Capitalization Threshold |
|---|---|
| Land | $ 1 |
| Buildings | 5,000 |
| Building improvements | 5,000 |
| Public domain infrastructure | 5,000 |
| Furniture, equipment, and vehicles | 5,000 |

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

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

| Assets | Year |
|---|---|
| Buildings | 25 - 40 |
| Improvements other than buildings | 20 - 35 |
| Infrastructure | 15 - 75 |
| Machinery, furniture, and equipment | 3 - 15 |

1. Summary of Significant Accounting Policies

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

5. Unearned Revenue

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

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. 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. The government-wide statement of net position reports both the current and noncurrent portion of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year.

7. Long-Term Obligations

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

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

1. Summary of Significant Accounting Policies

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

8. Pension Plan

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. Pension outflows arise only under the full accrual basis of accounting and consist of changes in actuarial assumptions, changes in proportionate share, differences between actual and expected experience, pension plan contributions paid subsequent to the measurement date, and the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

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

1. Summary of Significant Accounting Policies

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

9. Deferred Outflows/Inflows of Resources (Continued)

funds report unavailable revenue from delinquent taxes receivable and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Prepaid property taxes arise under both the modified accrual and the full accrual basis of accounting and, accordingly, are reported in the governmental funds balance sheet and the statement of net position. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, the differences between projected and actual earnings on pension plan investments, changes in actuarial assumptions, and pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

10. Classification of Net Position

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

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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.

12. 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.

13. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following nonmajor individual fund had expenditures in excess of budget for the year ended December 31, 2017:

| | Expenditures | Budget | Excess |
|---|---|---|---|
| Environmental Special Revenue Fund | $ 506,054 | $ 358,300 | $ 147,754 |

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

| | |
|---|---|
| Governmental activities | |
| Cash and pooled investments | $ 9,501,142 |
| Fiduciary funds | |
| Cash and pooled investments | |
| Agency funds | 248,472 |
| Total Cash and Investments | $ 9,749,614 |

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.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

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, 2017, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

(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.

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.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. As of December 31, 2017, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's cash and investment balances at December 31, 2017, and information relating to potential investment risks:

| | Credit Risk | | Concentration Risk | Interest Rate Risk | |
|---|---|---|---|---|---|
| Investment Type | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date | Carrying (Fair) Value |
| U.S. government agency securities | | | | | |
| Federal National Mortgage Association | AA+ | S&P | | 07/27/2021 | $ 246,670 |
| Federal Home Loan Mortgage Corporation | AA+ | S&P | | 10/28/2021 | $ 199,616 |
| Federal Home Loan Mortgage Corporation | AA+ | S&P | | 10/27/2023 | 237,821 |
| Total Federal Home Loan Mortgage Corporation | | | 6.4% | | $ 437,437 |

3. Detailed Notes on All Funds

   A. Assets and Deferred Outflows of Resources

      1. Deposits and Investments (Continued)

| Investment Type | Credit Risk: Credit Rating | Credit Risk: Rating Agency | Concentration Risk: Over 5 Percent of Portfolio | Interest Rate Risk: Maturity Date | Carrying (Fair) Value |
|---|---|---|---|---|---|
| Investment pools/mutual funds | | | | | |
| MAGIC Fund | | | N/A | | $ 1,183,511 |
| Negotiable certificates of deposit | | | N/A | | $ 3,868,683 |
| Total investments | | | | | $ 5,736,301 |
| Deposits | | | | | 4,005,963 |
| Change funds | | | | | 7,350 |
| Total Cash and Investments | | | | | $ 9,749,614 |

N/A - Not Applicable
S&P - Standard & Poor's

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

At December 31, 2017, the County had the following recurring fair value measurements.

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | December 31, 2017 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by fair value level | | | | |
| Debt securities | | | | |
| U.S. agencies | $ 684,107 | $ - | $ 684,107 | $ - |
| Negotiable certificates of deposit | 3,868,683 | - | 3,868,683 | - |
| Total Investments Included in the Fair Value Hierarchy | $ 4,552,790 | $ - | $ 4,552,790 | $ - |
| Investments measured at the net asset value (NAV) | | | | |
| MAGIC portfolio | 1,183,511 | | | |
| Total Investments | $ 5,736,301 | | | |

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices.

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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

2. Receivables

Receivables as of December 31, 2017, are as follows:

| | Total Receivables |
|---|---|
| Governmental Activities | |
| Taxes | $ 42,533 |
| Accounts - net | 75,131 |
| Interest | 23,972 |
| Due from other governments | 1,932,319 |
| Total Governmental Activities | $ 2,073,955 |

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|---|---|---|---|---|
| Capital assets not depreciated | | | | |
| Land | $ 1,224,023 | $ - | $ - | $ 1,224,023 |
| Construction in progress | 656,648 | 3,465,476 | 3,450,150 | 671,974 |
| Total capital assets not depreciated | $ 1,880,671 | $ 3,465,476 | $ 3,450,150 | $ 1,895,997 |
| Capital assets depreciated | | | | |
| Improvements other than buildings | $ 174,350 | $ - | $ - | $ 174,350 |
| Buildings | 8,240,438 | 408,802 | - | 8,649,240 |
| Machinery, furniture, and equipment | 6,528,291 | 399,468 | 50,003 | 6,877,756 |
| Software | 202,715 | - | - | 202,715 |
| Infrastructure | 63,628,503 | 3,890,537 | - | 67,519,040 |
| Total capital assets depreciated | $ 78,774,297 | $ 4,698,807 | $ 50,003 | $ 83,423,101 |
| Less: accumulated depreciation for | | | | |
| Improvements other than buildings | $ 78,582 | $ 10,475 | $ - | $ 89,057 |
| Buildings | 2,719,372 | 210,258 | - | 2,929,630 |
| Machinery, furniture, and equipment | 4,039,574 | 470,823 | 50,003 | 4,460,394 |
| Software | 54,056 | 13,514 | - | 67,570 |
| Infrastructure | 27,899,090 | 1,813,915 | - | 29,713,005 |
| Total accumulated depreciation | $ 34,790,674 | $ 2,518,985 | $ 50,003 | $ 37,259,656 |
| Total capital assets depreciated, net | $ 43,983,623 | $ 2,179,822 | $ - | $ 46,163,445 |
| Governmental Activities Capital Assets, Net | $ 45,864,294 | $ 5,645,298 | $ 3,450,150 | $ 48,059,442 |

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

| | |
|---|---|
| General government | $ 49,276 |
| Public safety | 242,410 |
| Highways and streets, including depreciation of infrastructure assets | 2,187,064 |
| Human services | 8,482 |
| Health | 2,921 |
| Sanitation | 26,839 |
| Culture and recreation | 1,993 |
| Total Depreciation Expense | $ 2,518,985 |

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

Due To/From Other Funds

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Road and Bridge Special Revenue Fund | $ 345 |
| | Human Services Special Revenue Fund | 8,954 |
| | Public Health Special Revenue Fund | 1,428 |
| | Agency funds | 300 |
| Total due to General Fund | | $ 11,027 |
| Road and Bridge Special Revenue Fund | General Fund | $ 55 |
| | Environmental Special Revenue Fund | 33 |
| Total due to Road and Bridge Special Revenue Fund | | $ 88 |
| Human Services Special Revenue Fund | General Fund | $ 2,006 |
| | Public Health Nurse Special Revenue Fund | 45 |
| | Agency funds | 250 |
| Total due to Human Services Special Revenue Fund | | $ 2,301 |
| Public Health Nurse Special Revenue Fund | Human Services Special Revenue Fund | $ 6,709 |
| Total Due To/From Other Funds | | $ 20,125 |

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.

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

| | Governmental Activities |
|---|---|
| Accounts | $ 309,268 |
| Salaries | 27,280 |
| Contracts | 182,789 |
| Due to other governments | 194,045 |
| Total Payables | $ 713,382 |

2. Long-Term Debt

The payments on the 2013 G.O. Refunding Bonds are being made from the Courthouse Improvement Debt Service Fund.

| Type of Indebtedness | Final Maturity | Installment Amounts | Interest Rate (%) | Original Issue Amount | Outstanding Balance December 31, 2015 |
|---|---|---|---|---|---|
| General obligation bonds | | | | | |
| 2013 G.O. Refunding Bonds | 2021 | $270,000 - $310,000 | 1.215 | $ 2,015,000 | $ 1,190,000 |
| Add: Unamortized premium | | | | | 28,988 |
| Total General Obligation Bonds, Net | | | | | $ 1,218,988 |

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

| Year Ending December 31 | General Obligation Bonds Principal | General Obligation Bonds Interest |
|---|---|---|
| 2018 | $ 285,000 | $ 20,950 |
| 2019 | 295,000 | 15,150 |
| 2020 | 300,000 | 9,200 |
| 2021 | 310,000 | 3,100 |
| Total | $ 1,190,000 | $ 48,400 |

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Long-term liabilities | | | | | |
| Bonds payable | | | | | |
| General obligation bonds | $ 1,470,000 | $ - | $ 280,000 | $ 1,190,000 | $ 285,000 |
| Add: Unamortized premium | 38,390 | - | 9,402 | 28,988 | - |
| Total bonds payable | $ 1,508,390 | $ - | $ 289,402 | $ 1,218,988 | $ 285,000 |
| Compensated absences | 304,128 | 314,358 | 291,285 | 327,201 | 260,413 |
| Total Long-Term Liabilities | $ 1,812,518 | $ 314,358 | $ 580,687 | $ 1,546,189 | $ 545,413 |

Compensated absences are liquidated by the General Fund and other funds that have personal services.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues consist of state and/or federal grants received but not earned. Deferred inflows of resources - unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources - prepaid property taxes consists of the County's share of 2018 property taxes collected in advance.

| | Taxes | Grants and Allotments | Other | Total |
|---|---|---|---|---|
| Major governmental funds | | | | |
| General | $ 90,940 | $ 3,603 | $ 9,854 | $ 104,397 |
| Road and Bridge | 39,370 | 821,274 | 54,412 | 915,056 |
| Human Services | 16,040 | 36,339 | 100 | 52,479 |
| Public Health | 5,163 | - | 92,571 | 97,734 |
| Nonmajor governmental funds | | | | |
| Environmental | 4,845 | 6,159 | - | 11,004 |
| Courthouse Improvement | 6,475 | - | - | 6,475 |
| Total | $ 162,833 | $ 867,375 | $ 156,937 | $ 1,187,145 |
| | | | | |
| Liability | | | | |
| Unearned revenue | $ - | $ 2,632 | $ - | $ 2,632 |
| Deferred inflows of resources | | | | |
| Unavailable revenue | 37,874 | 864,743 | 156,937 | 1,059,554 |
| Prepaid taxes | 124,959 | - | - | 124,959 |
| Total | $ 162,833 | $ 867,375 | $ 156,937 | $ 1,187,145 |

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. 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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

1. Plan Description

Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, if the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

| | |
|---|---|
| General Employees Retirement Fund | |
| Coordinated Plan members | 7.50% |
| Public Employees Police and Fire Fund | 16.20 |
| Public Employees Correctional Fund | 8.75 |

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2017, to the pension plans were:

| | | |
|---|---|---|
| General Employees Retirement Fund | $ | 291,553 |
| Public Employees Police and Fire Fund | | 84,851 |
| Public Employees Correctional Fund | | 46,555 |

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $3,830,360 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.0600 percent. It was 0.0599 percent measured as of June 30, 2016. The County recognized pension expense of $494,943 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $1,392 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

| | | |
|---|---|---|
| The County's proportionate share of the net pension liability | $ | 3,830,360 |
| State of Minnesota's proportionate share of the net pension liability associated with the County | | 48,194 |
| Total | $ | 3,878,554 |

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

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| Differences between expected and actual economic experience | $ | 126,237 | $ | 247,835 |
| Changes in actuarial assumptions | | 634,863 | | 383,994 |
| Difference between projected and actual investment earnings | | 28,765 | | - |
| Changes in proportion | | 6,090 | | 110,787 |
| Contributions paid to PERA subsequent to the measurement date | | 147,337 | | - |
| Total | $ | 943,292 | $ | 742,616 |

The $147,337 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount | |
|---|---|---|
| 2018 | $ | 88,180 |
| 2019 | | 198,550 |
| 2020 | | (70,798) |
| 2021 | | (162,593) |

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $675,060 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.050 percent. It was 0.044 percent measured as of June 30, 2016. The County recognized pension expense of $182,050 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $4,500 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 15,539 | $ 155,498 |
| Changes in actuarial assumptions | 777,436 | 958,417 |
| Difference between projected and actual investment earnings | - | 20,516 |
| Changes in proportion | 223,384 | - |
| Contributions paid to PERA subsequent to the measurement date | 42,975 | - |
| Total | $ 1,059,334 | $ 1,134,431 |

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The $42,975 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2018 | $ 26,721 |
| 2019 | 26,720 |
| 2020 | 6,425 |
| 2021 | (29,496) |
| 2022 | (148,442) |

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of $741,003 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.260 percent. It was 0.260 percent measured as of June 30, 2016. The County recognized pension expense of $279,823 for its proportionate share of the Public Employees Correctional Plan's pension expense.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 496 | $ 11,788 |
| Changes in actuarial assumptions | 403,431 | 128,986 |
| Difference between projected and actual investment earnings | - | 5,211 |
| Changes in proportion | 773 | 378 |
| Contributions paid to PERA subsequent to the measurement date | 24,020 | - |
| Total | $ 428,720 | $ 146,363 |

The $24,020 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2018 | $ 159,584 |
| 2019 | 164,889 |
| 2020 | (45,507) |
| 2021 | (20,629) |

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $956,816.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic stocks | 39% | 5.10% |
| International stocks | 19 | 5.30 |
| Bonds | 20 | 0.75 |
| Alternative assets | 20 | 5.90 |
| Cash | 2 | 0.00 |

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

6. Discount Rate (Continued)

position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits to the point of asset depletion and 3.56 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan

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

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

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

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

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

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

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

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

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

Public Employees Correctional Plan

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

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

| | Proportionate Share of the | | | | | |
|---|---|---|---|---|---|---|
| | General Employees Retirement Plan | | Public Employees Police and Fire Plan | | Public Employees Correctional Plan | |
| | Discount Rate | Net Pension Liability | Discount Rate | Net Pension Liability | Discount Rate | Net Pension Liability |
| 1% Decrease | 6.50% | $ 5,941,174 | 6.50% | $ 1,271,334 | 4.96% | $ 1,221,080 |
| Current | 7.50 | 3,830,360 | 7.50 | 675,060 | 5.96 | 741,003 |
| 1% Increase | 8.50 | 2,102,276 | 8.50 | 182,802 | 6.96 | 366,296 |

9. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

One commissioner of Wilkin County 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.

4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by Wilkin County during the year ended December 31, 2017, were:

| | Employee | Employer |
|---|---|---|
| Contribution amount | $ 1,107 | $ 1,107 |
| Percentage of covered payroll | 5% | 5% |

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 2015, there were 98 participants in the plan, including 3 retirees. The OPEB liability is liquidated through the General Fund and other funds that have personal services.

4. Pension Plans and Other Postemployment Benefits

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 | $ | 46,613 |
| Interest on net OPEB obligation | | 3,330 |
| Adjustment to ARC | | (5,143) |
| Annual OPEB cost (expense) | $ | 44,800 |
| Contributions made | | (38,171) |
| Increase in net OPEB obligation | $ | 6,629 |
| Net OPEB Obligation - Beginning of Year | | 83,240 |
| Net OPEB Obligation - End of Year | $ | 89,869 |

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2015, 2016, and 2017, were as follows:

| Fiscal Year-End | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| December 31, 2015 | $ 45,315 | $ 30,364 | 67.0% | $ 77,818 |
| December 31, 2016 | 44,988 | 39,566 | 88.0 | 83,240 |
| December 31, 2017 | 44,800 | 38,171 | 85.2 | 89,869 |

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $378,502, and the actuarial value of plan assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $378,502. The covered payroll (annual payroll of active employees covered by the plan) was $4,192,117, and the ratio of the UAAL to the covered payroll was 9.0 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 designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Wilkin County's implicit rate of return on the General Fund. The annual health care cost trend is 7.25 percent initially, reduced

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2017, was 22 years.

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). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2017 and 2018. 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.

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

B. Contingent Liabilities

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

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

C. 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, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

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

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

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2017, Wilkin County did not contribute any funds to the Board.

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

Lakes to River Drug and Violent Crimes Task Force

The Lakes to River Drug and Violent Crimes Task Force was established in 2016 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Clay and Wilkin Counties and the Cities of Breckenridge and Moorhead. The Task Force's objectives are to investigate and prosecute criminal activity, including narcotics trafficking related to violent crimes and gang activity.

Control of the Task Force is vested in a Board of Directors. The Board consists of the chief law enforcement officer from each participating agency, or their designee. Any participating agency may withdraw from the Task Force by written notification to the Executive Director. In the event of dissolution, after all financial obligations are met, any remaining funds will be equally distributed to the participating agencies based upon their level of participation.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Lakes to River Drug and Violent Crimes Task Force (Continued)

Fiscal agent responsibilities for the Task Force are with the City of Moorhead Police Department. During 2017, Wilkin County did not contribute any funds to the Task Force.

Separate financial information can be obtained from:

Moorhead Law Enforcement Center
915 - 9th Avenue North
Moorhead, Minnesota 56560

Land of Dancing Sky Area Agency on Aging

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

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

During 2017, Wilkin County did not contribute any funds to this organization.

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 Districts 846, 850, and 852; St. Mary School; St. Francis Medical Center/Hope

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Wilkin County Children's Collaborative (Continued)

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 2017, the County did not contribute any funds to the Collaborative.

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

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

During 2017, Wilkin County did not contribute any funds to this organization.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Lake Agassiz Regional Library

The Lake Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1961, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Lake Agassiz Regional Library Board, 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 2017, Wilkin County provided $52,780 in the form of an appropriation.

Court Services - Big Stone, Grant, Stevens, Traverse, and Wilkin Counties

Big Stone, Grant, Stevens, Traverse, and Wilkin Counties participate in a joint venture to provide corrections services to the five-county area. The joint powers agreement was effective June 1, 1962.

Court services are headquartered in Wheaton, Minnesota, with office locations at the county seats of the member counties.

The two probation officers for the five-county area are appointed by three area judges, who also set the probation officer salaries. The Minnesota Department of Corrections reimburses Traverse County for a portion of the probation officer salaries. The remaining expenses are allocated to each participating county based on population. During 2017, Wilkin County contributed $57,157 to the entity.

Traverse County acts as fiscal agent. Traverse County reports the probation activity in a separate department within the General Fund.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Partnership4Health Community Health Board

Partnership4Health Community Health Board was originally established July 1, 2014, by a joint powers agreement among Becker, Clay, Ottertail, and Wilkin Counties, pursuant to Minn. Stat. ch. 145A, and pursuant to Minn. Stat. § 471.59, for the purpose of transitioning grant contracts. The Community Health Board became operational as of January 1, 2015. The joint powers agreement remains in force until any single county provides a resolution of withdrawal, duly passed by its governing board, to the County Boards and the auditor of the other counties participating in the agreement, and the Commissioner of Health for the State of Minnesota, at least one year before the beginning of the calendar year in which it takes effect.

Partnership4Health's purpose is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control is vested in Partnership4Health's Board, which consists of five members comprised of four County Commissioners and one community member. Members of the Board serve an annual term, with no term limit.

The financial activities of Partnership4Health are accounted for in an agency fund by Clay County. The individuals who administer the activities of Partnership4Health are considered to be employees of Clay County Public Health and Otter Tail County Public Health.

During 2017, Wilkin County did not contribute to Partnership4Health Community Health Board.

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

D. 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, effective June 17, 1963, and includes land within Becker, Clay, Otter Tail, 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 seven members having staggered terms of three years each, with one appointed by the Becker County Board, three appointed by the Clay County Board, one appointed by the Otter Tail County Board, and two 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.

During 2017, Wilkin County contributed $1,560 to WACCO.

Minnesota Criminal Justice Data Communications Network

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

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

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.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

Minnesota Red River Basin of the North Joint Powers Board

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2017, Wilkin County contributed $178 to the Joint Powers Board.

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Minnesota Red River Basin of the North Joint Powers Board (Continued)

Complete financial statements can be obtained from:

The International Coalition
119 - 5th Street South
Moorhead, Minnesota  56560

Sentence to Service

Wilkin County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Wilkin County has no operational or financial control over the STS program.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes the implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Wilkin County did not contribute to the SW-MIIC during 2017.

Richland-Wilkin Joint Powers Authority

Wilkin County, Minnesota, and Richland County, North Dakota, entered into a joint powers agreement for the purpose of protecting the citizens and properties of these two counties and to oppose the planned construction of dams on the Wild Rice and Red Rivers as currently proposed in the Fargo Metropolitan Area Flood and Risk Management Project. This agreement is established pursuant to Minn. Stat § 471.59

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Richland-Wilkin Joint Powers Authority (Continued)

and North Dakota Century Code 54-401-1. Control is vested in the Board, which is composed of two members appointed by the Wilkin County Board and two members appointed by the Richland County Board. Wilkin County did not contribute to the Authority in 2017.

Minnesota Rural Counties Caucus

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

E. 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.

6. Subsequent Event

Bond Issue

The County issued $865,000 General Obligation Drainage Bonds, Series 2018A, dated June 26, 2018, to finance the Bois de Sioux Watershed District Drainage Improvement Project associated with County Ditch No. 8.

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# REQUIRED SUPPLEMENTARY INFORMATION

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*EXHIBIT A-1*

## BUDGETARY COMPARISON SCHEDULE
## GENERAL FUND
## FOR THE YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 4,140,617 | $ 4,140,617 | $ 3,980,127 | $ (160,490) |
| Licenses and permits | 7,510 | 7,510 | 6,120 | (1,390) |
| Intergovernmental | 170,860 | 170,860 | 633,303 | 462,443 |
| Charges for services | 369,300 | 369,300 | 369,461 | 161 |
| Fines and forfeits | 2,000 | 2,000 | 10,830 | 8,830 |
| Investment earnings | 35,000 | 35,000 | 92,544 | 57,544 |
| Miscellaneous | 160 | 160 | 74,894 | 74,734 |
| **Total Revenues** | **$ 4,725,447** | **$ 4,725,447** | **$ 5,167,279** | **$ 441,832** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **General government** | | | | |
| Commissioners | $ 193,462 | $ 193,462 | $ 158,218 | $ 35,244 |
| Courts | 92,265 | 92,265 | 96,658 | (4,393) |
| County auditor-treasurer | 494,534 | 494,534 | 478,555 | 15,979 |
| County assessor | 303,832 | 303,832 | 249,296 | 54,536 |
| Human resources | - | - | 206 | (206) |
| Elections | 10,625 | 10,625 | 10,269 | 356 |
| Data processing | 113,638 | 113,638 | 110,314 | 3,324 |
| Attorney | 203,861 | 203,861 | 199,943 | 3,918 |
| Law library | - | - | 2,385 | (2,385) |
| Recorder | 261,795 | 261,795 | 201,181 | 60,614 |
| Planning and zoning | 6,000 | 6,000 | 2,462 | 3,538 |
| Buildings and plant | 268,531 | 268,531 | 457,286 | (188,755) |
| Veterans service officer | 98,133 | 98,133 | 105,652 | (7,519) |
| Geographic information systems | 91,100 | 91,100 | 95,233 | (4,133) |
| Unallocated | 134,558 | 134,558 | 475,719 | (341,161) |
| **Total general government** | **$ 2,272,334** | **$ 2,272,334** | **$ 2,643,377** | **$ (371,043)** |
| **Public safety** | | | | |
| Sheriff | $ 1,166,554 | $ 1,166,554 | $ 1,083,635 | $ 82,919 |
| Communications | 372,530 | 372,530 | 347,919 | 24,611 |
| Coroner | 4,800 | 4,800 | 16,855 | (12,055) |
| E-911 system | 55,800 | 55,800 | 48,225 | 7,575 |
| County jail | 717,669 | 717,669 | 728,366 | (10,697) |
| Emergency management | 85,883 | 85,883 | 80,878 | 5,005 |
| Sheriff's contingent | 2,000 | 2,000 | - | 2,000 |
| **Total public safety** | **$ 2,405,236** | **$ 2,405,236** | **$ 2,305,878** | **$ 99,358** |

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

*EXHIBIT A-1*
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Budgeted Amounts | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Original | | Final | | Actual Amounts | | Variance with Final Budget | |
| **Expenditures** | | | | | | | | |
| **Current (Continued)** | | | | | | | | |
| **Health** | | | | | | | | |
| Land of the Dancing Sky | $ | 1,135 | $ | 1,135 | $ | 1,135 | $ | - |
| Rothsay Partners | | 1,000 | | 1,000 | | 1,000 | | - |
| **Total health** | **$** | **2,135** | **$** | **2,135** | **$** | **2,135** | **$** | **-** |
| **Culture and recreation** | | | | | | | | |
| Historical society | $ | 10,000 | $ | 10,000 | $ | 10,000 | $ | - |
| Regional library | | 52,780 | | 52,780 | | 52,780 | | - |
| Memorial celebrations | | 400 | | 400 | | 400 | | - |
| Heartland tourism | | 275 | | 275 | | 275 | | - |
| Red River Valley Emerging Leaders | | 800 | | 800 | | 800 | | - |
| Red River Basin Commission | | 178 | | 178 | | 178 | | - |
| Senior citizens | | 3,000 | | 3,000 | | 3,000 | | - |
| **Total culture and recreation** | **$** | **67,433** | **$** | **67,433** | **$** | **67,433** | **$** | **-** |
| **Conservation of natural resources** | | | | | | | | |
| County extension | $ | 127,320 | $ | 127,320 | $ | 174,423 | $ | (47,103) |
| Soil and water conservation | | 112,750 | | 112,750 | | 112,750 | | - |
| Aquatic invasive species | | 8,270 | | 8,270 | | 92,529 | | (84,259) |
| Agricultural society/County fair | | 8,000 | | 8,000 | | 8,000 | | - |
| Weed control | | 11,169 | | 11,169 | | 9,238 | | 1,931 |
| Forfeited lands | | - | | - | | 99 | | (99) |
| **Total conservation of natural resources** | **$** | **267,509** | **$** | **267,509** | **$** | **397,039** | **$** | **(129,530)** |
| **Economic development** | | | | | | | | |
| Community development | **$** | **2,000** | **$** | **2,000** | **$** | **2,000** | **$** | **-** |
| **Total Expenditures** | **$** | **5,016,647** | **$** | **5,016,647** | **$** | **5,417,862** | **$** | **(401,215)** |
| **Net Change in Fund Balance** | **$** | **(291,200)** | **$** | **(291,200)** | **$** | **(250,583)** | **$** | **40,617** |
| **Fund Balance - January 1** | | **2,402,727** | | **2,402,727** | | **2,402,727** | | **-** |
| **Fund Balance - December 31** | **$** | **2,111,527** | **$** | **2,111,527** | **$** | **2,152,144** | **$** | **40,617** |

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

## WILKIN COUNTY
## BRECKENRIDGE, MINNESOTA

*EXHIBIT A-2*

### BUDGETARY COMPARISON SCHEDULE
### ROAD AND BRIDGE SPECIAL REVENUE FUND
### FOR THE YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 2,030,552 | $ 2,030,552 | $ 1,916,447 | $ (114,105) |
| Intergovernmental | 4,665,983 | 4,665,983 | 5,899,284 | 1,233,301 |
| Charges for services | 271,500 | 271,500 | 288,546 | 17,046 |
| Miscellaneous | 34,500 | 34,500 | 55,569 | 21,069 |
| **Total Revenues** | **$ 7,002,535** | **$ 7,002,535** | **$ 8,159,846** | **$ 1,157,311** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Highways and streets** | | | | |
| Administration | $ 378,627 | $ 378,627 | $ 337,866 | $ 40,761 |
| Maintenance | 1,623,200 | 1,623,200 | 1,656,957 | (33,757) |
| Construction | 3,617,348 | 3,617,348 | 4,304,741 | (687,393) |
| Equipment maintenance and shop | 923,421 | 923,421 | 830,291 | 93,130 |
| Unallocated - highways and streets | 191,090 | 191,090 | 241,160 | (50,070) |
| **Total highways and streets** | **$ 6,733,686** | **$ 6,733,686** | **$ 7,371,015** | **$ (637,329)** |
| **Culture and recreation** | | | | |
| Parks | 3,750 | 3,750 | 1,738 | 2,012 |
| **Intergovernmental** | | | | |
| Highways and streets | 391,328 | 391,328 | 390,107 | 1,221 |
| **Total Expenditures** | **$ 7,128,764** | **$ 7,128,764** | **$ 7,762,860** | **$ (634,096)** |
| **Net Change in Fund Balance** | **$ (126,229)** | **$ (126,229)** | **$ 396,986** | **$ 523,215** |
| **Fund Balance - January 1** | **3,623,232** | **3,623,232** | **3,623,232** | **-** |
| **Increase (decrease) in inventories** | **-** | **-** | **(15,098)** | **(15,098)** |
| **Fund Balance - December 31** | **$ 3,497,003** | **$ 3,497,003** | **$ 4,005,120** | **$ 508,117** |

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, 2017

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | **Original** | **Final** | **Amounts** | **Final Budget** |
| **Revenues** | | | | |
| Taxes | $ 803,830 | $ 803,830 | $ 753,557 | $ (50,273) |
| Intergovernmental | 1,025,756 | 1,025,756 | 1,456,023 | 430,267 |
| Charges for services | 151,592 | 151,592 | 203,348 | 51,756 |
| Investment earnings | 4 | 4 | 3 | (1) |
| Miscellaneous | 20,740 | 20,740 | 21,437 | 697 |
| **Total Revenues** | **$ 2,001,922** | **$ 2,001,922** | **$ 2,434,368** | **$ 432,446** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Human services** | | | | |
| Income maintenance | $ 863,960 | $ 863,960 | $ 891,531 | $ (27,571) |
| Social services | 1,918,007 | 1,918,007 | 1,919,020 | (1,013) |
| **Total Expenditures** | **$ 2,781,967** | **$ 2,781,967** | **$ 2,810,551** | **$ (28,584)** |
| **Net Change in Fund Balance** | **$ (780,045)** | **$ (780,045)** | **$ (376,183)** | **$ 403,862** |
| **Fund Balance - January 1** | **2,793,969** | **2,793,969** | **2,793,969** | **-** |
| **Fund Balance - December 31** | **$ 2,013,924** | **$ 2,013,924** | **$ 2,417,786** | **$ 403,862** |

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

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE**
**PUBLIC HEALTH NURSE SPECIAL REVENUE FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 329,023 | $ 329,023 | $ 311,051 | $ (17,972) |
| Intergovernmental | 141,774 | 141,774 | 282,006 | 140,232 |
| Charges for services | 203,259 | 203,259 | 203,318 | 59 |
| Gifts and contributions | - | - | 53,815 | 53,815 |
| Miscellaneous | 1,400 | 1,400 | 17,494 | 16,094 |
| **Total Revenues** | **$ 675,456** | **$ 675,456** | **$ 867,684** | **$ 192,228** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Health** | | | | |
| Nursing service | 857,138 | 857,138 | 906,056 | (48,918) |
| **Net Change in Fund Balance** | **$ (181,682)** | **$ (181,682)** | **$ (38,372)** | **$ 143,310** |
| **Fund Balance - January 1** | **1,169,517** | **1,169,517** | **1,169,517** | **-** |
| **Fund Balance - December 31** | **$ 987,835** | **$ 987,835** | **$ 1,131,145** | **$ 143,310** |

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

*EXHIBIT A-5*

## SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
## FOR THE YEAR ENDED DECEMBER 31, 2017

| 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, 2015 | $ - | $ 378,502 | $ 378,502 | 0.0% | $ 4,192,117 | 9.0% |
| January 1, 2012 | - | 236,471 | 236,471 | 0.0 | 3,734,955 | 6.3 |
| January 1, 2009 | - | 297,047 | 297,047 | 0.0 | 3,731,784 | 8.0 |

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

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT A-6*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**
**PERA GENERAL EMPLOYEES RETIREMENT PLAN**
**DECEMBER 31, 2017**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability Associated with Wilkin County (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b) | Covered Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2017 | 0.0600% | $ 3,830,360 | $ 48,194 | $ 3,878,554 | $ 3,770,074 | 101.60% | 75.90% |
| 2016 | 0.0599 | 4,863,583 | 63,539 | 4,927,122 | 3,717,541 | 130.83 | 68.91 |
| 2015 | 0.0620 | 3,213,162 | N/A | 3,213,162 | 3,647,074 | 88.10 | 78.20 |

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

# WILKIN COUNTY
# BRECKENRIDGE, MINNESOTA

***EXHIBIT A-7***

### SCHEDULE OF CONTRIBUTIONS
### PERA GENERAL EMPLOYEES RETIREMENT PLAN
### DECEMBER 31, 2017

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 2017 | $ 291,553 | $ 291,553 | $ - | $ 3,887,374 | 7.50% |
| 2016 | 286,140 | 286,140 | - | 3,815,203 | 7.50 |
| 2015 | 273,724 | 273,724 | - | 3,649,653 | 7.50 |

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

## WILKIN COUNTY
## BRECKENRIDGE, MINNESOTA

*EXHIBIT A-8*

### SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
### PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
### DECEMBER 31, 2017

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2017 | 0.050% | $ 675,060 | $ 463,127 | 145.76% | 85.43% |
| 2016 | 0.044 | 1,765,797 | 427,232 | 413.31 | 63.88 |
| 2015 | 0.041 | 465,856 | 374,631 | 124.35 | 86.60 |

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

## WILKIN COUNTY
## BRECKENRIDGE, MINNESOTA

*EXHIBIT A-9*

### SCHEDULE OF CONTRIBUTIONS
### PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
### DECEMBER 31, 2017

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 2017 | $ 84,851 | $ 84,851 | $ - | $ 523,770 | 16.20% |
| 2016 | 77,330 | 77,330 | - | 477,342 | 16.20 |
| 2015 | 62,192 | 62,192 | - | 383,901 | 16.20 |

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

The notes to the required supplementary information are an integral part of these schedules.

## WILKIN COUNTY
## BRECKENRIDGE, MINNESOTA

***EXHIBIT A-10***

### SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
### PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
### DECEMBER 31, 2017

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2017 | 0.260% | $ 741,003 | $ 497,051 | 149.08% | 67.89% |
| 2016 | 0.260 | 949,816 | 486,463 | 195.25 | 58.16 |
| 2015 | 0.250 | 38,650 | 374,631 | 10.32 | 96.95 |

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

## WILKIN COUNTY
## BRECKENRIDGE, MINNESOTA

***EXHIBIT A-11***

### SCHEDULE OF CONTRIBUTIONS
### PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
### DECEMBER 31, 2017

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 2017 | $ 46,555 | $ 46,555 | $ - | $ 532,058 | 8.75% |
| 2016 | 43,867 | 43,867 | - | 501,334 | 8.75 |
| 2015 | 40,214 | 40,214 | - | 459,589 | 8.75 |

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

The notes to the required supplementary information are an integral part of these schedules.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Budgetary Information

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

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the 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 heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2017.

| | Expenditures | Budget | Excess |
|---|---|---|---|
| General Fund | $ 5,417,862 | $ 5,016,647 | $ 401,215 |
| Road and Bridge Special Revenue Fund | 7,762,860 | 7,128,764 | 634,096 |
| Human Services Special Revenue Fund | 2,810,551 | 2,781,967 | 28,584 |
| Public Health Nurse Special Revenue Fund | 906,056 | 857,138 | 48,918 |

3. Other Postemployment Benefits Funding Status

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

3. Other Postemployment Benefits Funding Status (Continued)

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

4. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2015

Actuarial Assumptions

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

- Mortality assumptions were updated to include the RP-2014 tables, including the generational improvement scale, to include future mortality improvement. This change caused an increase in the liability.

- The discount rate was changed from 4.5 percent to 4.0 percent. This change caused a decrease in the liability.

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

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

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

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

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

2016

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

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

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

Public Employees Police and Fire Plan

2017

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

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

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

Public Employees Police and Fire Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

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

- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

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

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

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

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

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

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

Public Employees Police and Fire Plan (Continued)

2016

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

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

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

Public Employees Correctional Plan

2017

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

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

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

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

Public Employees Correctional Plan (Continued)

2016

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

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

## SUPPLEMENTARY INFORMATION

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# 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.

## DEBT SERVICE FUND

Courthouse Improvement Debt Service Fund - to account for the resources accumulated and payments made for principal and interest on long-term debt of the government.

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WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT B-1*

**COMBINING BALANCE SHEET**
**NONMAJOR GOVERNMENTAL FUNDS**
**DECEMBER 31, 2017**

| | Special Revenue (Exhibit C-1) | Courthouse Improvement Debt Service | Total (Exhibit 3) |
|---|---|---|---|
| **Assets** | | | |
| Cash and pooled investments | $ 219,379 | $ 222,171 | $ 441,550 |
| Petty cash and change funds | 5,000 | - | 5,000 |
| Undistributed cash in agency funds | 2,606 | 8,896 | 11,502 |
| Taxes receivable - delinquent | 47 | 1,922 | 1,969 |
| Accounts receivable | 7,048 | - | 7,048 |
| Due from other governments | 44,767 | - | 44,767 |
| **Total Assets** | **$ 278,847** | **$ 232,989** | **$ 511,836** |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts payable | $ 7,268 | $ - | $ 7,268 |
| Due to other funds | 33 | - | 33 |
| Due to other governments | 58,370 | - | 58,370 |
| Unearned revenues | 2,632 | - | 2,632 |
| **Total Liabilities** | **$ 68,303** | **$ -** | **$ 68,303** |
| **Deferred Inflows of Resources** | | | |
| Unavailable revenue | $ 8,372 | $ 1,482 | $ 9,854 |
| Prepaid taxes | - | 4,993 | 4,993 |
| **Total Deferred Inflows of Resources** | **$ 8,372** | **$ 6,475** | **$ 14,847** |
| **Fund Balances** | | | |
| Restricted | | | |
| Debt service | $ - | $ 226,514 | $ 226,514 |
| Gravel pit restoration | 9,365 | - | 9,365 |
| Assigned | | | |
| Sanitation | 192,807 | - | 192,807 |
| **Total Fund Balances** | **$ 202,172** | **$ 226,514** | **$ 428,686** |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | **$ 278,847** | **$ 232,989** | **$ 511,836** |

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, 2017**

| | Special Revenue (Exhibit C-2) | Courthouse Improvement Debt Service | Total (Exhibit 5) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 14,607 | $ 330,928 | $ 345,535 |
| Licenses and permits | 950 | - | 950 |
| Intergovernmental | 216,267 | 21,897 | 238,164 |
| Charges for services | 81,365 | - | 81,365 |
| Miscellaneous | 112,490 | - | 112,490 |
| **Total Revenues** | **$ 425,679** | **$ 352,825** | **$ 778,504** |
| **Expenditures** | | | |
| **Current** | | | |
| Sanitation | $ 306,332 | $ - | $ 306,332 |
| Conservation of natural resources | 202,351 | - | 202,351 |
| **Debt service** | | | |
| Principal | - | 280,000 | 280,000 |
| Interest | - | 26,600 | 26,600 |
| Administrative (fiscal) fees | - | 425 | 425 |
| **Total Expenditures** | **$ 508,683** | **$ 307,025** | **$ 815,708** |
| **Net Change in Fund Balance** | **$ (83,004)** | **$ 45,800** | **$ (37,204)** |
| **Fund Balance - January 1** | **285,176** | **180,714** | **465,890** |
| **Fund Balance - December 31** | **$ 202,172** | **$ 226,514** | **$ 428,686** |

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT C-1*

**COMBINING BALANCE SHEET**
**NONMAJOR SPECIAL REVENUE FUNDS**
**DECEMBER 31, 2017**

| | Environmental | Gravel Tax Reserve | Total (Exhibit B-1) |
|---|---|---|---|
| **Assets** | | | |
| Cash and pooled investments | $ 211,342 | $ 8,037 | $ 219,379 |
| Petty cash and change funds | 5,000 | - | 5,000 |
| Undistributed cash in agency funds | 2,606 | - | 2,606 |
| Taxes receivable - delinquent | 47 | - | 47 |
| Accounts receivable | 5,720 | 1,328 | 7,048 |
| Due from other governments | 44,767 | - | 44,767 |
| **Total Assets** | **$ 269,482** | **$ 9,365** | **$ 278,847** |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts payable | $ 7,268 | $ - | $ 7,268 |
| Due to other funds | 33 | - | 33 |
| Due to other governments | 58,370 | - | 58,370 |
| Unearned revenues | 2,632 | - | 2,632 |
| **Total Liabilities** | **$ 68,303** | **$ -** | **$ 68,303** |
| **Deferred Inflows of Resources** | | | |
| Unavailable revenues | **$ 8,372** | **$ -** | **$ 8,372** |
| **Fund Balances** | | | |
| Restricted | | | |
| Gravel pit restoration | $ - | $ 9,365 | $ 9,365 |
| Assigned | | | |
| Sanitation | 192,807 | - | 192,807 |
| **Total Fund Balances** | **$ 192,807** | **$ 9,365** | **$ 202,172** |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | **$ 269,482** | **$ 9,365** | **$ 278,847** |

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT C-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
**NONMAJOR SPECIAL REVENUE FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Environmental | Gravel Tax Reserve | Total (Exhibit B-2) |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 9,649 | $ 4,958 | $ 14,607 |
| Licenses and permits | 950 | - | 950 |
| Intergovernmental | 216,267 | - | 216,267 |
| Charges for services | 81,365 | - | 81,365 |
| Miscellaneous | 112,490 | - | 112,490 |
| **Total Revenues** | **$ 420,721** | **$ 4,958** | **$ 425,679** |
| **Expenditures** | | | |
| **Current** | | | |
| Sanitation | $ 306,332 | $ - | $ 306,332 |
| Conservation of natural resources | 199,722 | 2,629 | 202,351 |
| **Total Expenditures** | **$ 506,054** | **$ 2,629** | **$ 508,683** |
| **Net Change in Fund Balance** | **$ (85,333)** | **$ 2,329** | **$ (83,004)** |
| **Fund Balance - January 1** | **278,140** | **7,036** | **285,176** |
| **Fund Balance - December 31** | **$ 192,807** | **$ 9,365** | **$ 202,172** |

# WILKIN COUNTY
# BRECKENRIDGE, MINNESOTA

***EXHIBIT C-3***

**BUDGETARY COMPARISON SCHEDULE**
**ENVIRONMENTAL SPECIAL REVENUE FUND**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Budgeted Amounts | | | | Actual | | Variance with | |
|---|---|---|---|---|---|---|---|---|
| | Original | | Final | | Amounts | | Final Budget | |
| **Revenues** | | | | | | | | |
| Taxes | $ | 9,591 | $ | 9,591 | $ | 9,649 | $ | 58 |
| Licenses and permits | | 1,600 | | 1,600 | | 950 | | (650) |
| Intergovernmental | | 114,934 | | 114,934 | | 216,267 | | 101,333 |
| Charges for services | | 93,000 | | 93,000 | | 81,365 | | (11,635) |
| Miscellaneous | | 90,000 | | 90,000 | | 112,490 | | 22,490 |
| **Total Revenues** | **$** | **309,125** | **$** | **309,125** | **$** | **420,721** | **$** | **111,596** |
| **Expenditures** | | | | | | | | |
| **Current** | | | | | | | | |
| **Sanitation** | | | | | | | | |
| Solid waste | $ | 184,939 | $ | 184,939 | $ | 197,205 | $ | (12,266) |
| Recycling | | 113,420 | | 113,420 | | 109,127 | | 4,293 |
| **Total sanitation** | **$** | **298,359** | **$** | **298,359** | **$** | **306,332** | **$** | **(7,973)** |
| **Conservation of natural resources** | | | | | | | | |
| Water planning | $ | 24,034 | $ | 24,034 | $ | 26,250 | $ | (2,216) |
| Shoreland | | 5,476 | | 5,476 | | 3,784 | | 1,692 |
| Wetland conservation | | 8,952 | | 8,952 | | 13,702 | | (4,750) |
| Subsurface sewage treatment | | 21,479 | | 21,479 | | 45,434 | | (23,955) |
| Whiskey Creek enhancement | | - | | - | | 96,317 | | (96,317) |
| Aquatic invasive species | | - | | - | | 14,235 | | (14,235) |
| **Total conservation of natural resources** | **$** | **59,941** | **$** | **59,941** | **$** | **199,722** | **$** | **(139,781)** |
| **Total Expenditures** | **$** | **358,300** | **$** | **358,300** | **$** | **506,054** | **$** | **(147,754)** |
| **Net Change in Fund Balance** | **$** | **(49,175)** | **$** | **(49,175)** | **$** | **(85,333)** | **$** | **(36,158)** |
| **Fund Balance - January 1** | | **278,140** | | **278,140** | | **278,140** | | **-** |
| **Fund Balance - December 31** | **$** | **228,965** | **$** | **228,965** | **$** | **192,807** | **$** | **(36,158)** |

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Taxes | $ 350,285 | $ 350,285 | $ 330,928 | $ (19,357) |
| Intergovernmental | - | - | 21,897 | 21,897 |
| **Total Revenues** | **$ 350,285** | **$ 350,285** | **$ 352,825** | **$ 2,540** |
| **Expenditures** | | | | |
| **Debt service** | | | | |
| Principal | $ 294,000 | $ 294,000 | $ 280,000 | $ 14,000 |
| Interest | 55,860 | 55,860 | 26,600 | 29,260 |
| Administrative (fiscal) charges | 425 | 425 | 425 | - |
| **Total Expenditures** | **$ 350,285** | **$ 350,285** | **$ 307,025** | **$ 43,260** |
| **Net Change in Fund Balance** | **$ -** | **$ -** | **$ 45,800** | **$ 45,800** |
| **Fund Balance - January 1** | **180,714** | **180,714** | **180,714** | **-** |
| **Fund Balance - December 31** | **$ 180,714** | **$ 180,714** | **$ 226,514** | **$ 45,800** |

## FIDUCIARY FUNDS

## AGENCY FUNDS

Children's Collaborative - to account for the collection and disbursement of funds for the local collaborative.

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

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

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WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**ALL AGENCY FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|---|---|---|---|
| **CHILDREN'S COLLABORATIVE** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 24,457** | **$ 48,262** | **$ 36,506** | **$ 36,213** |
| **Liabilities** | | | | |
| Due to other funds | $ 250 | $ 250 | $ 250 | $ 250 |
| Due to other governments | 24,207 | 48,012 | 36,256 | 35,963 |
| **Total Liabilities** | **$ 24,457** | **$ 48,262** | **$ 36,506** | **$ 36,213** |
| **STATE REVENUE** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 9,499** | **$ 847,542** | **$ 847,031** | **$ 10,010** |
| **Liabilities** | | | | |
| Due to other funds | $ 285 | $ 300 | $ 285 | $ 300 |
| Due to other governments | 9,214 | 847,242 | 846,746 | 9,710 |
| **Total Liabilities** | **$ 9,499** | **$ 847,542** | **$ 847,031** | **$ 10,010** |

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT D-1*
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
**ALL AGENCY FUNDS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|---|---|---|---|
| **TAXES AND PENALTIES** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 245,972** | **$ 15,023,808** | **$ 15,067,531** | **$ 202,249** |
| **Liabilities** | | | | |
| Due to other governments | $ 159,539 | $ 15,023,808 | $ 14,981,098 | $ 202,249 |
| Funds held in trust | 86,433 | - | 86,433 | - |
| **Total Liabilities** | **$ 245,972** | **$ 15,023,808** | **$ 15,067,531** | **$ 202,249** |
| **TOTAL ALL AGENCY FUNDS** | | | | |
| **Assets** | | | | |
| Cash and pooled investments | **$ 279,928** | **$ 15,919,612** | **$ 15,951,068** | **$ 248,472** |
| **Liabilities** | | | | |
| Due to other funds | $ 535 | $ 550 | $ 535 | $ 550 |
| Due to other governments | 192,960 | 15,919,062 | 15,864,100 | 247,922 |
| Funds held in trust | 86,433 | - | 86,433 | - |
| **Total Liabilities** | **$ 279,928** | **$ 15,919,612** | **$ 15,951,068** | **$ 248,472** |

**SCHEDULES**

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## WILKIN COUNTY
## BRECKENRIDGE, MINNESOTA

*EXHIBIT E-1*

### SCHEDULE OF DEPOSITS AND INVESTMENTS
### FOR THE YEAR ENDED DECEMBER 31, 2017

| | Number | Interest Rate (%) | Maturity Dates | Fair Value |
|---|---|---|---|---|
| **Cash and Pooled Investments** | | | | |
| Cash on hand | N/A | N/A | N/A | $ 7,350 |
| Interest-bearing checking | Two | Various | Continuous | 653,542 |
| Certificates of deposit | Six | 0.40 to 1.68 | December 31, 2017 to July 10, 2019 | 1,027,830 |
| Money market savings | Two | Variable | Continuous | 2,324,591 |
| Brokerage certificates of deposit | Seventeen | 1.00 to 2.40 | February 20, 2018 to October 7, 2021 | 3,868,683 |
| Minnesota Association of Governments Investing for Counties Fund | N/A | Variable | Continuous | 1,183,511 |
| Government bonds | Three | 1.25 to 2.00 | July 27, 2021 to October 27, 2023 | 684,107 |
| **Total Cash and Pooled Investments** | | | | **$ 9,749,614** |

# WILKIN COUNTY
# BRECKENRIDGE, MINNESOTA

*EXHIBIT E-2*

## SCHEDULE OF INTERGOVERNMENTAL REVENUE
## FOR THE YEAR ENDED DECEMBER 31, 2017

| | Governmental Funds |
|---|---|
| **Appropriations and Shared Revenue** | |
| **State** | |
| Highway users tax | $ 4,875,964 |
| County program aid | 152,082 |
| PERA rate reimbursement | 14,876 |
| Disparity reduction credit | 116,265 |
| Police aid | 58,781 |
| Market value credit | 136,713 |
| Disparity reduction aid | 10,350 |
| Border cities reimbursement | 6,106 |
| Aquatic invasive species aid | 8,270 |
| Riparian Protection Aid | 144,283 |
| **Total appropriations and shared revenue** | **$ 5,523,690** |
| **Reimbursement for Services** | |
| **State** | |
| Human Services | $ 464,269 |
| **Local** | |
| City of Breckenridge | 156,412 |
| **Total reimbursement for services** | **$ 620,681** |
| **Payments** | |
| **Local** | |
| Payments in lieu of taxes | **$ 55,447** |
| **Grants** | |
| **State** | |
| Minnesota Department/Board of | |
| Corrections | $ 10,512 |
| Public Safety | 76,791 |
| Health | 44,664 |
| Human Services | 370,839 |
| Veterans Affairs | 6,048 |
| Transportation | 210,102 |
| Water and Soil Resources | 146,604 |
| Pollution Control Agency | 68,711 |
| Peace Officer Standards and Training Board | 3,179 |
| **Total state** | **$ 937,450** |

*EXHIBIT E-2*
*(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Governmental Funds |
|---|---|
| **Grants (Continued)** | |
| **Federal** | |
| Department of | |
| Agriculture | $ 154,425 |
| Commerce | 659 |
| Education | 1,934 |
| Health and Human Services | 661,451 |
| Homeland Security | 25,745 |
| Transportation | 527,298 |
| **Total federal** | **$ 1,371,512** |
| **Total state and federal grants** | **$ 2,308,962** |
| **Total Intergovernmental Revenue** | **$ 8,508,780** |

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

*EXHIBIT E-3*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| Federal Grantor / Pass-Through Agency / Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **U.S. Department of Agriculture** | | | |
| Passed Through Partnership4Health Community Health Board | | | |
| Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 32573 | $ 42,235 |
| Passed Through Minnesota Department of Human Services | | | |
| SNAP Cluster | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 172MN101S2520 | 899 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 172MN127Q7503 | 69,300 |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 172MN101S2514 | 56,355 |
| (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $126,554) | | | |
| **Total U.S. Department of Agriculture** | | | **$ 168,789** |
| **U.S. Department of Commerce** | | | |
| Passed Through the City of Saint Cloud, Minnesota | | | |
| State and Local Implementation Grant Program | 11.549 | A-DECN-SHSP-2016-CMESB-001 | $ 395 |
| State and Local Implementation Grant Program | 11.549 | A-SLIGP-2017-CMESB-001 | 264 |
| (Total State and Local Implementation Grant Program 11.549 $659) | | | |
| **Total U.S. Department of Commerce** | | | **$ 659** |
| **U.S. Department of Transportation** | | | |
| Passed Through Minnesota Department of Transportation | | | |
| Highway Planning and Construction Cluster | | | |
| Highway Planning and Construction | 20.205 | 1027847 | **$ 527,298** |
| **U.S. Department of Education** | | | |
| Passed Through Partnership4Health Community Health Board | | | |
| Special Education - Grants for Infants and Families | 84.181 | 87630 | **$ 1,934** |
| **U.S. Department of Health and Human Services** | | | |
| Passed Through Northwest Regional Development Commission | | | |
| Aging Cluster | | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | Not provided | $ 13,862 |
| Passed Through Partnership4Health Community Health Board | | | |
| Public Health Emergency Preparedness | 93.069 | 127897 | 668 |
| TANF Cluster | | | |
| Temporary Assistance for Needy Families | 93.558 | 95995 | 3,857 |
| Temporary Assistance for Needy Families | 93.558 | 127394 | 3,282 |
| (Total Temporary Assistance for Needy Families 93.558 $85,413) | | | |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 86860 | 11,277 |

*EXHIBIT E-3*
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| Federal Grantor<br>Pass-Through Agency<br>Program or Cluster Title | Federal CFDA Number | Pass-Through Grant Number | Expenditures |
|---|---|---|---|
| **U.S. Department of Health and Human Services (Continued)** | | | |
| Passed Through Minnesota Department of Human Services | | | |
| Promoting Safe and Stable Families | 93.556 | G-1601MNFPSS | 17,562 |
| TANF Cluster | | | |
| Temporary Assistance for Needy Families | 93.558 | 1601MNTANF | 78,274 |
| (Total Temporary Assistance for Needy Families 93.558 $85,413) | | | |
| Child Support Enforcement | 93.563 | 1704MNCSES | 192,360 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 1701MNRCMA | 121 |
| CCDF Cluster | | | |
| Child Care and Development Block Grant | 93.575 | G1701MNCCDF | 2,155 |
| Community-Based Child Abuse Prevention Grants | 93.590 | G-1502MNFRPG | 3,367 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | G-1601MNCWSS | 4,828 |
| Foster Care - Title IV-E | 93.658 | 1701MNFOST | 36,198 |
| Social Services Block Grant | 93.667 | G-1701MNSOSR | 54,111 |
| Chafee Foster Care Independence Program | 93.674 | G-1601MNCILP | 2,099 |
| Children's Health Insurance Program | 93.767 | 05-1705MN0301 | 66 |
| Medicaid Cluster | | | |
| Medical Assistance Program | 93.778 | 05-1705MN5ADM | 258,190 |
| Medical Assistance Program | 93.778 | 05-1705MN5MAP | 924 |
| (Total Medical Assistance Program 93.778 $259,114) | | | |
| **Total U.S. Department of Health and Human Services** | | | **$ 683,201** |
| **U.S. Department of Homeland Security** | | | |
| Direct | | | |
| Emergency Food and Shelter National Board Program | 97.024 | | $ 1,196 |
| Passed Through Minnesota Department of Public Safety | | | |
| Emergency Management Performance Grants | 97.042 | F-EMPG-2017-WILKINCO-2376 | 17,049 |
| Passed Through the City of Saint Cloud, Minnesota | | | |
| Homeland Security Grant Program | 97.067 | A-DECN-SHSP-2016-CMESB-001 | 7,500 |
| **Total U.S. Department of Homeland Security** | | | **$ 25,745** |
| **Total Federal Awards** | | | **$ 1,407,626** |

Wilkin County did not pass any federal awards through to subrecipients in 2017.

| **Totals by Cluster** | |
|---|---|
| Total expenditures for SNAP Cluster | $ 126,554 |
| Total expenditures for Highway Planning and Construction Cluster | 527,298 |
| Total expenditures for Aging Cluster | 13,862 |
| Total expenditures for TANF Cluster | 85,413 |
| Total expenditures for CCDF Cluster | 2,155 |
| Total expenditures for Medicaid Cluster | 259,114 |

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, 2017

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, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wilkin County, it is not intended to and does not present the financial position or changes in net position 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Wilkin County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

| | | |
|---|---|---|
| Federal grant revenue per Schedule of Intergovernmental Revenue | $ | 1,371,512 |
| Grants received more than 60 days after year-end, deferred in 2017 | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561) | | 14,364 |
| Promoting Safe and Stable Families (CFDA No. 93.556) | | 795 |
| Temporary Assistance for Needy Families (CFDA No. 93.558) | | 7,461 |
| Child Support Enforcement (CFDA No. 93.563) | | 12,317 |
| Community-Based Child Abuse Prevention Grants (CFDA No. 93.590) | | 584 |
| Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645) | | 593 |
| Expenditures Per Schedule of Expenditures of Federal Awards | $ | 1,407,626 |

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# Management and Compliance Section

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REBECCA OTTO
STATE AUDITOR

# STATE OF MINNESOTA
## OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Wilkin County
Breckenridge, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 17, 2018.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 items 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. 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness and items 1996-004 and 2008-001 to be significant deficiencies.

**Compliance and Other Matters**

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

**Minnesota Legal Compliance**

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

In connection with our audit, nothing came to our attention that caused us to believe that Wilkin County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2017-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

**Other Matter**

Included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2016-002.

**Wilkin County's Response to Findings**

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

**Purpose of This Report**

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

| | |
|---|---|
| */s/Rebecca Otto* | */s/Greg Hierlinger* |
| REBECCA OTTO<br>STATE AUDITOR | GREG HIERLINGER, CPA<br>DEPUTY STATE AUDITOR |

August 17, 2018

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# STATE OF MINNESOTA
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# REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Wilkin County
Breckenridge, Minnesota

## Report on Compliance for Each Major Federal Program

We have audited Wilkin County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. 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.

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

***Auditor's Responsibility***
Our responsibility is to express an opinion on compliance for each of Wilkin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

***Opinion on Each Major Federal Program***
In our opinion, Wilkin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

**Report on Internal Control Over Compliance**

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

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

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

**Purpose of This Report**

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

| | |
|---|---|
| */s/Rebecca Otto* | */s/Greg Hierlinger* |
| REBECCA OTTO<br>STATE AUDITOR | GREG HIERLINGER, CPA<br>DEPUTY STATE AUDITOR |

August 17, 2018

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

## I. SUMMARY OF AUDITOR'S RESULTS

### Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **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? **None reported**

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

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

The major federal programs are:

| | |
|---|---|
| Highway Planning and Construction Cluster | CFDA No. 20.205 |
| Social Services Block Grant | CFDA No. 93.667 |

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-004

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. The Wilkin County Auditor/Treasurer's office is in the process of establishing additional compensating controls such as site visits to the smaller fee offices to document controls and reconcile cash on hand to current receipts. They have also started preparing a schedule of fees collected for analysis on a quarterly basis; however, documentation is needed to verify any follow-up on unexpected variances.

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

**Cause:** The County informed us that collecting fees for services at a department level provides a convenience for its customers. Fee services are provided in several locations, so having customers paying at a single point of collection, such as the Treasurer's Office, would be very inconvenient. The staffing available in several of these smaller offices limits the potential for complete segregation of duties.

**Recommendation:** We recommend Wilkin County's elected officials and management continue to 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, continue efforts to implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

**View of Responsible Official:** Concur

Finding Number 2008-001

<u>Documenting and Monitoring Internal Controls</u>

**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. On May 9, 2017, the County Board approved the establishment of an Internal Controls/Risk Assessment Committee to address the issue. The Risk Assessment Committee met on June 25, 2018, to discuss the role of the Committee, report on the fee office site visits, and start the process to identify risks in the various departments, mainly relating to collections in those departments. The steps taken by the County are a good start; however, there is a need to address all the significant transaction cycles, documenting the risks, policies, and procedures in place to reduce the risks, and any conclusions on the sufficiency of those policies and procedures.

**Effect:** The internal control environment is constantly evolving 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 risks 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 performs the work.

**View of Responsible Official:** Concur

Finding Number 2016-001

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. Auditing standards define 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:** Material audit adjustments were identified that resulted in a significant change to the County's financial statements.

**Context:** The County provides a general ledger and supporting schedules necessary to adjust to the modified accrual basis for fund level financial statements and to the full accrual basis for the government-wide financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** The following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

Public Health Nurse Special Revenue Fund:

- Reclassified $119,188 from charges for services to intergovernmental revenue reimbursement for services - human services.

Environmental Special Revenue Fund:

- Increased due from other governments by $44,767, deferred revenue - unavailable by $3,527, and intergovernmental revenue by $41,240, to reflect additional receivables for expenditures incurred in 2017 for Whiskey Creek.

- Increased intergovernmental revenue by $153,927, and increased water planning expenditures by $15,232, wetland conservation expenditures by $8,778, subsurface sewage treatment expenditures by $33,600, and Whiskey Creek expenditures by $96,317, to reclassify expenditures incorrectly posted to intergovernmental revenue.

- Increased miscellaneous revenue and recycling expenditures by $42,600 to reclassify recycling revenues posted to the expenditure account.

**Cause:** The receivable may have been missed during the transition from the retirement of the Director of Environmental Services in February 2018. Some grant revenues and expenditures were incorrectly posted to the general ledger.

**Recommendation:** We recommend the County establish internal controls necessary to ensure the County's annual financial statements are reported in accordance with GAAP.

**View of Responsible Official:** Concur

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

None.

## IV. OTHER FINDINGS AND RECOMMENDATIONS

### A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number 2017-001

Publication of Financial Statements

**Criteria:** The County is required by Minn. Stat. § 375.17 to annually publish its financial statements.

**Condition:** During 2017, Wilkin County did not publish the 2016 financial statements in a duly qualified legal newspaper in the County.

**Context:** The financial statements should include a statement of assets and liabilities and a summary of receipts, disbursements, and balances of all County funds together with a detailed statement of each fund account, and should be in the form and style prescribed by and on file with the Office of the State Auditor.

**Effect:** The County is not in compliance with Minn. Stat. § 375.17.

**Cause:** The publication of the financial statements was overlooked. This may have been due to recent turnover in the Auditor/Treasurer's Office and some members of the County Board.

**Recommendation:** We recommend the County publish the County's financial statements annually as required by Minn. Stat. § 375.17.

**View of Responsible Official:** Acknowledged

B. OTHER MATTER

Finding Number 2016-002

Eligibility - Intake Function

**Program:** U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

**Condition:** The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Testing of the Medical Assistance (MA) Program case files identified the following exceptions in the sample of 15 cases tested:

- For one case file, there was a vehicle entered in MAXIS but the vehicle was not listed on the applicant's renewal form and there was no verification of the vehicle or valuation from outside sources. The caseworker verified the client does have the vehicle and has requested the necessary documentation for the case file.

- For one case file, the asset information listed on the renewal form included three vehicles, a boat, and a mobile home; but only two vehicles, a boat, and the mobile home were entered in MAXIS. For two of the vehicles listed on the renewal form, there was no verification of the vehicles or documentation of valuation from outside sources.

In April 2017, based on an audit recommendation, the County started a documented review process of case files by a supervisor to ensure the intake function related to eligibility requirements is met; however, the documented review process ended in October 2017.

**Questioned Costs:** Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

**Context:** The State of Minnesota contracts with the County to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the Minnesota Department of Human Services maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

**Effect:** The lack of case file reviews and the improper input of information into MAXIS increases the risk that participants will receive benefits when they are not eligible.

**Cause:** County program personnel entering case information into MAXIS did not ensure all required information was verified as required. Also, the person assigned to perform supervisory reviews of MA case files retired on December 31, 2016, and the reviews were not completed.

**Recommendation:** We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly obtained and input into MAXIS. Consideration should be given to providing additional training to program personnel and to performing and documenting supervisory case file reviews.

**View of Responsible Official:** Concur

## V. PREVIOUSLY REPORTED ITEM RESOLVED

2012-001 Network/Application Password Controls

OFFICE OF COUNTY AUDITOR-TREASURER
*Wilkin County, Minnesota*

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**REPRESENTATION OF WILKIN COUNTY**
**BRECKENRIDGE, MINNESOTA**

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

**Finding Number: 1996-004**
**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

Janelle Krump

Corrective Action Planned:

Due to the limited number of personnel within several Wilkin County offices, segregation of accounting duties necessary to ensure proper internal accounting is difficult. The Wilkin County Auditor's Office has implemented surprise counts of department cash as well as reconciliation of any bank accounts. In addition, the Auditor will prepare a variance report each quarter of fees and revenue collected, analyze the report and follow up and document any unexpected variances.

Anticipated Completion Date:

Ongoing

**Finding Number: 2008-001**
**Finding Title: Documenting and Monitoring Internal Controls**

Name of Contact Person Responsible for Corrective Action:

Janelle Krump

Corrective Action Planned:

The Wilkin County Board of Commissioners established an Internal Controls/Risk Assessment Committee on May 9, 2017. The Committee did not meet until June 25, 2018. The Committee assessed areas of risk and discussed processes that could be analyzed for improved internal control measures. In the future, we will continue to address all transaction cycles and develop a formal plan to monitor the internal control on a regular basis.

Anticipated Completion Date:

Ongoing

**Finding Number: 2016-001**
**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Janelle Krump

Corrective Action Planned:

The Auditor's Office will be more diligent in reviewing transactions and ensuring that all transactions are correctly accounted for.

Anticipated Completion Date:

December 31, 2018

**Finding Number: 2017-001**
**Finding Title: Publication of Financial Statements**

Name of Contact Person Responsible for Corrective Action:

Janelle Krump

Corrective Action Planned:

The Auditor will publish a copy of the financial statements annually.

Anticipated Completion Date:

December 31, 2018

**Finding Number: 2016-002**
**Finding Title: Eligibility - Intake Function**
**Program: Medicaid Cluster (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Cindy Noetzelman

Corrective Action Planned:

The Financial Assistance Supervisor will continue to review one SNAP and one Healthcare case per month.

Anticipated Completion Date:

December 31, 2018

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OFFICE OF COUNTY AUDITOR-TREASURER
*Wilkin County, Minnesota*

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**REPRESENTATION OF WILKIN COUNTY**
**BRECKENRIDGE, MINNESOTA**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

**Finding Number: 1996-004**
**Finding Title: Segregation of Duties**

**Summary of 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.

**Summary of Corrective Action Previously Reported:** 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. With this in mind, Wilkin County will continue to utilize mitigating controls to provide adequate safeguards, as well as assessing areas where additional controls can be put in place.

**Status:** Partially Corrected. The Wilkin County Auditor's Office has implemented site visits to all departments to document controls and reconcile cash on hand to current receipts. In addition, the Auditor prepares a variance report each quarter of fees and revenue collected. The implementation of site visits and the variance report were implemented in 2017, but not completed County wide. Additional documentation and analysis are needed to fully correct.

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

**Finding Number: 2008-001**
**Finding Title: Documenting and Monitoring Internal Controls**

**Summary of 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.

**Summary of Corrective Action Previously Reported:** On May 9, 2017, the Wilkin County Board of Commissioners approved the establishment of an Internal Controls/Risk Assessment Committee. The duties of this committee will be to review, monitor, and document internal control actions.

**Status:** Partially Corrected. The Internal Controls/Risk Assessment Committee met on June 25, 2018. The Committee assessed areas of risk and discussed processes that could be analyzed for improved internal control measures. In the future, we will continue to address all transaction cycles and develop a formal plan to monitor the internal control on a regular basis.

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

**Finding Number: 2012-001**
**Finding Title: Network/Application Password Controls**

**Summary of Condition:** Wilkin County uses the Integrated Financial System-Platform Independent (IFS-PI) application software for its general ledger. This application was written as a web-based application and may be run on a server or a mainframe system. For an employee of Wilkin County to access the IFS-PI application, the user must be signed on to the County network and have a current sign-on for the IFS-PI application. The network sign-on differs from the sign-on for the IBM AS-400 system, so the mainframe security settings do not apply to the application. Wilkin County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

**Summary of Corrective Action Previously Reported:** On January 10, 2017, the Wilkin County Board of Commissioners approved an updated Computer Use Policy. Beginning in March of 2017, all network passwords must be changed every 90 days. Passwords must be at least eight characters long and include at least three of the following: lowercase character, uppercase character, and a number or non-alpha-numeric character.

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

**Finding Number: 2016-001**
**Finding Title: Audit Adjustment**

**Summary of Condition:** A material adjustment was identified by auditors in the amount of $71,719 in the Public Health Nurse Special Revenue Fund to reduce receivables and deferred inflows - unavailable revenue. The adjustment was necessary to reverse the 2015 manual accrual entry for receivables collected after the revenue recognition period.

**Summary of Corrective Action Previously Reported:** The Auditor's Office will be more diligent in reviewing the journal entries and ensuring that all reversing entries are done.

**Status:** Not Corrected. Because of the retirement of the Director of Environmental Services in 2018, there were some significant accruals that were not done correctly. The County Auditor's Office will be more diligent in reviewing transactions and ensuring that all transactions are correctly accounted for.

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

**Finding Number: 2016-002**
**Finding Title: Eligibility - Intake Function**
**Program: Medical Assistance Program (CFDA No. 93.778)**

**Summary of Condition:** The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Testing of the Medical Assistance Program case files identified no documented review process of case files by a supervisor. Of the 40 case files tested, for three case files, there were vehicles listed on the client's application but there was no verification of the vehicles or valuation from outside sources, and some of the vehicles were not entered in the MAXIS system; and for one case file, the asset information in MAXIS listed a Walmart gift card, but there was no documentation that the amount of the gift card was verified.

**Summary of Corrective Action Previously Reported:** The Financial Assistance Specialist will review one SNAP and one Healthcare case per month beginning June 2017.

**Status:** Not Corrected. The County started doing reviews in April of 2017; however, due to time constraints the review process ended in October 2017. The Financial Assistance Specialist will resume reviewing one case per month.

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