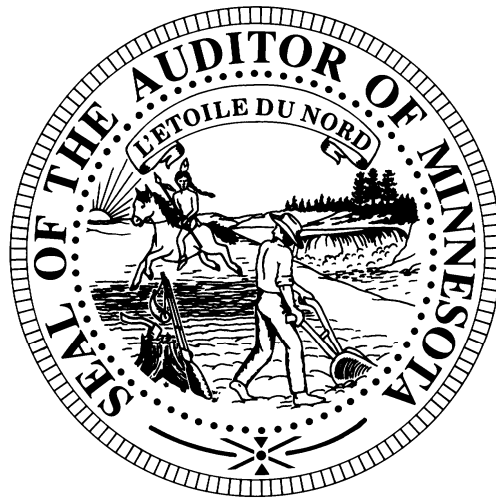


# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**YEAR ENDED DECEMBER 31, 2016**

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

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

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

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

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

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

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

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

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

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

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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Year Ended December 31, 2016**



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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2016**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	John Blaufuss*	January 2017
2nd District	Stephanie Miranowski	January 2019
3rd District	Lyle E. Hovland	January 2017
4th District	Neal Folstad <sup>1</sup>	January 2019
5th District	Robert Perry**	January 2017
<b>Officials</b>		
<b>Elected</b>		
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
<b>Appointed</b>		
Assessor	Cheryl Wall	January 2021
Highway Engineer	Brian Noetzelman	Indefinite
Medical Examiner	Dr. Gregory A. Smith	Indefinite
Veterans Service Officer	Ron Verhaagen	Indefinite
Family Services Director	Dave Sayler	Indefinite
Emergency Management Officer	Breanna Koval	Indefinite

<sup>1</sup>Chair

\*Replaced by Eric Klindt effective January 1, 2017

\*\*Replaced by Dennis Larson effective January 1, 2017

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Wilkin County  
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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 July 12, 2017, on our consideration of Wilkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 12, 2017

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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

Wilkin County's Management's and Discussion and Analysis (MD&A) provides an overview of County financial activities for the fiscal year ended December 31, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with 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 \$51,649,904 for the year ended December 31, 2016. Net investment in capital assets represents \$44,355,904 of the total, \$1,901,587 is restricted to specific purposes/uses, and \$5,394,413 is unrestricted.
- Wilkin County's net position decreased by \$43,395 for the year ended December 31, 2016.
- The net cost of Wilkin County's governmental activities for the year ended December 31, 2016, was \$8,021,620. The net cost was funded by general revenues of \$7,978,225.
- Wilkin County's fund balances of the governmental funds increased by \$748,186 in 2016. This net increase consisted of an increase of \$45,939 in the General Fund, an increase of \$972,130 in the Road and Bridge Special Revenue Fund, a decrease of \$453,666 in the Human Services Special Revenue Fund, an increase of \$135,214 in the Public Health Special Revenue Fund, and an increase of \$48,569 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 and liabilities of Wilkin County using the 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 \$51,649,904 at the close of 2016. The largest portion of the County's net position (86 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.

	<b>Net Position</b>	
	2016	2015
Assets		
Current and other assets	\$ 12,594,858	\$ 12,648,189
Capital assets	<u>45,864,294</u>	<u>46,253,099</u>
Total Assets	<u>\$ 58,459,152</u>	<u>\$ 58,901,288</u>
Deferred Outflows of Resources		
Deferred pension outflows	<u>\$ 4,070,560</u>	<u>\$ 610,208</u>
Liabilities		
Long-term liabilities	\$ 9,474,954	\$ 5,893,627
Other liabilities	<u>602,968</u>	<u>1,501,985</u>
Total Liabilities	<u>\$ 10,077,922</u>	<u>\$ 7,395,612</u>
Deferred Inflows of Resources		
Deferred pension inflows	<u>\$ 801,886</u>	<u>\$ 422,585</u>

	<u>2016</u>	<u>2015</u>
Net Position		
Net investment in capital assets	\$ 44,355,904	\$ 44,460,307
Restricted	1,901,587	1,636,083
Unrestricted	<u>5,392,413</u>	<u>5,596,909</u>
Total Net Position	<u>\$ 51,649,904</u>	<u>\$ 51,693,299</u>

The unrestricted net position amount of \$5,392,413, 10.44 percent of the net position, as of December 31, 2016, 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 decreased net position during 2016 by 0.083 percent. The net position for 2016 was \$51,649,904 compared to \$51,693,299 in 2015. Key elements in this decrease in net position are as follows.

#### Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 1,360,260	\$ 1,790,234
Operating grants and contributions	6,428,711	5,927,583
Capital grants and contributions	153,539	548,270
General revenues		
Property taxes	7,229,072	7,025,348
Other taxes	13,255	22,908
Grants and contributions not restricted	567,183	461,197
Other general revenues	<u>168,715</u>	<u>153,955</u>
Total Revenues	<u>\$ 15,920,735</u>	<u>\$ 15,929,495</u>
Expenses		
Program expenses		
General government	\$ 2,657,663	\$ 2,446,161
Public safety	2,654,617	2,010,814
Highways and streets	6,222,688	6,221,948
Sanitation	343,856	320,294
Human services	2,795,438	2,474,218
Health	959,677	927,702
Culture and recreation	69,762	70,029
Conservation of natural resources	237,548	221,585
Economic development	2,000	2,000
Interest	<u>20,881</u>	<u>26,373</u>



	<u>2016</u>	<u>2015</u>
Total Program Expenses	\$ 15,964,130	\$ 14,721,124
Special item - transfer ditch funds to watershed districts	<u>-</u>	<u>1,019,954</u>
Total Expenses	<u>\$ 15,964,130</u>	<u>\$ 15,741,078</u>
Increase (Decrease) in Net Position	\$ (43,395)	\$ 188,417
Net Position - January 1	<u>51,693,299</u>	<u>51,504,882</u>
Net Position - December 31	<u>\$ 51,649,904</u>	<u>\$ 51,693,299</u>

## 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 \$10,455,335, an increase of \$748,186 in comparison with the prior year. Of the ending fund balance, \$9,294,862 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of fund balance is non-spendable 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 \$2,064,346. 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 41.13 percent of total General Fund expenditures. In 2016, ending fund balance in the General Fund increased by \$45,939 due to excess revenues over expenditures.

The Road and Bridge Special Revenue Fund's unrestricted fund balance of \$2,988,890 at year-end represents 50.64 percent of expenditures. The ending fund balance increased \$972,130 due to excess revenues over expenditures of \$715,580 and an increase in inventory of \$256,550.

The Human Services Special Revenue Fund’s unrestricted fund balance of \$2,793,969 at year-end represents 97.36 percent of the fund’s annual expenditures. The ending fund balance decreased \$453,666 during 2016, which was a planned reduction due to a lower levy amount in order to spend down excess funds.

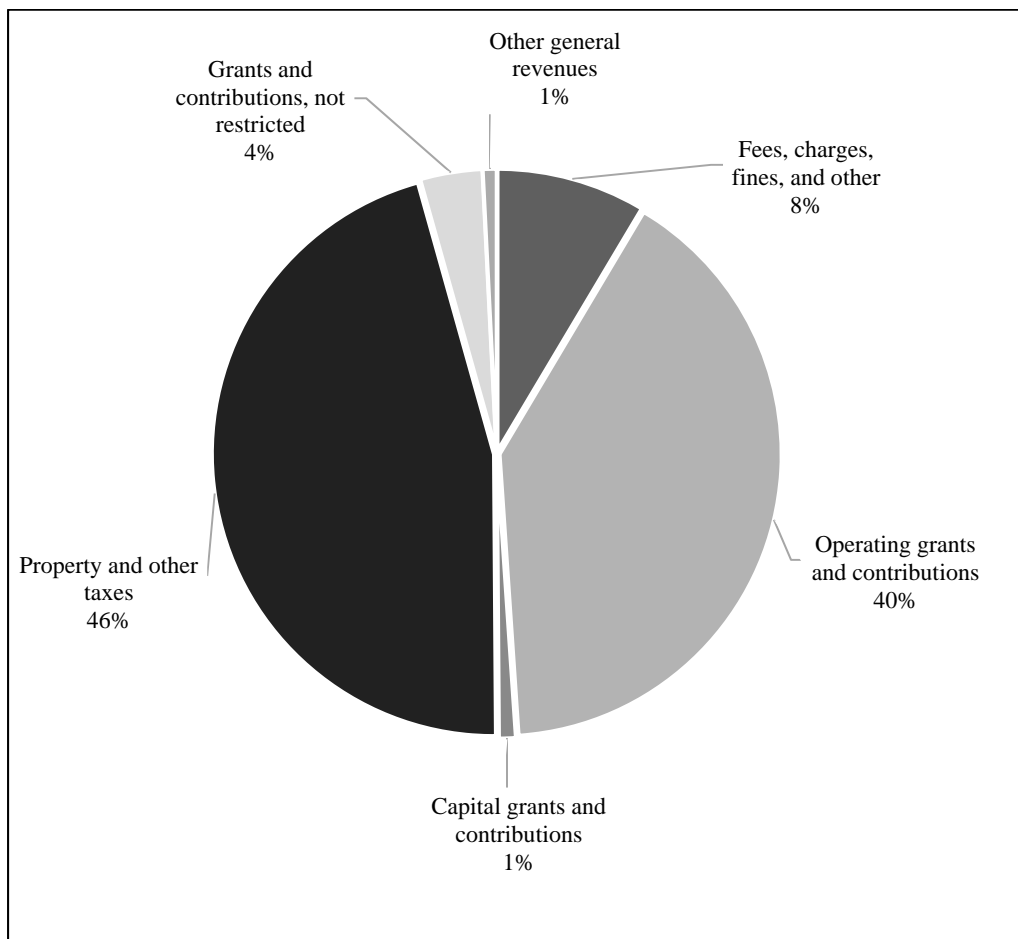
The Public Health Special Revenue Fund’s unrestricted fund balance of \$1,169,517 at year-end represents 128.96 percent of the fund’s annual expenditures. The fund balance was included in Other Governmental Funds on the 2015 financial statements.

All Other Governmental Funds’ unrestricted fund balance of \$278,140 at year-end represents 45.36 percent of the funds’ annual expenditures. The ending fund balances decreased \$985,734 during 2016 due to the separation of the Public Health Fund and an increase of revenues over expenditures.

### Governmental Activities

The County’s total revenues were \$15,920,735. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2016.

**Table 1  
Total County Revenues**



(Unaudited)

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 \$15,920,735, while total expenses were \$15,964,130. This reflects a \$43,395 decrease in net position for the year ended December 31, 2016.

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

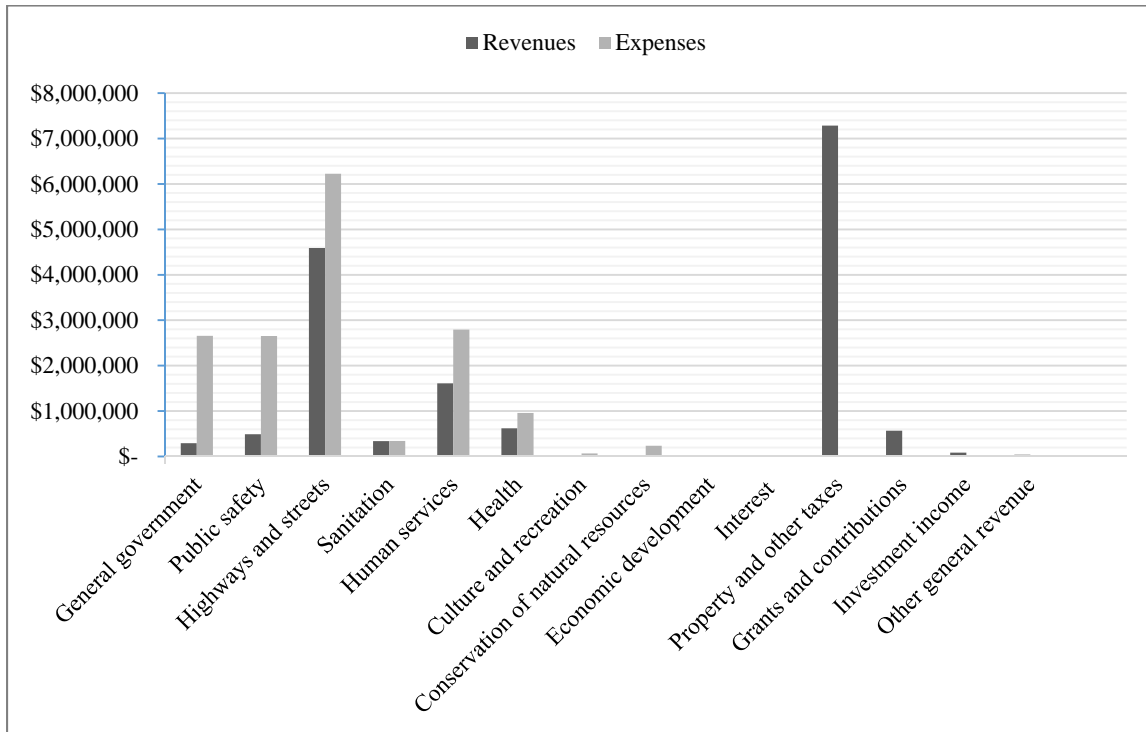


Table 3 presents the cost of each of the County's four largest program functions, as well as each function's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

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

	Total Cost of Services 2016	Net Cost of Services 2016
General government	\$ 2,657,663	\$ 2,365,188
Public safety	2,654,617	2,164,910
Highways and streets	6,222,688	1,631,880
Human services	2,795,438	1,185,040
All others	1,633,724	674,602
<b>Totals</b>	<b>\$ 15,964,130</b>	<b>\$ 8,021,620</b>

## 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 2016, the County did not make any significant budgetary amendments/revisions.

Actual revenues were greater than budgeted revenues by \$520,684, primarily due to intergovernmental transactions.

Actual expenditures were less than budgeted expenditures by \$130,255.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2016, totaled \$45,864,294 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investments in capital assets decreased \$388,805, or 0.8 percent, from the previous year.

	Governmental Capital Assets (Net of Depreciation)	
	2016	2015
Land	\$ 1,224,023	\$ 1,185,189
Infrastructure	35,729,413	36,228,950
Buildings	5,521,066	5,561,774
Improvements other than buildings	95,768	107,345
Machinery and equipment	2,488,717	2,031,077
Software	148,659	162,173
Construction in progress	656,648	976,591
Total	<u>\$ 45,864,294</u>	<u>\$ 46,253,099</u>

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 \$1,470,000.

	<u>2016</u>	<u>2015</u>
General obligation refunding bonds	<u>\$ 1,470,000</u>	<u>\$ 1,745,000</u>

The County debt related to general obligation bonds decreased by \$275,000 during the fiscal year.

Additional information on the County's long-term debt can be found in Notes 3.C.3. 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 2017 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 2016 was 3.8 percent. This compares favorably with the state unemployment rate of 4.7 percent. This does show an increase of 0.8 percent rate from one year ago.
- The County's expenditures for 2017 are budgeted to increase 14.31 percent (\$2,080,804) over the 2016 original budget. The 2017 anticipated revenues, other than tax levy, state aid, and special assessments, are budgeted to increase 36.6 percent (\$2,022,135) over the 2016 original budget.
- The net tax levy (the amount spread to taxpayers) increased 1.15 percent (\$85,097) from 2016.

## 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.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

***EXHIBIT 1***

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

**Assets**

Cash and pooled investments	\$ 10,015,124
Taxes receivable - prior	48,200
Accounts receivable - net	81,401
Accrued interest receivable	30,090
Due from other governments	1,944,634
Inventories	475,409
Capital assets	
Non-depreciable	1,880,671
Depreciable - net of accumulated depreciation	43,983,623
	<b>\$ 58,459,152</b>

**Deferred Outflows of Resources**

Deferred pension outflows	<b>\$ 4,070,560</b>
---------------------------	---------------------

**Liabilities**

Accounts payable	\$ 260,755
Salaries payable	36,388
Contracts payable	91,388
Due to other governments	154,433
Accrued interest payable	12,250
Unearned revenue	47,754
Long-term liabilities	
Due within one year	515,158
Due in more than one year	1,297,360
Other postemployment benefits	83,240
Net pension liability	7,579,196
	<b>\$ 10,077,922</b>

**Deferred Inflows of Resources**

Deferred pension inflows	<b>\$ 801,886</b>
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**Net Position**

Net investment in capital assets	\$ 44,355,904
Restricted for	
General government	177,243
Public safety	57,534
Highways and streets	1,563,206
Economic development	100,000
Held in trust for other purposes	3,604
Unrestricted	5,392,413
	<b>\$ 51,649,904</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT 2*

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

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b><u>Functions/Programs</u></b>					
<b>Governmental activities</b>					
General government	\$ 2,657,663	\$ 231,126	\$ 61,349	\$ -	\$ (2,365,188)
Public safety	2,654,617	244,300	245,407	-	(2,164,910)
Highways and streets	6,222,688	263,771	4,173,498	153,539	(1,631,880)
Sanitation	343,856	168,418	170,555	-	(4,883)
Human services	2,795,438	182,548	1,427,850	-	(1,185,040)
Health	959,677	269,809	350,052	-	(339,816)
Culture and recreation	69,762	-	-	-	(69,762)
Conservation of natural resources	237,548	-	-	-	(237,548)
Economic development	2,000	-	-	-	(2,000)
Interest	20,881	288	-	-	(20,593)
<b>Total Governmental Activities</b>	<b><u>\$ 15,964,130</u></b>	<b><u>\$ 1,360,260</u></b>	<b><u>\$ 6,428,711</u></b>	<b><u>\$ 153,539</u></b>	<b><u>\$ (8,021,620)</u></b>
<b>General Revenues</b>					
Property taxes				\$ 7,229,072	
Gravel taxes				13,255	
Payments in lieu of tax				42,652	
Grants and contributions not restricted to specific programs				567,183	
Investment income				86,863	
Miscellaneous				39,200	
<b>Total general revenues</b>				<b><u>\$ 7,978,225</u></b>	
<b>Change in net position</b>					<b><u>\$ (43,395)</u></b>
<b>Net Position - Beginning</b>					<b><u>51,693,299</u></b>
<b>Net Position - Ending</b>					<b><u>\$ 51,649,904</u></b>

**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 2,332,327	\$ 3,208,539
Petty cash and change funds	2,250	100
Undistributed cash in agency funds	78,330	35,880
Taxes receivable - prior	24,226	12,838
Accounts receivable	3,881	3,536
Accrued interest receivable	30,090	-
Due from other funds	3,100	235
Due from other governments	138,589	1,545,175
Inventories	-	475,409
	<b>\$ 2,612,793</b>	<b>\$ 5,281,712</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 54,010	\$ 135,170
Salaries payable	8,005	7,489
Contracts payable	61,096	30,292
Due to other funds	740	-
Due to other governments	58,932	59,577
Unearned revenues	-	-
	<b>\$ 182,783</b>	<b>\$ 232,528</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenues	<b>\$ 27,283</b>	<b>\$ 1,425,952</b>



**EXHIBIT 3**

<u>Human Services</u>	<u>Public Health Nurse</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,745,618	\$ 1,071,261	\$ 506,473	\$ 9,864,218
-	-	5,000	7,350
13,910	7,382	8,054	143,556
6,407	2,620	2,109	48,200
9,571	55,538	8,875	81,401
-	-	-	30,090
816	34,663	-	38,814
161,306	99,029	-	1,944,099
-	-	-	475,409
<b><u>\$ 2,937,628</u></b>	<b><u>\$ 1,270,493</u></b>	<b><u>\$ 530,511</u></b>	<b><u>\$ 12,633,137</u></b>
\$ 61,562	\$ 6,583	\$ 3,430	\$ 260,755
11,110	9,784	-	36,388
-	-	-	91,388
37,433	45	61	38,279
29,101	-	6,823	154,433
-	-	47,754	47,754
<b><u>\$ 139,206</u></b>	<b><u>\$ 16,412</u></b>	<b><u>\$ 58,068</u></b>	<b><u>\$ 628,997</u></b>
<b><u>\$ 4,453</u></b>	<b><u>\$ 84,564</u></b>	<b><u>\$ 6,553</u></b>	<b><u>\$ 1,548,805</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)		
<b>Fund Balances</b>		
Nonspendable		
Inventories	\$ -	\$ 475,409
Missing heirs	3,604	-
Restricted		
Debt service	-	-
Law library	31,294	-
Recorder's technology equipment	72,455	-
Real estate tax shortfall	21,330	-
Enhanced 911	57,534	-
Recorder's compliance fund	52,164	-
Economic development	100,000	-
Gravel pit restoration	-	-
County state-aid highway system	-	158,933
Committed		
Future aggregate	-	256,750
Sheriff's contingencies	1,025	-
Assigned		
Subsequent year's appropriated budget	603,000	-
Highways and streets	-	2,732,140
Human services	-	-
Sanitation	-	-
Public health	-	-
Unassigned	1,460,321	-
<b>Total Fund Balances</b>	<b>\$ 2,402,727</b>	<b>\$ 3,623,232</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 2,612,793</b>	<b>\$ 5,281,712</b>

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

<u>Human Services</u>	<u>Public Health Nurse</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 475,409
-	-	-	3,604
-	-	180,714	180,714
-	-	-	31,294
-	-	-	72,455
-	-	-	21,330
-	-	-	57,534
-	-	-	52,164
-	-	-	100,000
-	-	7,036	7,036
-	-	-	158,933
-	-	-	256,750
-	-	-	1,025
-	-	-	603,000
-	-	-	2,732,140
2,793,969	-	-	2,793,969
-	-	278,140	278,140
-	1,169,517	-	1,169,517
-	-	-	1,460,321
<b>\$ 2,793,969</b>	<b>\$ 1,169,517</b>	<b>\$ 465,890</b>	<b>\$ 10,455,335</b>
<b>\$ 2,937,628</b>	<b>\$ 1,270,493</b>	<b>\$ 530,511</b>	<b>\$ 12,633,137</b>

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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, 2016**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 10,455,335</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		45,864,294
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		4,070,560
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,548,805
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	\$ (1,470,000)	
Bond premium	(38,390)	
Accrued interest payable	(12,250)	
Compensated absences	(304,128)	
Net OPEB liability	(83,240)	
Net pension liability	<u>(7,579,196)</u>	(9,487,204)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(801,886)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 51,649,904</u></u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 3,796,927	\$ 1,979,265
Licenses and permits	4,406	-
Intergovernmental	672,742	4,361,579
Charges for services	399,207	228,550
Fines and forfeits	12,634	-
Gifts and contributions	-	-
Investment earnings	80,364	-
Miscellaneous	98,379	48,612
	<b>\$ 5,064,659</b>	<b>\$ 6,618,006</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 2,514,030	\$ -
Public safety	2,204,145	-
Highways and streets	-	5,509,702
Sanitation	-	-
Human services	-	-
Health	2,087	-
Culture and recreation	66,373	1,396
Conservation of natural resources	230,085	-
Economic development	2,000	-
<b>Intergovernmental</b>		
Highways and streets	-	391,328
<b>Debt service</b>		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
	<b>\$ 5,018,720</b>	<b>\$ 5,902,426</b>
<b>Net Change in Fund Balance</b>	<b>\$ 45,939</b>	<b>\$ 715,580</b>
<b>Fund Balances - January 1</b>	<b>2,356,788</b>	<b>2,651,102</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>256,550</b>
<b>Fund Balances - December 31</b>	<b>\$ 2,402,727</b>	<b>\$ 3,623,232</b>

**EXHIBIT 5**

<u>Human Services</u>	<u>Public Health Nurse</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 756,331	\$ 406,264	\$ 303,509	\$ 7,242,296
-	-	1,650	6,056
1,477,200	377,267	189,850	7,078,638
159,001	255,492	82,737	1,124,987
-	-	-	12,634
-	1,502	-	1,502
2	-	-	80,366
23,545	1,575	84,031	256,142
<b>\$ 2,416,079</b>	<b>\$ 1,042,100</b>	<b>\$ 661,777</b>	<b>\$ 15,802,621</b>
\$ -	\$ -	\$ -	\$ 2,514,030
-	-	-	2,204,145
-	-	-	5,509,702
-	-	265,203	265,203
2,869,745	-	-	2,869,745
-	906,886	-	908,973
-	-	-	67,769
-	-	40,430	270,515
-	-	-	2,000
-	-	-	391,328
-	-	275,000	275,000
-	-	32,150	32,150
-	-	425	425
<b>\$ 2,869,745</b>	<b>\$ 906,886</b>	<b>\$ 613,208</b>	<b>\$ 15,310,985</b>
<b>\$ (453,666)</b>	<b>\$ 135,214</b>	<b>\$ 48,569</b>	<b>\$ 491,636</b>
3,247,635	1,034,303	417,321	9,707,149
-	-	-	256,550
<b>\$ 2,793,969</b>	<b>\$ 1,169,517</b>	<b>\$ 465,890</b>	<b>\$ 10,455,335</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT 6*

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

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 491,636**

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	\$ 1,548,805	
Unavailable revenue - January 1	<u>(1,453,597)</u>	95,208

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, the net book value of assets disposed of is expensed, while not reported in the fund statements.

Expenditures for general capital assets and infrastructure	\$ 1,956,592	
Current year depreciation	<u>(2,345,397)</u>	(388,805)

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		275,000
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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	\$ 2,292	
Change in compensated absences	1,221	
Change in net OPEB liability	(5,422)	
Change in net pension liability	(3,861,528)	
Change in deferred pension outflows of resources	3,460,352	
Change in deferred pension inflows of resources	(379,301)	
Change in inventories	<u>256,550</u>	<u>(525,836)</u>

**Change in Net Position of Governmental Activities (Exhibit 2) \$ (43,395)**



**FIDUCIARY FUNDS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT 7*

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

<b><u>Assets</u></b>	
Cash and pooled investments	<b><u>\$ 279,928</u></b>
<b><u>Liabilities</u></b>	
Due to other funds	\$ 535
Due to other governments	192,960
Funds held in trust	<u>86,433</u>
<b>Total Liabilities</b>	<b><u>\$ 279,928</u></b>

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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

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1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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.D., 5.E., and 5.F., 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of governmental net 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

- The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.
- The 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 and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Wilkin County considers all revenue as available if collected within 60 days after the end of the current period. Property 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, unless the County Board takes specific action to appropriate those unrestricted resources.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2016. 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.



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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 2016 were \$80,364.

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 - prior.

3. Inventories

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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 \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Improvements other than buildings	20 - 35
Infrastructure	15 - 75
Machinery, furniture, and equipment	3 - 15

5. Unearned Revenue

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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 governmental activities statement of net position. Bond premiums and discounts 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. Bond issuance costs are recognized as an expense in the period incurred.

In the fund financial statements, governmental fund types 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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. These outflows arise only under the full accrual basis of accounting and consist of change 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 two types of deferred inflows. The governmental funds report unavailable revenue from

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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)

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 amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

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

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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)

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

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

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 outflows 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

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

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 5,902,426	\$ 4,205,819	\$ 1,696,607
Human Services Special Revenue Fund	2,869,745	2,756,499	113,246
Public Health Nurse Special Revenue Fund	906,886	888,416	18,470

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	\$ 10,015,124
Fiduciary funds	
Cash and pooled investments	
Agency funds	<u>279,928</u>
Total Cash and Investments	<u>\$ 10,295,052</u>

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.



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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, 2016, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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, 2016, 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, 2016, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank	AA+	S&P	<5%	12/30/2021	\$ 249,750
Federal National Mortgage Association	AA+	S&P	<5%	07/27/2021	\$ 246,800
Federal Home Loan Mortgage Corporation	AA+	S&P		10/28/2021	\$ 197,880
Federal Home Loan Mortgage Corporation	AA+	S&P		10/27/2023	235,536
Total Federal Home Loan Mortgage Corporation			6.4%		\$ 433,416

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Investment pools/mutual funds					
MAGIC Fund			N/A		\$ 1,726,271
Negotiable certificates of deposit			N/A		\$ 4,128,553
Total investments					\$ 6,784,790
Deposits					3,502,912
Change funds					7,350
Total Cash and Investments					\$ 10,295,052

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

At December 31, 2016, the County had the following recurring fair value measurements.

	Fair Value Measurements Using			
	December 31, 2016	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	\$ 929,966	\$ -	\$ 929,966	\$ -
Negotiable certificates of deposit	4,128,553	-	4,128,553	-
 Total Investments Included in the Fair Value Hierarchy	\$ 5,058,519	\$ -	\$ 5,058,519	\$ -
 Investments measured at the net asset value (NAV)				
MAGIC portfolio	\$ 1,726,271			

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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 MAGIC 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, 2016, are as follows:

	<u>Total Receivables</u>
Governmental Activities	
Taxes	\$ 48,200
Accounts - net	81,401
Interest	30,090
Due from other governments	<u>1,944,634</u>
Total Governmental Activities	<u>\$ 2,104,325</u>

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,185,189	\$ 38,834	\$ -	\$ 1,224,023
Construction in progress	976,591	704,251	1,024,194	656,648
Total capital assets not depreciated	<u>\$ 2,161,780</u>	<u>\$ 743,085</u>	<u>\$ 1,024,194</u>	<u>\$ 1,880,671</u>
Capital assets depreciated				
Improvements other than buildings	\$ 174,350	\$ -	\$ -	\$ 174,350
Buildings	8,077,638	162,800	-	8,240,438
Machinery, furniture, and equipment	5,938,449	972,212	382,370	6,528,291
Software	202,715	-	-	202,715
Infrastructure	62,525,814	1,102,689	-	63,628,503
Total capital assets depreciated	<u>\$ 76,918,966</u>	<u>\$ 2,237,701</u>	<u>\$ 382,370</u>	<u>\$ 78,774,297</u>
Less: accumulated depreciation for				
Improvements other than buildings	\$ 67,005	\$ 11,577	\$ -	\$ 78,582
Buildings	2,515,864	203,508	-	2,719,372
Machinery, furniture, and equipment	3,907,372	514,572	382,370	4,039,574
Software	40,542	13,514	-	54,056
Infrastructure	26,296,864	1,602,226	-	27,899,090
Total accumulated depreciation	<u>\$ 32,827,647</u>	<u>\$ 2,345,397</u>	<u>\$ 382,370</u>	<u>\$ 34,790,674</u>
Total capital assets depreciated, net	<u>\$ 44,091,319</u>	<u>\$ (107,696)</u>	<u>\$ -</u>	<u>\$ 43,983,623</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,253,099</u>	<u>\$ 635,389</u>	<u>\$ 1,024,194</u>	<u>\$ 45,864,294</u>

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

General government	\$ 46,315
Public safety	233,655
Highways and streets, including depreciation of infrastructure assets	2,024,728
Human services	8,482
Health	2,921
Sanitation	26,793
Culture and recreation	1,993
Conservation of natural resources	510
Total Depreciation Expense	<u>\$ 2,345,397</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

4. Deferred Outflows of Resources

Deferred outflows of resources - deferred pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. Deferred pension outflows for the year ended December 31, 2016, were \$4,070,560.

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund Agency funds	\$ 2,815 285
Total due to General Fund		\$ 3,100
Road and Bridge Special Revenue Fund	General Fund Environmental Special Revenue Fund	\$ 174 61
Total due to Road and Bridge Special Revenue Fund		\$ 235
Human Services Special Revenue Fund	General Fund Public Health Nurse Special Revenue Fund Agency funds	\$ 521 45 250
Total due to Human Services Special Revenue Fund		\$ 816
Public Health Nurse Special Revenue Fund	General Fund Human Services Special Revenue Fund	\$ 45 34,618
Total due to Public Health Nurse Special Revenue Fund		\$ 34,663
Total Due To/From Other Funds		\$ 38,814



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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.

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2016, were as follows:

	Governmental Activities
Accounts	\$ 260,755
Salaries	36,388
Contracts	91,388
Due to other governments	154,433
Total Payables	\$ 542,964

2. Construction and Other Significant Commitments

The County has an active construction project and commitment as of December 31, 2016.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
General government		
Courthouse repairs project	\$ 143,924	\$ 214,476

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. 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	\$ 1,470,000
Add: Unamortized premium					<u>38,390</u>
Total General Obligation Bonds, Net					<u>\$ 1,508,390</u>

4. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2017	\$ 280,000	\$ 26,600
2018	285,000	20,950
2019	295,000	15,150
2020	300,000	9,200
2021	<u>310,000</u>	<u>3,100</u>
Total	<u>\$ 1,470,000</u>	<u>\$ 75,000</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 1,745,000	\$ -	\$ 275,000	\$ 1,470,000	\$ 280,000
Add: Unamortized premium	47,792	-	9,402	38,390	-
Total bonds payable	\$ 1,792,792	\$ -	\$ 284,402	\$ 1,508,390	\$ 280,000
Compensated absences	305,349	275,770	276,991	304,128	235,158
Total Long-Term Liabilities	<u>\$ 2,098,141</u>	<u>\$ 275,770</u>	<u>\$ 561,393</u>	<u>\$ 1,812,518</u>	<u>\$ 515,158</u>

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

6. 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.

	Taxes	Grants and Allotments	Other	Total
Major governmental funds				
General	\$ 14,909	\$ -	\$ 12,374	\$ 27,283
Road and Bridge	7,879	1,397,237	20,836	1,425,952
Social Services	4,453	-	-	4,453
Public Health	1,605	-	82,959	84,564
Nonmajor governmental funds				
Environmental	5,230	47,754	-	52,984
Courthouse Improvement	1,323	-	-	1,323
Total	<u>\$ 35,399</u>	<u>\$ 1,444,991</u>	<u>\$ 116,169</u>	<u>\$ 1,596,559</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Unearned Revenues/Deferred Inflows of Resources (Continued)

	<u>Taxes</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Liability				
Unearned revenue	\$ -	\$ 47,754	\$ -	\$ 47,754
Deferred inflows of resources				
Unavailable revenue	<u>35,399</u>	<u>1,397,237</u>	<u>116,169</u>	<u>1,548,805</u>
 Total	 <u>\$ 35,399</u>	 <u>\$ 1,444,991</u>	 <u>\$ 116,169</u>	 <u>\$ 1,596,559</u>

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 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

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

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 graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

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

General Employees Retirement Fund	
Basic Plan members	11.78%
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.

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

General Employees Retirement Fund	\$ 286,140
Public Employees Police and Fire Fund	77,330
Public Employees Correctional Fund	43,867

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$4,863,583 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0599 percent. It was 0.0620 percent measured as of June 30, 2015. The County recognized pension expense of \$631,217 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$18,946 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	\$ 4,863,583
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>63,539</u>
Total	<u><u>\$ 4,927,122</u></u>



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 398,752
Changes in actuarial assumptions	952,294	-
Difference between projected and actual investment earnings	930,856	-
Changes in proportion	-	194,365
Contributions paid to PERA subsequent to the measurement date	145,864	-
Total	\$ 2,029,014	\$ 593,117

The \$145,864 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 334,662
2018	334,662
2019	445,029
2020	175,680

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2016, the County reported a liability of \$1,765,797 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.044 percent. It was 0.041 percent measured as of June 30, 2015. The County recognized pension expense of \$311,663 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$3,960 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 198,149
Changes in actuarial assumptions	971,795	-
Difference between projected and actual investment earnings	265,019	-
Changes in proportion	28,406	-
Contributions paid to PERA subsequent to the measurement date	41,268	-
Total	\$ 1,306,488	\$ 198,149

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The \$41,268 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2017	\$ 228,717
2018	228,717
2019	228,717
2020	208,421
2021	172,499

Public Employees Correctional Plan

At December 31, 2016, the County reported a liability of \$949,816 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.26 percent. It was 0.25 percent measured as of June 30, 2015. The County recognized pension expense of \$267,840 for its proportionate share of the Public Employees Correctional Plan's pension expense.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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	\$ 744	\$ 9,865
Changes in actuarial assumptions	605,147	-
Difference between projected and actual investment earnings	105,748	-
Changes in proportion	1,160	755
Contributions paid to PERA subsequent to the measurement date	22,259	-
Total	\$ 735,058	\$ 10,620

The \$22,259 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 225,492
2018	225,492
2019	230,797
2020	20,398

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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, 2016, was \$1,210,720.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for Public Employees Police and Fire Plan and Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. 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, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

6. Discount Rate (Continued)

and Fire Plan and 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, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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 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

- 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.

8. Pension Liability Sensitivity

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



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

8. Pension Liability Sensitivity (Continued)

	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%	\$ 6,907,729	4.60%	\$ 2,471,881	4.31%	\$ 1,430,130
Current	7.50	4,863,583	5.60	1,765,797	5.31	949,816
1% Increase	8.50	3,179,763	6.60	1,188,872	6.31	574,839

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](http://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.

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,180	\$ 1,180
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.

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$	46,613
Interest on net OPEB obligation		3,113
Adjustment to ARC		(4,738)
		(4,738)
Annual OPEB cost (expense)	\$	44,988
Contributions made		(39,566)
		(39,566)
Increase in net OPEB obligation	\$	5,422
Net OPEB Obligation - Beginning of Year		77,818
		77,818
Net OPEB Obligation - End of Year	\$	83,240
		83,240

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2014, 2015, and 2016, were as follows:

Fiscal Year-End	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$ 26,001	\$ 22,906	88.1%	\$ 62,867
December 31, 2015	45,315	30,364	67.0	77,818
December 31, 2016	44,988	39,566	88.0	83,240

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the January 1, 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 by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2016, was 23 years.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2016 and \$500,000 per claim in 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Claims and Litigation

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

C. Contingent Liabilities

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

D. Joint Ventures

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 from each city appointed by their respective City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2016, 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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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, Detroit Lakes, 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.

Fiscal agent responsibilities for the Task Force are with the City of Moorhead Police Department. During 2016, 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

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. In 2005, the Area Agency on Aging became part of a larger planning and service area covering 21 counties. This is a partnership between the Northwest Regional Development Commission, the five-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

West Central Area Agency on Aging (Continued)

elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

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

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

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

Complete financial information can be obtained from:

West Central Area Agency on Aging  
P. O. Box 726  
Fergus Falls, Minnesota 56537

Wilkin County Children's Collaborative

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



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Wilkin County Children's Collaborative (Continued)

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 2016, the County did not contribute any funds to the Collaborative.

Land of the Dancing Sky Area Agency on Aging

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

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

During 2016, the County did not contribute any funds to this organization.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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

Rural Minnesota Concentrated Employment Programs, Inc., was established to create job training and employment opportunities for economically disadvantaged, under-employed and unemployed persons, and youthful persons in both the private and the public sector.

During 2016, Wilkin County did not contribute any funds to this organization.

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, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the 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 2016, Wilkin County provided \$51,720 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 2016, Wilkin County contributed \$55,454 to the entity.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

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

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

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.

During 2016, Wilkin County did not contribute to Partnership4Health Community Health Board.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

E. Jointly-Governed Organizations

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

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, 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 2016, Wilkin County contributed \$1,515 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. 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 Agreement

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 2016, Wilkin County contributed \$178 to the Joint Powers Board.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Minnesota Red River Basin of the North Joint Powers Agreement (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 2016.

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. 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 2016.

F. Related Organization

Bois de Sioux Watershed District

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-1*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,941,233	\$ 3,941,233	\$ 3,796,927	\$ (144,306)
Licenses and permits	8,060	8,060	4,406	(3,654)
Intergovernmental	222,032	222,032	672,742	450,710
Charges for services	301,650	301,650	399,207	97,557
Fines and forfeits	2,000	2,000	12,634	10,634
Investment earnings	30,000	30,000	80,364	50,364
Miscellaneous	39,000	39,000	98,379	59,379
<b>Total Revenues</b>	<b>\$ 4,543,975</b>	<b>\$ 4,543,975</b>	<b>\$ 5,064,659</b>	<b>\$ 520,684</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 224,227	\$ 224,227	\$ 195,796	\$ 28,431
Courts	90,530	90,530	92,715	(2,185)
County auditor	-	-	208	(208)
County auditor-treasurer	459,292	459,292	544,156	(84,864)
County assessor	286,933	286,933	262,979	23,954
Elections	48,278	48,278	45,841	2,437
Data processing	124,400	124,400	111,827	12,573
Attorney	226,067	226,067	215,448	10,619
Law library	-	-	15,650	(15,650)
Recorder	250,541	250,541	250,418	123
Planning and zoning	6,500	6,500	2,830	3,670
Buildings and plant	533,479	533,479	383,449	150,030
Veterans service officer	102,647	102,647	103,340	(693)
GIS	21,000	21,000	42,341	(21,341)
Unallocated	344,046	344,046	247,032	97,014
<b>Total general government</b>	<b>\$ 2,717,940</b>	<b>\$ 2,717,940</b>	<b>\$ 2,514,030</b>	<b>\$ 203,910</b>
<b>Public safety</b>				
Sheriff	\$ 1,037,715	\$ 1,037,715	\$ 1,152,655	\$ (114,940)
Communications	304,464	304,464	313,783	(9,319)
Coroner	4,800	4,800	4,400	400
E-911 system	46,200	46,200	41,722	4,478
County jail	653,942	653,942	614,500	39,442
Emergency management	76,671	76,671	77,085	(414)
Sheriff's contingent	2,000	2,000	-	2,000
<b>Total public safety</b>	<b>\$ 2,125,792</b>	<b>\$ 2,125,792</b>	<b>\$ 2,204,145</b>	<b>\$ (78,353)</b>

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Health</b>				
Land of the Dancing Sky	\$ 1,100	\$ 1,100	\$ 1,087	\$ 13
Rothsay Partners	1,000	1,000	1,000	-
<b>Total health</b>	<b>\$ 2,100</b>	<b>\$ 2,100</b>	<b>\$ 2,087</b>	<b>\$ 13</b>
<b>Culture and recreation</b>				
Historical society	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Regional library	51,720	51,720	51,720	-
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	-
<b>Total culture and recreation</b>	<b>\$ 66,373</b>	<b>\$ 66,373</b>	<b>\$ 66,373</b>	<b>\$ -</b>
<b>Conservation of natural resources</b>				
County extension	\$ 117,889	\$ 117,889	\$ 120,910	\$ (3,021)
Soil and water conservation	90,000	90,000	90,000	-
Aquatic invasive species	8,642	8,642	2,060	6,582
Agricultural society/County fair	8,000	8,000	8,000	-
Weed control	10,239	10,239	9,115	1,124
<b>Total conservation of natural resources</b>	<b>\$ 234,770</b>	<b>\$ 234,770</b>	<b>\$ 230,085</b>	<b>\$ 4,685</b>
<b>Economic development</b>				
Community development	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
<b>Total Expenditures</b>	<b>\$ 5,148,975</b>	<b>\$ 5,148,975</b>	<b>\$ 5,018,720</b>	<b>\$ 130,255</b>
<b>Net Change in Fund Balance</b>	<b>\$ (605,000)</b>	<b>\$ (605,000)</b>	<b>\$ 45,939</b>	<b>\$ 650,939</b>
<b>Fund Balance - January 1</b>	<b>2,356,788</b>	<b>2,356,788</b>	<b>2,356,788</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,751,788</b>	<b>\$ 1,751,788</b>	<b>\$ 2,402,727</b>	<b>\$ 650,939</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-2*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,091,394	\$ 2,091,394	\$ 1,979,265	\$ (112,129)
Intergovernmental	2,381,480	2,381,480	4,361,579	1,980,099
Charges for services	321,500	321,500	228,550	(92,950)
Miscellaneous	42,500	42,500	48,612	6,112
<b>Total Revenues</b>	<b>\$ 4,836,874</b>	<b>\$ 4,836,874</b>	<b>\$ 6,618,006</b>	<b>\$ 1,781,132</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 328,658	\$ 328,658	\$ 305,404	\$ 23,254
Maintenance	1,317,120	1,317,120	2,308,846	(991,726)
Construction	949,015	949,015	1,886,244	(937,229)
Equipment maintenance and shop	972,535	972,535	790,407	182,128
Unallocated - highways and streets	254,741	254,741	218,801	35,940
<b>Total highways and streets</b>	<b>\$ 3,822,069</b>	<b>\$ 3,822,069</b>	<b>\$ 5,509,702</b>	<b>\$ (1,687,633)</b>
<b>Culture and recreation</b>				
Parks	3,750	3,750	1,396	2,354
<b>Intergovernmental</b>				
Highways and streets	380,000	380,000	391,328	(11,328)
<b>Total Expenditures</b>	<b>\$ 4,205,819</b>	<b>\$ 4,205,819</b>	<b>\$ 5,902,426</b>	<b>\$ (1,696,607)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 631,055</b>	<b>\$ 631,055</b>	<b>\$ 715,580</b>	<b>\$ 84,525</b>
<b>Fund Balance - January 1</b>	<b>2,651,102</b>	<b>2,651,102</b>	<b>2,651,102</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>256,550</b>	<b>256,550</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,282,157</b>	<b>\$ 3,282,157</b>	<b>\$ 3,623,232</b>	<b>\$ 341,075</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-3*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 797,285	\$ 797,285	\$ 756,331	\$ (40,954)
Intergovernmental	1,005,841	1,005,841	1,477,200	471,359
Charges for services	200,408	200,408	159,001	(41,407)
Investment earnings	6	6	2	(4)
Miscellaneous	21,150	21,150	23,545	2,395
<b>Total Revenues</b>	<b>\$ 2,024,690</b>	<b>\$ 2,024,690</b>	<b>\$ 2,416,079</b>	<b>\$ 391,389</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 866,334	\$ 866,334	\$ 837,424	\$ 28,910
Social services	1,890,165	1,890,165	2,032,321	(142,156)
<b>Total Expenditures</b>	<b>\$ 2,756,499</b>	<b>\$ 2,756,499</b>	<b>\$ 2,869,745</b>	<b>\$ (113,246)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (731,809)</b>	<b>\$ (731,809)</b>	<b>\$ (453,666)</b>	<b>\$ 278,143</b>
<b>Fund Balance - January 1</b>	<b>3,247,635</b>	<b>3,247,635</b>	<b>3,247,635</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,515,826</b>	<b>\$ 2,515,826</b>	<b>\$ 2,793,969</b>	<b>\$ 278,143</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 429,023	\$ 429,023	\$ 406,264	\$ (22,759)
Intergovernmental	141,310	141,310	377,267	235,957
Charges for services	255,256	255,256	255,492	236
Gifts and contributions	-	-	1,502	1,502
Miscellaneous	2,827	2,827	1,575	(1,252)
<b>Total Revenues</b>	<b>\$ 828,416</b>	<b>\$ 828,416</b>	<b>\$ 1,042,100</b>	<b>\$ 213,684</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	888,416	888,416	906,886	(18,470)
<b>Net Change in Fund Balance</b>	<b>\$ (60,000)</b>	<b>\$ (60,000)</b>	<b>\$ 135,214</b>	<b>\$ 195,214</b>
<b>Fund Balance - January 1</b>	<b>1,034,303</b>	<b>1,034,303</b>	<b>1,034,303</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 974,303</b>	<b>\$ 974,303</b>	<b>\$ 1,169,517</b>	<b>\$ 195,214</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**EXHIBIT A-5**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
January 1, 2009	\$ -	\$ 297,047	\$ 297,047	0.0%	\$ 3,731,784	8.0%
January 1, 2012	-	236,471	236,471	0.0	3,734,955	6.3
January 1, 2015	-	378,502	378,502	0.0	4,192,117	9.0



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-6*

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

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Wilkin County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
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, 2016**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b-a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
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, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.044%	\$ 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, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-10*

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.260%	\$ 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, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the 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, 2016.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 5,902,426	\$ 4,205,819	\$ 1,696,607
Human Services Special Revenue Fund	2,869,745	2,756,499	113,246
Public Health Nurse Special Revenue Fund	906,886	888,416	18,470

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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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.

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.

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016.

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

General Employees Retirement Plan (Continued)

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

Public Employees Police and Fire Plan

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

Public Employees Correctional Plan

- 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.

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**SUPPLEMENTARY INFORMATION**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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, 2016**

	<b>Special Revenue (Exhibit C-1)</b>	<b>Courthouse Improvement Debt Service</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 331,748	\$ 174,725	\$ 506,473
Petty cash and change funds	5,000	-	5,000
Undistributed cash in agency funds	2,795	5,259	8,054
Taxes receivable - prior	56	2,053	2,109
Accounts receivable	8,875	-	8,875
<b>Total Assets</b>	<b>\$ 348,474</b>	<b>\$ 182,037</b>	<b>\$ 530,511</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,430	\$ -	\$ 3,430
Due to other funds	61	-	61
Due to other governments	6,823	-	6,823
Unearned revenues	47,754	-	47,754
<b>Total Liabilities</b>	<b>\$ 58,068</b>	<b>\$ -</b>	<b>\$ 58,068</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<b>\$ 5,230</b>	<b>\$ 1,323</b>	<b>\$ 6,553</b>
<b>Fund Balances</b>			
Restricted			
Debt service	\$ -	\$ 180,714	\$ 180,714
Gravel pit postclosure	7,036	-	7,036
Assigned			
Sanitation	278,140	-	278,140
<b>Total Fund Balances</b>	<b>\$ 285,176</b>	<b>\$ 180,714</b>	<b>\$ 465,890</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 348,474</b>	<b>\$ 182,037</b>	<b>\$ 530,511</b>

**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, 2016**

	<b>Special Revenue (Exhibit C-2)</b>	<b>Courthouse Improvement Debt Service</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>			
Taxes	\$ 14,766	\$ 288,743	\$ 303,509
Licenses and permits	1,650	-	1,650
Intergovernmental	171,694	18,156	189,850
Charges for services	82,737	-	82,737
Miscellaneous	84,031	-	84,031
	<b>\$ 354,878</b>	<b>\$ 306,899</b>	<b>\$ 661,777</b>
<b>Expenditures</b>			
<b>Current</b>			
Sanitation	\$ 265,203	\$ -	\$ 265,203
Conservation of natural resources	40,430	-	40,430
<b>Debt service</b>			
Principal	-	275,000	275,000
Interest	-	32,150	32,150
Administrative (fiscal) fees	-	425	425
	<b>\$ 305,633</b>	<b>\$ 307,575</b>	<b>\$ 613,208</b>
<b>Net Change in Fund Balance</b>	<b>\$ 49,245</b>	<b>\$ (676)</b>	<b>\$ 48,569</b>
<b>Fund Balance - January 1</b>	<b>235,931</b>	<b>181,390</b>	<b>417,321</b>
<b>Fund Balance - December 31</b>	<b>\$ 285,176</b>	<b>\$ 180,714</b>	<b>\$ 465,890</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT C-1*

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

	<b>Environmental</b>	<b>Gravel Tax Reserve</b>	<b>Total (Exhibit B-1)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 325,554	\$ 6,194	\$ 331,748
Petty cash and change funds	5,000	-	5,000
Undistributed cash in agency funds	2,795	-	2,795
Taxes receivable - prior	56	-	56
Accounts receivable	5,974	2,901	8,875
<b>Total Assets</b>	<b>\$ 339,379</b>	<b>\$ 9,095</b>	<b>\$ 348,474</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,430	\$ -	\$ 3,430
Due to other funds	61	-	61
Due to other governments	4,764	2,059	6,823
Unearned revenues	47,754	-	47,754
<b>Total Liabilities</b>	<b>\$ 56,009</b>	<b>\$ 2,059</b>	<b>\$ 58,068</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	<b>\$ 5,230</b>	<b>\$ -</b>	<b>\$ 5,230</b>
<b>Fund Balances</b>			
Restricted			
Gravel pit restoration	\$ -	\$ 7,036	\$ 7,036
Assigned			
Sanitation	278,140	-	278,140
<b>Total Fund Balances</b>	<b>\$ 278,140</b>	<b>\$ 7,036</b>	<b>\$ 285,176</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 339,379</b>	<b>\$ 9,095</b>	<b>\$ 348,474</b>

**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, 2016**

	<b>Environmental</b>	<b>Gravel Tax Reserve</b>	<b>Total (Exhibit B-2)</b>
<b>Revenues</b>			
Taxes	\$ 10,426	\$ 4,340	\$ 14,766
Licenses and permits	1,650	-	1,650
Intergovernmental	171,694	-	171,694
Charges for services	82,737	-	82,737
Miscellaneous	84,031	-	84,031
	<b>\$ 350,538</b>	<b>\$ 4,340</b>	<b>\$ 354,878</b>
<b>Expenditures</b>			
<b>Current</b>			
Sanitation	\$ 265,203	\$ -	\$ 265,203
Conservation of natural resources	37,462	2,968	40,430
	<b>\$ 302,665</b>	<b>\$ 2,968</b>	<b>\$ 305,633</b>
<b>Net Change in Fund Balance</b>	<b>\$ 47,873</b>	<b>\$ 1,372</b>	<b>\$ 49,245</b>
<b>Fund Balance - January 1</b>	<b>230,267</b>	<b>5,664</b>	<b>235,931</b>
<b>Fund Balance - December 31</b>	<b>\$ 278,140</b>	<b>\$ 7,036</b>	<b>\$ 285,176</b>



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT C-3*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 11,427	\$ 11,427	\$ 10,426	\$ (1,001)
Licenses and permits	1,300	1,300	1,650	350
Intergovernmental	127,700	127,700	171,694	43,994
Charges for services	80,000	80,000	82,737	2,737
Miscellaneous	103,060	103,060	84,031	(19,029)
<b>Total Revenues</b>	<b>\$ 323,487</b>	<b>\$ 323,487</b>	<b>\$ 350,538</b>	<b>\$ 27,051</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 234,927	\$ 234,927	\$ 196,295	\$ 38,632
Recycling	157,720	157,720	68,908	88,812
<b>Total sanitation</b>	<b>\$ 392,647</b>	<b>\$ 392,647</b>	<b>\$ 265,203</b>	<b>\$ 127,444</b>
<b>Conservation of natural resources</b>				
Water planning	\$ 4,389	\$ 4,389	\$ 19,046	\$ (14,657)
Shoreland	-	-	2,593	(2,593)
Wetland conservation	-	-	3,665	(3,665)
Subsurface sewage treatment	-	-	12,158	(12,158)
<b>Total conservation of natural resources</b>	<b>\$ 4,389</b>	<b>\$ 4,389</b>	<b>\$ 37,462</b>	<b>\$ (33,073)</b>
<b>Total Expenditures</b>	<b>\$ 397,036</b>	<b>\$ 397,036</b>	<b>\$ 302,665</b>	<b>\$ 94,371</b>
<b>Net Change in Fund Balance</b>	<b>\$ (73,549)</b>	<b>\$ (73,549)</b>	<b>\$ 47,873</b>	<b>\$ 121,422</b>
<b>Fund Balance - January 1</b>	<b>230,267</b>	<b>230,267</b>	<b>230,267</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 156,718</b>	<b>\$ 156,718</b>	<b>\$ 278,140</b>	<b>\$ 121,422</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT C-4*

**BUDGETARY COMPARISON SCHEDULE  
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 304,575	\$ 304,575	\$ 288,743	\$ (15,832)
Intergovernmental	3,000	3,000	18,156	15,156
<b>Total Revenues</b>	<b>\$ 307,575</b>	<b>\$ 307,575</b>	<b>\$ 306,899</b>	<b>\$ (676)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 275,000	\$ 275,000	\$ 275,000	\$ -
Interest	32,150	32,150	32,150	-
Administrative (fiscal) charges	425	425	425	-
<b>Total Expenditures</b>	<b>\$ 307,575</b>	<b>\$ 307,575</b>	<b>\$ 307,575</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (676)</b>	<b>\$ (676)</b>
<b>Fund Balance - January 1</b>	<b>181,390</b>	<b>181,390</b>	<b>181,390</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 181,390</b>	<b>\$ 181,390</b>	<b>\$ 180,714</b>	<b>\$ (676)</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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, 2016**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>CHILDREN'S COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 13,365	\$ 37,368	\$ 26,276	\$ 24,457
<b><u>Liabilities</u></b>				
Due to other funds	\$ 250	\$ 250	\$ 250	\$ 250
Due to other governments	13,115	37,118	26,026	24,207
<b>Total Liabilities</b>	<b>\$ 13,365</b>	<b>\$ 37,368</b>	<b>\$ 26,276</b>	<b>\$ 24,457</b>
<b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 8,694	\$ 831,062	\$ 830,257	\$ 9,499
<b><u>Liabilities</u></b>				
Due to other funds	\$ 261	\$ 285	\$ 261	\$ 285
Due to other governments	8,433	830,777	829,996	9,214
<b>Total Liabilities</b>	<b>\$ 8,694</b>	<b>\$ 831,062</b>	<b>\$ 830,257</b>	<b>\$ 9,499</b>

**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, 2016**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 202,051	\$ 15,867,925	\$ 15,824,004	\$ 245,972
<b><u>Liabilities</u></b>				
Due to other governments	\$ 141,262	\$ 15,781,492	\$ 15,763,215	\$ 159,539
Funds held in trust	60,789	86,433	60,789	86,433
<b>Total Liabilities</b>	<b>\$ 202,051</b>	<b>\$ 15,867,925</b>	<b>\$ 15,824,004</b>	<b>\$ 245,972</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 224,110	\$ 16,736,355	\$ 16,680,537	\$ 279,928
<b><u>Liabilities</u></b>				
Due to other funds	\$ 511	\$ 535	\$ 511	\$ 535
Due to other governments	162,810	16,649,387	16,619,237	192,960
Funds held in trust	60,789	86,433	60,789	86,433
<b>Total Liabilities</b>	<b>\$ 224,110</b>	<b>\$ 16,736,355</b>	<b>\$ 16,680,537</b>	<b>\$ 279,928</b>

## **SCHEDULES**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT E-1*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
<b>Cash and Pooled Investments</b>				
Cash on hand	N/A	N/A	N/A	\$ 7,350
Interest-bearing checking	Two	Various	Continuous	233,479
Certificates of deposit	Five	0.25 to 0.70	March 23, 2017 to December 31, 2017	782,830
Money market savings	Two	Variable	Continuous	2,486,603
Brokerage certificates of deposit	Eighteen	0.80 to 2.40	February 10, 2017 to October 7, 2021	4,128,553
Minnesota Association of Governments Investing for Counties Fund	N/A	Variable	Continuous	1,726,271
Government Bonds	Four	1.00 to 2.00	July 27, 2021 to October 27, 2033	929,966
<b>Total Cash and Pooled Investments</b>				<b><u>\$ 10,295,052</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT E-2*

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

	<b>Governmental Funds</b>
<b>Appropriations and Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 4,234,238
County program aid	155,163
PERA rate reimbursement	14,875
Disparity reduction credit	166,817
Police aid	47,546
Market value credit	136,015
Disparity reduction aid	10,350
Border cities reimbursement	7,127
Aquatic invasive species aid	8,642
	<b>\$ 4,780,773</b>
<b>Reimbursement for Services</b>	
<b>State</b>	
Reimbursement for services - Human Services	\$ 287,501
Reimbursement for services - Health	59,953
	<b>\$ 347,454</b>
<b>Payments</b>	
<b>Local</b>	
Otto Bremer Grant	\$ 84,134
Senior Companion Grant	27,638
Payments in lieu of taxes	42,652
	<b>\$ 154,424</b>
<b>Grants</b>	
<b>State</b>	
Minnesota Department/Board of	
Corrections	\$ 9,105
Public Safety	76,791
Health	46,172
Natural Resources	3,889
Human Services	421,239
Veterans Affairs	7,500
Water and Soil Resources	101,845
Pollution Control Agency	68,710
Peace Officer Standards and Training Board	3,127
	<b>\$ 738,378</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

***EXHIBIT E-2  
(Continued)***

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

	<u><b>Governmental Funds</b></u>
<b>Grants (Continued)</b>	
<b>Federal</b>	
Department of	
Agriculture	\$ 161,396
Education	1,933
Health and Human Services	732,680
Homeland Security	158,895
Transportation	2,705
	<hr/>
<b>Total federal</b>	<b>\$ 1,057,609</b>
	<hr/>
<b>Total state and federal grants</b>	<b>\$ 1,795,987</b>
	<hr/>
<b>Total Intergovernmental Revenue</b>	<b>\$ 7,078,638</b>
	<hr/> <hr/>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**EXHIBIT E-3**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Partnership4Health Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 50,594
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2520	383
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN127Q7503	43,578
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$110,802)	10.561	16162MN101S2514	<u>66,841</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ <u>161,396</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through the City of Breckenridge Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not Provided	<b>\$ <u>2,705</u></b>
<b>U.S. Department of Education</b>			
Passed Through Partnership4Health Community Health Board Special Education - Grants for Infants and Families	84.181	87630	<b>\$ <u>1,933</u></b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Land of the Dancing Sky Area Agency on Aging/West Central Office Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Not provided	\$ 6,931
Passed Through Partnership4Health Community Health Board Public Health Emergency Preparedness	93.069	90858	729
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$72,640)	93.558	1601MNTANF	3,781
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	13,833

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**EXHIBIT E-3  
(Continued)**

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPS	1,453
Temporary Assistance for Needy Families	93.558	1601MNTANF	68,859
(Total Temporary Assistance for Needy Families 93.558 \$72,640)			
Child Support Enforcement	93.563	1604MNCSES	6,864
Child Support Enforcement	93.563	1604MNCEST	197,797
(Total Child Support Enforcement 96.563 \$204,661)			
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	65
Child Care and Development Block Grant	93.575	G1601MNCCDF	2,127
Community-Based Child Abuse Prevention Grants	93.590	1502MNFPG	1,529
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNFPS	772
Foster Care - Title IV-E	93.658	1601MNFOST	49,261
Social Services Block Grant	93.667	16-01MNSOSR	57,363
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	2,725
Medical Assistance Program	93.778	05-1605MN5ADM	317,679
Medical Assistance Program	93.778	05-1605MN5MAP	912
(Total Medical Assistance Program 93.778 \$318,591)			
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 732,680</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2016- WILKINCO-1667	\$ 16,995
Passed Through the City of Saint Cloud, Minnesota			
Homeland Security Grant Program	97.067	A-DECN-SHSP- 2015-CM-ESB-001	141,900
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 158,895</b>
<b>Total Federal Awards</b>			<b>\$ 1,057,609</b>

Wilkin County did not pass any federal awards through to subrecipients in 2016.

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

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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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

## **REPORT ON 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 12, 2017.

### **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, 2008-001, and 2012-001 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*. 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.

### **Wilkin County's Response to Findings**

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

## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 12, 2017

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

## REPORT ON COMPLIANCE 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, 2016. 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, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

Wilkin County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Wilkin County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002, that we consider to be a significant deficiency.

Wilkin County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Wilkin County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

July 12, 2017

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medical Assistance Program	CFDA No. 93.778

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.

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

**View of Responsible Official:** Concur

Finding Number 2008-001

Documenting and Monitoring Internal Controls

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

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

**Context:** Local governments tend to establish controls but fail to periodically review those controls to ensure they are appropriate for all of the changes that take place over time. On May 9, 2017, the County Board approved the establishment of an Internal Controls/Risk Assessment Committee to address the issue.

**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 2012-001

Network/Application Password Controls

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

**Condition:** Wilkin County uses the Integrated Financial System-Platform Independent (IFS-PI) application 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.

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

**Effect:** Normal password controls in place in the IBM AS-400 system are not effective for the IFS-PI application and other web-based applications, so a review of each web-based application's controls and County network controls is imperative to ensure passwords are working as intended.

**Cause:** Wilkin County updated to the IFS-PI application software. County management was not aware of some of the password implications of this change.

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

**View of Responsible Official:** Concur

## ITEM ARISING THIS YEAR

Finding Number 2016-001

### Audit Adjustment

**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:** A material adjustment was identified by auditors 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:** An adjustment of \$71,719 in the Public Health Nurse Special Revenue Fund to reduce receivables and deferred inflows - unavailable revenue was reviewed and approved by County staff and is reflected in the financial statements.

**Cause:** The adjustment was necessary to reverse the 2015 manual accrual entry for receivables collected after the revenue recognition period.

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

**View of Responsible Official:** Acknowledged

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

Finding Number 2016-002

### Eligibility - Intake Function

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 05-1605MN5ADM, 2016

**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 Program case files identified no documented review process of case files by a supervisor, and the following exceptions were detected in the sample of 40 cases 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.
- 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.

**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.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**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:** A high caseload and staff turnover in the County Human Services Department during 2016 resulted in reviews not being completed, as had been done in previous years. County program personnel entering case information into MAXIS did not ensure all required information was verified as required.



**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

#### **IV. PREVIOUSLY REPORTED ITEM RESOLVED**

2015-001 Withholding Affidavit for Contractors (Form IC-134)

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**REPRESENTATION OF WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

**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 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.

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:

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.

Anticipated Completion Date:

December 31, 2017

**Finding Number: 2012-001**

**Finding Title: Network/Application Password Controls**

Name of Contact Person Responsible for Corrective Action:

Janelle Krump

Corrective Action Planned:

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.

Anticipated Completion Date:

March 31, 2017

**Finding Number: 2016-001**

**Finding Title: Audit Adjustment**

Name of Contact Person Responsible for Corrective Action:

Janelle Krump

Corrective Action Planned:

The Auditor's Office will be more diligent in reviewing the journal entries and ensuring that all reversing entries are done.

Anticipated Completion Date:

December 31, 2017

**Finding Number: 2016-002**

**Finding Title: Eligibility - Intake Function**

**Program: Medical Assistance Program (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Cindy Noetzelman

Corrective Action Planned:

The Financial Assistance Specialist will review one SNAP and one Healthcare case per month beginning June 2017.

Anticipated Completion Date:

June 30, 2017

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**REPRESENTATION OF WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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

**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:** The Commissioners wish to continue allowing offices to service the public and collect fees, rather than inconveniencing the client to go to another area to pay fees. The County understands the risk and is willing to assume the responsibility.

**Status:** Not corrected. The County understands the risk and is willing to assume the responsibility.

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:** The County will attempt to establish a formal plan to monitor and document the internal control structure on a regular basis.

**Status:** Not corrected in 2016. In 2017, the County established an internal controls committee to develop a risk assessment process, determine a formal plan of monitoring and documenting the internal control structure, and conduct internal reviews of the accounting and financial processes.

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:** The County will work with its vendor to establish the necessary password controls.

**Status:** Not corrected in 2016. In January 2017, the County updated its Computer Use Policy and as of March 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.

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

**Finding Number: 2015-001**

**Finding Title: Withholding Affidavit for Contractors (Form IC-134)**

**Summary of Condition:** A contract was let with Elite Heating and Air in January 2015 for work on an upgrade of the law enforcement center ventilation system upgrades. Final payment was made on this contract before a Form IC-134, which requires employee withholdings, was received from the contractor and approved by the Minnesota Department of Revenue. The contract involved the employment of individuals for wages by the contractor.

**Summary of Corrective Action Previously Reported:** The County had a new Auditor-Treasurer in 2015. Neither the Auditor-Treasurer, nor the architect responsible for the project bid, was aware of the required form. The Auditor-Treasurer is now aware of the statutory requirements and will not issue final payments to the contractor until Form IC-134 has been received.

**Status:** Fully Corrected. Corrective action was taken.

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