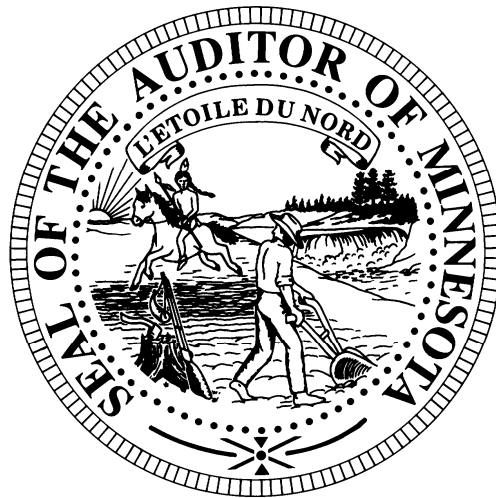


# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**YEAR ENDED DECEMBER 31, 2006**

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

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

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

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

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

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

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

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

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

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

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This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Year Ended December 31, 2006**



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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2006**

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

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Wilkin County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Wilkin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2007, on our consideration of Wilkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

July 25, 2007

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2006

(Unaudited)

As management of Wilkin County, Minnesota, we offer the readers of the Wilkin County financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Wilkin County exceeded its liabilities on December 31, 2006, by \$42,400,156. Of this amount, \$3,991,371 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of 2006, Wilkin County's governmental funds reported combined ending fund balances of \$3,905,445, a decrease of \$2,850,892 in comparison with 2005. Of this balance amount, \$3,409,117 was unreserved by Wilkin County and thus available for spending at the government's discretion.
- At the end of 2006, unreserved fund balance of the General Fund was \$2,724,161, or 81 percent, of the total General Fund expenditures for that year.
- The County had general obligation bonds in the amount of \$3,750,000 at the end of 2006.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

Wilkin County's government-wide financial statements report functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of Wilkin County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest.

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

### **Fund Level Statements**

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

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

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

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

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

**Notes to the Financial Statements**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net assets serve as a useful indicator of the County’s financial position. Wilkin County’s assets exceeded liabilities by \$42,400,156 at the close of 2006. The largest portion of the County’s net assets (90 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 Assets</b>	
	2006	2005
Current and other assets	\$ 5,878,057	\$ 9,678,702
Capital assets	42,153,914	36,628,014
Total Assets	\$ 48,031,971	\$ 46,306,716
Long-term liabilities	\$ 4,228,355	\$ 3,983,591
Other liabilities	1,403,460	2,205,825
Total Liabilities	\$ 5,631,815	\$ 6,189,416
Net Assets		
Invested in capital assets	\$ 38,206,088	\$ 35,107,439
Restricted	202,697	1,412,047
Unrestricted	3,991,371	3,597,814
Total Net Assets	\$ 42,400,156	\$ 40,117,300

The unrestricted net assets amount of \$3,991,371 as of December 31, 2006, may be used to meet the County's ongoing obligations to citizens and creditors.

### Governmental Activities

Wilkin County's activities increased Wilkin County's net assets during 2006 by \$2,282,856. Key elements in this increase are due to the completion of the Law Enforcement Center/Jail complex.

#### Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Revenues		
Program revenues		
Charges for services	\$ 1,719,737	\$ 1,362,840
Operating grants and contributions	5,219,618	4,808,834
Capital grants and contributions	924,515	471,998
General revenues		
Property taxes	4,094,929	3,331,431
Other taxes	13,337	7,390
Grants and contributions not restricted	1,169,107	1,129,261
Other general revenues	255,048	251,110
Total Revenues	<u>\$ 13,396,291</u>	<u>\$ 11,362,864</u>
Expenses		
General government	\$ 1,633,398	\$ 1,456,607
Public safety	1,387,120	894,386
Highways and streets	3,829,594	3,872,513
Sanitation	377,457	310,954
Human services	2,547,480	2,561,913
Health	719,802	649,041
Culture and recreation	53,623	51,321
Conservation of natural resources	403,408	320,377
Economic development	800	800
Interest	160,753	131,913
Total Expenses	<u>\$ 11,113,435</u>	<u>\$ 10,249,825</u>
Increase in Net Assets	\$ 2,282,856	\$ 1,113,039
Net Assets - January 1	<u>40,117,300</u>	<u>39,004,261</u>
Net Assets - December 31	<u>\$ 42,400,156</u>	<u>\$ 40,117,300</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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Wilkin County's governmental funds reported combined ending fund balances of \$3,905,445, a decrease of \$2,850,892 in comparison with the prior year. Of the ending fund balance, \$3,409,117 represents unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is a chief operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$2,724,161. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. General Fund unreserved fund balance represents 81 percent of total General Fund expenditures. In 2006, ending fund balance in the General Fund decreased by \$1,202,148. The primary reason for this decrease was due to transfers of funds to the Law Enforcement Capital Project Fund for the completion of that project and the Human Services Special Revenue Fund.

The Road and Bridge Special Revenue Fund's unreserved fund balance was a deficit of \$90,120 at year-end.

The Human Services Special Revenue Fund's unreserved fund balance of \$324,605 at year-end represents 13 percent of the fund's annual expenditures. Fund balance increased \$14,106 during 2006 due to excess expenditures over revenues of \$129,394, offset by a transfer in of \$143,500.

### **General Fund Budgetary Highlights**

The Wilkin County Board of Commissioners did not make any budgetary amendments/revisions in 2006.

Actual revenues exceeded budgeted revenues by \$343,872, primarily due to increases in intergovernmental revenues.

Actual expenditures exceeded budgeted expenditures by \$206,370, due to excess costs in general government for the law library, Recorder, and additional employee costs for the building and plant and excess costs in public safety for the Sheriff and emergency management.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2006, totaled \$42,153,914 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

	Governmental Capital Assets (Net of Depreciation)	
	2006	2005
Land	\$ 1,049,314	\$ 1,052,995
Infrastructure	32,884,752	31,003,034
Buildings	6,471,006	1,241,070
Improvements other than buildings	58,054	47,817
Machinery and equipment	1,652,631	1,247,863
Construction in progress	38,157	2,035,235
Total	<u>\$ 42,153,914</u>	<u>\$ 36,628,014</u>

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

### Long-Term Debt

At the end of the current fiscal year, the County had a total outstanding debt of \$3,750,000.

	2006	2005
General obligation bonds	<u>\$ 3,750,000</u>	<u>\$ 3,750,000</u>

The County debt related to general obligation bonds did not change.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for Wilkin County at the end of 2006 was 3.7 percent. This compares favorably with the state unemployment rate of 4.0 percent and shows no change from one year ago.

By the end of 2006, Wilkin County approved its balanced 2007 revenue and expenditure budgets.

## **REQUESTS FOR INFORMATION**

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

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

**Assets**

Cash and pooled investments	\$	3,786,298
Taxes receivable		
Current - net		43,498
Prior - net		16,314
Special assessments receivable		
Current - net		1,328
Prior - net		813
Noncurrent - net		252,921
Accounts receivable - net		172,164
Accrued interest receivable		28,698
Due from other governments		1,214,361
Inventories		301,516
Deferred debt issue costs		60,146
Capital assets		
Non-depreciable		1,087,471
Depreciable - net of accumulated depreciation		41,066,443
		41,066,443
<b>Total Assets</b>	<b>\$</b>	<b>48,031,971</b>

**Liabilities**

Accounts payable	\$	240,664
Salaries payable		28,522
Contracts payable		629,669
Due to other governments		148,633
Accrued interest payable		70,747
Unearned revenue		285,225
Long-term liabilities		
Due within one year		479,844
Due in more than one year		3,748,511
		3,748,511
<b>Total Liabilities</b>	<b>\$</b>	<b>5,631,815</b>

**Net Assets**

Invested in capital assets - net of related debt	\$	38,206,088
Restricted for		
General government		69,240
Highways and streets		29,853
Economic development		100,000
Held in trust for other purposes		3,604
Unrestricted		3,991,371
		3,991,371
<b>Total Net Assets</b>	<b>\$</b>	<b>42,400,156</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Functions/Programs</b>					
<b>Governmental activities</b>					
General government	\$ 1,633,398	\$ 221,274	\$ 44,424	\$ 264,000	\$ (1,103,700)
Public safety	1,387,120	120,482	224,145	-	(1,042,493)
Highways and streets	3,829,594	490,102	3,361,543	660,515	682,566
Sanitation	377,457	338,767	49,079	-	10,389
Human services	2,547,480	275,564	1,030,314	-	(1,241,602)
Health	719,802	273,548	258,808	-	(187,446)
Culture and recreation	53,623	-	-	-	(53,623)
Conservation of natural resources	403,408	-	251,305	-	(152,103)
Economic development	800	-	-	-	(800)
Interest	160,753	-	-	-	(160,753)
<b>Total governmental activities</b>	<b>\$ 11,113,435</b>	<b>\$ 1,719,737</b>	<b>\$ 5,219,618</b>	<b>\$ 924,515</b>	<b>\$ (3,249,565)</b>
 <b>General Revenues</b>					
Property taxes					\$ 4,094,929
Gravel taxes					13,337
Payments in lieu of tax					25,410
Grants and contributions not restricted to specific programs					1,169,107
Investment income					229,638
<b>Total general revenues</b>					<b>\$ 5,532,421</b>
<b>Change in net assets</b>					<b>\$ 2,282,856</b>
<b>Net Assets - Beginning</b>					<b>40,117,300</b>
<b>Net Assets - Ending</b>					<b>\$ 42,400,156</b>

**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 2,727,542	\$ 108,780
Petty cash and change funds	3,000	100
Undistributed cash in agency funds	48,158	21,172
Taxes receivable		
Current	20,299	10,312
Prior	7,683	3,725
Special assessments receivable		
Current	-	-
Prior	-	-
Noncurrent	-	-
Accounts receivable	16,984	27,189
Accrued interest receivable	28,698	-
Due from other funds	1,449	45,663
Due from other governments	148,788	836,524
Inventories	-	301,516
	<b>\$ 3,002,601</b>	<b>\$ 1,354,981</b>
<b>Total Assets</b>	<b>\$ 3,002,601</b>	<b>\$ 1,354,981</b>

**EXHIBIT 3**

<b>Human Services</b>	<b>Ditch</b>	<b>Law Enforcement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 309,617	\$ 119,802	\$ 70	\$ 409,394	\$ 3,675,205
-	-	-	5,000	8,100
18,876	4,989	-	9,798	102,993
9,168	-	-	3,719	43,498
4,025	-	-	881	16,314
-	1,328	-	-	1,328
-	813	-	-	813
-	252,921	-	-	252,921
2,343	-	-	125,648	172,164
-	-	-	-	28,698
-	-	-	8,751	55,863
150,322	-	15,588	63,139	1,214,361
-	-	-	-	301,516
<b><u>\$ 494,351</u></b>	<b><u>\$ 379,853</u></b>	<b><u>\$ 15,658</u></b>	<b><u>\$ 626,330</u></b>	<b><u>\$ 5,873,774</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 38,054	\$ 67,538
Salaries payable	8,014	3,517
Contracts payable	-	529,669
Due to other funds	-	10
Due to other governments	38,107	73,746
Deferred revenue - unavailable	21,421	183,016
Deferred revenue - unearned	-	282,758
	<b>\$ 105,596</b>	<b>\$ 1,140,254</b>
<b>Fund Balances</b>		
Reserved for		
Inventories	\$ -	\$ 301,516
Real estate tax shortfall	21,330	-
State-aid highway projects	-	3,331
Gravel pit restoration	-	-
Help America Vote Act	6,548	-
Missing heirs	3,604	-
Economic development	100,000	-
Law library	607	-
Recorder's equipment purchases	13,462	-
Recorder's compliance fund	27,293	-
Unreserved		
Designated for future expenditures	183,598	-
Designated for cash flows	1,403,800	-
Undesignated	1,136,763	(90,120)
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
	<b>\$ 2,897,005</b>	<b>\$ 214,727</b>
<b>Total Fund Balances</b>	<b>\$ 2,897,005</b>	<b>\$ 214,727</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,002,601</b>	<b>\$ 1,354,981</b>

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

<b>Human Services</b>	<b>Ditch</b>	<b>Law Enforcement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 108,129	\$ -	\$ 7,801	\$ 19,142	\$ 240,664
12,648	-	-	4,343	28,522
-	-	100,000	-	629,669
10,190	45,663	-	-	55,863
28,570	3,784	-	4,426	148,633
10,209	254,750	-	110,357	579,753
-	-	-	2,467	285,225
<b>\$ 169,746</b>	<b>\$ 304,197</b>	<b>\$ 107,801</b>	<b>\$ 140,735</b>	<b>\$ 1,968,329</b>
\$ -	\$ -	\$ -	\$ -	\$ 301,516
-	-	-	-	21,330
-	-	-	-	3,331
-	-	-	18,637	18,637
-	-	-	-	6,548
-	-	-	-	3,604
-	-	-	-	100,000
-	-	-	-	607
-	-	-	-	13,462
-	-	-	-	27,293
-	-	-	-	183,598
-	-	-	-	1,403,800
324,605	75,656	(92,143)	-	1,354,761
-	-	-	458,145	458,145
-	-	-	8,813	8,813
<b>\$ 324,605</b>	<b>\$ 75,656</b>	<b>\$ (92,143)</b>	<b>\$ 485,595</b>	<b>\$ 3,905,445</b>
<b>\$ 494,351</b>	<b>\$ 379,853</b>	<b>\$ 15,658</b>	<b>\$ 626,330</b>	<b>\$ 5,873,774</b>

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>3,905,445</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.		42,153,914
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		579,753
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (3,773,826)	
Capital lease	(197,826)	
Compensated absences	(256,703)	
Accrued interest payable	(70,747)	
Deferred charges	60,146	
	(4,238,956)	(4,238,956)
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>42,400,156</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 1,925,866	\$ 971,501
Special assessments	-	-
Licenses and permits	9,860	-
Intergovernmental	1,042,138	4,658,605
Charges for services	204,781	479,281
Fines and forfeits	12,908	-
Gifts and contributions	-	-
Interest on investments	190,200	-
Miscellaneous	59,720	40,024
	<b>\$ 3,445,473</b>	<b>\$ 6,149,411</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 1,784,561	\$ -
Public safety	1,357,434	-
Highways and streets	-	5,573,227
Sanitation	-	-
Human services	-	-
Health	3,896	-
Culture and recreation	53,623	-
Conservation of natural resources	168,807	-
Economic development	800	-
<b>Intergovernmental</b>		
Highways and streets	-	248,008
Conservation of natural resources	-	-
<b>Capital outlay</b>	-	-
<b>Debt service</b>		
Principal	-	107,071
Interest	-	-
Administrative charges	-	-
	<b>\$ 3,369,121</b>	<b>\$ 5,928,306</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 76,352</b>	<b>\$ 221,105</b>



**EXHIBIT 5**

<b>Human Services</b>	<b>Ditch</b>	<b>Law Enforcement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 853,677	\$ -	\$ -	\$ 346,557	\$ 4,097,601
-	187,379	-	-	187,379
-	-	-	1,600	11,460
1,277,603	-	-	398,032	7,376,378
99,978	-	-	336,282	1,120,322
2,859	-	-	-	15,767
6,005	-	-	4,245	10,250
-	-	39,438	-	229,638
172,727	-	15,588	248,620	536,679
<b>\$ 2,412,849</b>	<b>\$ 187,379</b>	<b>\$ 55,026</b>	<b>\$ 1,335,336</b>	<b>\$ 13,585,474</b>
\$ -	\$ 719	\$ -	\$ -	\$ 1,785,280
-	-	-	-	1,357,434
-	-	-	-	5,573,227
-	-	-	393,569	393,569
2,542,243	-	-	-	2,542,243
-	-	-	710,065	713,961
-	-	-	-	53,623
-	93,118	-	5,630	267,555
-	-	-	-	800
-	-	-	-	248,008
-	133,626	-	-	133,626
-	-	3,496,594	-	3,496,594
-	-	-	-	107,071
-	-	-	182,591	182,591
-	-	-	402	402
<b>\$ 2,542,243</b>	<b>\$ 227,463</b>	<b>\$ 3,496,594</b>	<b>\$ 1,292,257</b>	<b>\$ 16,855,984</b>
<b>\$ (129,394)</b>	<b>\$ (40,084)</b>	<b>\$ (3,441,568)</b>	<b>\$ 43,079</b>	<b>\$ (3,270,510)</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ 15,000
Transfers out	(1,278,500)	-
Capital lease	-	304,897
	<b>\$ (1,278,500)</b>	<b>\$ 319,897</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,202,148)</b>	<b>\$ 541,002</b>
<b>Fund Balances - January 1</b>	<b>4,099,153</b>	<b>(440,996)</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>114,721</b>
	<b>\$ 2,897,005</b>	<b>\$ 214,727</b>
<b>Fund Balances - December 31</b>	<b>\$ 2,897,005</b>	<b>\$ 214,727</b>

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

<b>Human Services</b>	<b>Ditch</b>	<b>Law Enforcement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 143,500	\$ -	\$ 1,120,000	\$ -	\$ 1,278,500
-	-	-	-	(1,278,500)
-	-	-	-	304,897
<b>\$ 143,500</b>	<b>\$ -</b>	<b>\$ 1,120,000</b>	<b>\$ -</b>	<b>\$ 304,897</b>
\$ 14,106	\$ (40,084)	\$ (2,321,568)	\$ 43,079	\$ (2,965,613)
310,499	115,740	2,229,425	442,516	6,756,337
-	-	-	-	114,721
<b>\$ 324,605</b>	<b>\$ 75,656</b>	<b>\$ (92,143)</b>	<b>\$ 485,595</b>	<b>\$ 3,905,445</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, 2006**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,965,613)**

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

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

Deferred revenue - December 31	\$ 579,753	
Deferred revenue - January 1	(807,835)	(228,082)

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

Expenditures for general capital assets and infrastructure	\$ 7,049,401	
Net book value of assets disposed of	(68,896)	
Current year depreciation	(1,454,605)	5,525,900

Capital leases issued provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Capital lease issued		(304,897)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Capital lease		107,071
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Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.

36,320

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	\$ 20,548	
Change in compensated absences	(23,112)	
Change in inventories	114,721	112,157

**Change in net assets of governmental activities (Exhibit 2) \$ 2,282,856**

**FIDUCIARY FUNDS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2006**

**Assets**

Cash and pooled investments	<u>\$ 151,392</u>
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**Liabilities**

Due to other governments	\$ 143,267
Funds held in trust	<u>8,125</u>

<b>Total Liabilities</b>	<u><b>\$ 151,392</b></u>
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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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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, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of governmental net assets, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis that recognizes all long-term assets and

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The Law Enforcement Capital Project Fund is used to account for financial resources to be used for the construction of the Law Enforcement Center.

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2006 were \$190,200.

Wilkin County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

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

All receivables are shown net of an allowance for uncollectibles.

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Compensated Absences (Continued)

who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

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

8. Fund Equity

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

9. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Use of Estimates (Continued)

and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The following major fund had a deficit fund balance as of December 31, 2006:

Law Enforcement Capital Project Fund	\$ 92,143
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The Law Enforcement Capital Project Fund's deficit balance will be eliminated with a transfer from the General Fund upon completion of the project.

B. Excess of Expenditures Over Budget

	Expenditures	Budget	Excess
General Fund	\$ 3,369,121	\$ 3,162,751	\$ 206,370
Special Revenue Funds			
Road and Bridge	5,928,306	3,737,940	2,190,366
Environmental	399,199	315,600	83,599
Public Health Nurse	710,065	591,009	119,056
Law Enforcement Capital Project Fund	3,496,594	2,223,500	1,273,094

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 3,786,298
Fiduciary funds	
Cash and pooled investments	
Agency funds	151,392
Total Cash and Investments	\$ 3,937,690

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2006, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirement set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2006, \$1,139,362 of government securities and \$423,919 of publicly traded certificates of deposit were exposed to custodial credit risk because they were held by the counterparty.

Concentration of Credit Risk

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

The following table presents the County's investment balances at December 31, 2006, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration	Interest Rate	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5% Of Portfolio	Risk Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	N/R		<5%	11/1/08	\$ 12,210
Federal Home Loan Mortgage Corporation	Aaa	Moody's		2/25/08	\$ 198,410
Federal Home Loan Mortgage Corporation	AAA	S&P		9/15/13	97,938
Federal Home Loan Mortgage Corporation	N/R			6/15/20	5,208
Total Federal Home Loan Mortgage Corporation			9.8%		\$ 301,556

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% Of Portfolio	Maturity Date	
U.S. government agency securities (Continued)					
Federal Home Loan Bank	AAA	S&P		11/9/07	\$ 98,794
Federal Home Loan Bank	Aaa	Moody's		7/29/08	367,916
Federal Home Loan Bank	Aaa	Moody's		8/26/09	172,809
Federal Home Loan Bank	Aaa	Moody's		10/29/09	98,125
Federal Home Loan Bank	Aaa	Moody's		6/12/13	193,502
Federal Home Loan Bank	AAA	S&P		6/26/13	94,940
Federal Home Loan Bank	Aaa	Moody's		6/26/13	166,798
Federal Home Loan Bank	Aaa	Moody's		7/16/13	95,251
Total Federal Home Loan Bank			42.0%		\$ 1,288,135
Investment pools/mutual funds					
MAGIC Fund			N/A		\$ 900,209
Negotiable certificates of deposit					
			N/A		\$ 559,505
Total investments					\$ 3,061,615
Deposits					
Change funds					867,975
					8,100
Total Cash and Investments					\$ 3,937,690

N/R - Not Rated

N/A - Not Applicable

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

2. Receivables

Receivables as of December 31, 2006, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 59,812	\$ -
Special assessments	255,062	252,921
Accounts	172,164	-
Interest	28,698	-
Due from other governments	1,214,361	-
Total Governmental Activities	\$ 1,730,097	\$ 252,921

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 1,052,995	\$ 65,115	\$ 68,796	\$ 1,049,314
Construction in progress	<u>2,035,235</u>	<u>37,932</u>	<u>2,035,010</u>	<u>38,157</u>
Total capital assets not depreciated	<u>\$ 3,088,230</u>	<u>\$ 103,047</u>	<u>\$ 2,103,806</u>	<u>\$ 1,087,471</u>
Capital assets depreciated				
Improvements other than buildings	\$ 61,043	\$ 14,673	\$ -	\$ 75,716
Buildings	2,136,210	5,243,192	-	7,379,402
Machinery, furniture, and equipment	4,162,665	768,451	89,589	4,841,527
Infrastructure	<u>44,072,493</u>	<u>2,954,948</u>	<u>-</u>	<u>47,027,441</u>
Total capital assets depreciated	<u>\$ 50,432,411</u>	<u>\$ 8,981,264</u>	<u>\$ 89,589</u>	<u>\$ 59,324,086</u>
Less: accumulated depreciation for				
Improvements other than buildings	\$ 13,226	\$ 4,436	\$ -	\$ 17,662
Buildings	895,140	13,256	-	908,396
Machinery, furniture, and equipment	2,914,802	363,683	89,589	3,188,896
Infrastructure	<u>13,069,459</u>	<u>1,073,230</u>	<u>-</u>	<u>14,142,689</u>
Total accumulated depreciation	<u>\$ 16,892,627</u>	<u>\$ 1,454,605</u>	<u>\$ 89,589</u>	<u>\$ 18,257,643</u>
Total capital assets depreciated, net	<u>\$ 33,539,784</u>	<u>\$ 7,526,659</u>	<u>\$ -</u>	<u>\$ 41,066,443</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 36,628,014</u>	<u>\$ 7,629,706</u>	<u>\$ 2,103,806</u>	<u>\$ 42,153,914</u>

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

General government	\$ 60,146
Public safety	114,548
Highways and streets, including depreciation of infrastructure assets	1,234,660
Human services	5,741
Health	7,202
Sanitation	30,217
Conservation of natural resources	<u>2,091</u>
Total Depreciation Expense	<u>\$ 1,454,605</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Fund Human Services Fund	\$ 10 1,439
Total Due to General Fund		\$ 1,449
Road and Bridge Fund	Ditch Fund	45,663
Other governmental funds	Human Services Fund	8,751
Total Due To/From Other Funds		\$ 55,863

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfer to Road and Bridge Fund from General Fund	\$ 15,000	Provide for payment of gravel pit acquisition.
Transfer to Human Services Fund from General Fund	143,500	Provide funds for cashflow purposes.
Transfer to Law Enforcement Fund from General Fund	1,120,000	Provide funds for construction of new Law Enforcement Center.
Total Transfers Between Funds	\$ 1,278,500	

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

		<u>Governmental Activities</u>
Accounts	\$	240,664
Salaries		28,522
Contracts		629,669
Due to other governments		148,633
		<hr/>
Total Payables	\$	<u>1,047,488</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2006, for the County is as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Taxes and special assessments	\$ 306,046	\$ -
State-aid highway allotments	40,876	282,758
Charges for services	169,132	-
Grants	63,699	2,467
	<hr/>	<hr/>
Total Deferred Revenue	<u>\$ 579,753</u>	<u>\$ 285,225</u>

3. Construction Commitments

The government has active construction projects as of December 31, 2006. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental activities		
Roads and bridges	\$ 2,953,714	\$ -
Law Enforcement Center	4,731,399	-

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Capital Lease

The County has entered into a lease agreement as lessee for financing the acquisition of certain equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. This capital lease consists of the following at December 31, 2006:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental activities 2006 dump trucks	2008	Yearly	\$ 107,071	\$ 304,897	\$ 197,826

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

Year Ending December 31	Governmental Activities
2007	\$ 107,070
2008	107,071
Total payments	\$ 214,141
Less: amount representing interest	(16,315)
Present Value of Minimum Lease Payments	<u>\$ 197,826</u>

5. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2006
General obligation bonds					
2005 G.O. Jail Bonds	2021	\$195,000 - \$325,000	3.99	<u>\$ 3,750,000</u>	\$ 3,750,000
Add: unamortized premium					<u>23,826</u>
Total General Obligation Bonds, net					<u>\$ 3,773,826</u>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2007	\$ 195,000	\$ 142,660
2008	200,000	135,747
2009	205,000	128,404
2010	215,000	120,529
2011	220,000	112,372
2012 - 2016	1,225,000	427,326
2017 - 2021	1,490,000	157,279
Total	<u>\$ 3,750,000</u>	<u>\$ 1,224,317</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Liabilities					
Bonds payable					
General obligation bonds	\$ 3,750,000	\$ -	\$ -	\$ 3,750,000	\$ 195,000
Add: Unamortized premium	-	25,518	1,692	23,826	-
Total bonds payable	\$ 3,750,000	\$ 25,518	\$ 1,692	\$ 3,773,826	\$ 195,000
Capital leases	-	304,897	107,071	197,826	96,289
Compensated absences	233,591	353,721	330,609	256,703	188,555
Long-Term Liabilities	<u>\$ 3,983,591</u>	<u>\$ 684,136</u>	<u>\$ 439,372</u>	<u>\$ 4,228,355</u>	<u>\$ 479,844</u>



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by the state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007.

	2006	2007
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2006	\$ 186,591	\$ 33,369	\$ 21,732
2005	160,175	27,905	883
2004	153,480	25,528	-

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

B. Defined Contribution Plan

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2006, 2005, and 2004, were \$917, \$867, and \$715, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

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 \$390,000 per claim in 2006 and \$400,000 in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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.

D. Joint Ventures

Area Agency on Aging

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

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Area Agency on Aging (Continued)

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

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

Wilkin County Children's Collaborative

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

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

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 2006, the County did not contribute any funds to the Collaborative.

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

Western Area City/County Co-Op

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

District IV Transportation Planning

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

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners, one member appointed by each participating city, and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2006, Wilkin County provided \$41,668 in the form of an appropriation.

F. Related Organization

Bois De Sioux Watershed District

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



**REQUIRED SUPPLEMENTARY INFORMATION**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,143,736	\$ 2,143,736	\$ 1,925,866	\$ (217,870)
Licenses and permits	9,270	9,270	9,860	590
Intergovernmental	603,945	603,945	1,042,138	438,193
Charges for services	184,150	184,150	204,781	20,631
Fines and forfeits	-	-	12,908	12,908
Investment earnings	135,000	135,000	190,200	55,200
Miscellaneous	25,500	25,500	59,720	34,220
<b>Total Revenues</b>	<b>\$ 3,101,601</b>	<b>\$ 3,101,601</b>	<b>\$ 3,445,473</b>	<b>\$ 343,872</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 129,109	\$ 129,109	\$ 139,559	\$ (10,450)
Law library	-	-	12,139	(12,139)
County auditor	249,504	249,504	254,919	(5,415)
County treasurer	180,699	180,699	176,649	4,050
County assessor	182,617	182,617	178,431	4,186
Elections	287,541	287,541	288,534	(993)
Accounting and auditing	33,000	33,000	39,595	(6,595)
Data processing	88,440	88,440	75,349	13,091
Attorney	163,375	163,375	168,015	(4,640)
Recorder	157,866	157,866	179,069	(21,203)
Planning and zoning	8,750	8,750	4,679	4,071
Buildings and plant	105,332	105,332	150,735	(45,403)
Veterans service officer	53,903	53,903	54,178	(275)
Unallocated	74,322	74,322	62,710	11,612
<b>Total general government</b>	<b>\$ 1,714,458</b>	<b>\$ 1,714,458</b>	<b>\$ 1,784,561</b>	<b>\$ (70,103)</b>
<b>Public safety</b>				
Sheriff	\$ 662,936	\$ 662,936	\$ 859,907	\$ (196,971)
Coroner	5,700	5,700	4,500	1,200
Sheriff's contingency	-	-	3,651	(3,651)
E-911 system	-	-	56,215	(56,215)
County jail	480,851	480,851	337,025	143,826
Probation and parole	58,850	58,850	67,716	(8,866)
Civil defense	10,000	10,000	28,420	(18,420)
<b>Total public safety</b>	<b>\$ 1,218,337</b>	<b>\$ 1,218,337</b>	<b>\$ 1,357,434</b>	<b>\$ (139,097)</b>
<b>Health</b>				
Aging grant	\$ 932	\$ 932	\$ 896	\$ 36
Rural life outreach	3,000	3,000	3,000	-
<b>Total health</b>	<b>\$ 3,932</b>	<b>\$ 3,932</b>	<b>\$ 3,896</b>	<b>\$ 36</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
Historical society	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Regional library	41,668	41,668	41,668	-
Celebrations	400	400	500	(100)
Other	3,000	3,000	2,455	545
<b>Total culture and recreation</b>	<b>\$ 54,068</b>	<b>\$ 54,068</b>	<b>\$ 53,623</b>	<b>\$ 445</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 90,171	\$ 90,171	\$ 87,967	\$ 2,204
Soil and water conservation	54,500	54,500	54,500	-
Agricultural society/County fair	10,000	10,000	10,000	-
Weed control	16,307	16,307	16,340	(33)
<b>Total conservation of natural resources</b>	<b>\$ 170,978</b>	<b>\$ 170,978</b>	<b>\$ 168,807</b>	<b>\$ 2,171</b>
<b>Economic development</b>				
Community development	\$ 978	\$ 978	\$ 800	\$ 178
<b>Total Expenditures</b>	<b>\$ 3,162,751</b>	<b>\$ 3,162,751</b>	<b>\$ 3,369,121</b>	<b>\$ (206,370)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (61,150)</b>	<b>\$ (61,150)</b>	<b>\$ 76,352</b>	<b>\$ 137,502</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(975,000)	(975,000)	(1,278,500)	(303,500)
<b>Net Change in Fund Balance</b>	<b>\$ (1,036,150)</b>	<b>\$ (1,036,150)</b>	<b>\$ (1,202,148)</b>	<b>\$ (165,998)</b>
<b>Fund Balance - January 1</b>	<b>4,099,153</b>	<b>4,099,153</b>	<b>4,099,153</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,063,003</b>	<b>\$ 3,063,003</b>	<b>\$ 2,897,005</b>	<b>\$ (165,998)</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,071,845	\$ 1,071,845	\$ 971,501	\$ (100,344)
Intergovernmental	2,435,795	2,435,795	4,658,605	2,222,810
Charges for services	190,300	190,300	479,281	288,981
Miscellaneous	40,000	40,000	40,024	24
<b>Total Revenues</b>	<b>\$ 3,737,940</b>	<b>\$ 3,737,940</b>	<b>\$ 6,149,411</b>	<b>\$ 2,411,471</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 330,874	\$ 330,874	\$ 336,815	\$ (5,941)
Maintenance	1,022,661	1,022,661	1,107,600	(84,939)
Construction	1,509,259	1,509,259	2,725,287	(1,216,028)
Equipment and maintenance shops	736,401	736,401	869,992	(133,591)
Material and services for resale	-	-	70,269	(70,269)
Federal disaster	-	-	333,568	(333,568)
Unallocated	138,745	138,745	129,696	9,049
<b>Total highways and streets</b>	<b>\$ 3,737,940</b>	<b>\$ 3,737,940</b>	<b>\$ 5,573,227</b>	<b>\$ (1,835,287)</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	248,008	(248,008)
<b>Debt service</b>				
Principal	-	-	107,071	(107,071)
<b>Total Expenditures</b>	<b>\$ 3,737,940</b>	<b>\$ 3,737,940</b>	<b>\$ 5,928,306</b>	<b>\$ (2,190,366)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 221,105</b>	<b>\$ 221,105</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 15,000	\$ 15,000
Capital lease	-	-	304,897	304,897
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 319,897</b>	<b>\$ 319,897</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 541,002</b>	<b>\$ 541,002</b>
<b>Fund Balance - January 1</b>	<b>(440,996)</b>	<b>(440,996)</b>	<b>(440,996)</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>114,721</b>	<b>114,721</b>
<b>Fund Balance - December 31</b>	<b>\$ (440,996)</b>	<b>\$ (440,996)</b>	<b>\$ 214,727</b>	<b>\$ 655,723</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 949,425	\$ 949,425	\$ 853,677	\$ (95,748)
Intergovernmental	1,135,778	1,135,778	1,277,603	141,825
Charges for services	139,076	139,076	99,978	(39,098)
Fines and forfeits	-	-	2,859	2,859
Gifts and contributions	-	-	6,005	6,005
Miscellaneous	440,552	440,552	172,727	(267,825)
<b>Total Revenues</b>	<b>\$ 2,664,831</b>	<b>\$ 2,664,831</b>	<b>\$ 2,412,849</b>	<b>\$ (251,982)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 600,567	\$ 600,567	\$ 550,429	\$ 50,138
Social services	2,064,264	2,064,264	1,991,814	72,450
<b>Total Expenditures</b>	<b>\$ 2,664,831</b>	<b>\$ 2,664,831</b>	<b>\$ 2,542,243</b>	<b>\$ 122,588</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (129,394)</b>	<b>\$ (129,394)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	143,500	143,500
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,106</b>	<b>\$ 14,106</b>
<b>Fund Balance - January 1</b>	<b>310,499</b>	<b>310,499</b>	<b>310,499</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 310,499</b>	<b>\$ 310,499</b>	<b>\$ 324,605</b>	<b>\$ 14,106</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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1. Budgetary Information

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

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

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

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

2. Excess of Expenditures Over Appropriations

The following is a summary of certain individual funds which had expenditures in excess of budgeted expenditures for the year ended December 31, 2006.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 3,369,121	\$ 3,162,751	\$ 206,370
Road and Bridge Special Revenue Fund	5,928,306	3,737,940	2,190,366

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**SUPPLEMENTARY INFORMATION**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

DEBT SERVICE FUND

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

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Statement A-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>Special Revenue (Statement B-1)</u>	<u>Courthouse Improvement Debt Service</u>	<u>Total (Exhibit 3)</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 404,325	\$ 5,069	\$ 409,394
Petty cash and change funds	5,000	-	5,000
Undistributed cash in agency funds	6,548	3,250	9,798
Taxes receivable			
Current	2,116	1,603	3,719
Prior	881	-	881
Accounts receivable	125,648	-	125,648
Due from other funds	8,751	-	8,751
Due from other governments	63,139	-	63,139
	<b>\$ 616,408</b>	<b>\$ 9,922</b>	<b>\$ 626,330</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 19,142	\$ -	\$ 19,142
Salaries payable	4,343	-	4,343
Due to other governments	4,426	-	4,426
Deferred revenue - unavailable	109,248	1,109	110,357
Deferred revenue - unearned	2,467	-	2,467
	<b>\$ 139,626</b>	<b>\$ 1,109</b>	<b>\$ 140,735</b>
<b>Fund Balances</b>			
Reserved for gravel pit restoration	\$ 18,637	\$ -	\$ 18,637
Unreserved			
Designated for debt service	-	8,813	8,813
Undesignated	458,145	-	458,145
	<b>\$ 476,782</b>	<b>\$ 8,813</b>	<b>\$ 485,595</b>
	<b>\$ 616,408</b>	<b>\$ 9,922</b>	<b>\$ 626,330</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Statement A-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Special Revenue (Statement B-2)	Courthouse Improvement Debt Service	Total (Exhibit 5)
<b>Revenues</b>			
Taxes	\$ 198,071	\$ 148,486	\$ 346,557
Licenses and permits	1,600	-	1,600
Intergovernmental	354,712	43,320	398,032
Charges for services	336,282	-	336,282
Gifts and contributions	4,245	-	4,245
Miscellaneous	248,620	-	248,620
<b>Total Revenues</b>	<b>\$ 1,143,530</b>	<b>\$ 191,806</b>	<b>\$ 1,335,336</b>
<b>Expenditures</b>			
<b>Current</b>			
Sanitation	\$ 393,569	\$ -	\$ 393,569
Health	710,065	-	710,065
Conservation of natural resources	5,630	-	5,630
<b>Debt service</b>			
Interest	-	182,591	182,591
Administrative (fiscal) charges	-	402	402
<b>Total Expenditures</b>	<b>\$ 1,109,264</b>	<b>\$ 182,993</b>	<b>\$ 1,292,257</b>
<b>Net Change in Fund Balance</b>	<b>\$ 34,266</b>	<b>\$ 8,813</b>	<b>\$ 43,079</b>
<b>Fund Balance - January 1</b>	<b>442,516</b>	<b>-</b>	<b>442,516</b>
<b>Fund Balance - December 31</b>	<b>\$ 476,782</b>	<b>\$ 8,813</b>	<b>\$ 485,595</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Statement B-1*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Statement A-1)</u>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 144,524	\$ 18,637	\$ 241,164	\$ 404,325
Petty cash and change funds	5,000	-	-	5,000
Undistributed cash in agency funds	2,296	-	4,252	6,548
Taxes receivable				
Current	48	-	2,068	2,116
Prior	21	-	860	881
Accounts receivable	7,097	-	118,551	125,648
Due from other funds	-	-	8,751	8,751
Due from other governments	-	-	63,139	63,139
<b>Total Assets</b>	<b>\$ 158,986</b>	<b>\$ 18,637</b>	<b>\$ 438,785</b>	<b>\$ 616,408</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 12,690	\$ -	\$ 6,452	\$ 19,142
Salaries payable	-	-	4,343	4,343
Due to other governments	4,426	-	-	4,426
Deferred revenue - unavailable	5,587	-	103,661	109,248
Deferred revenue - unearned	-	-	2,467	2,467
<b>Total Liabilities</b>	<b>\$ 22,703</b>	<b>\$ -</b>	<b>\$ 116,923</b>	<b>\$ 139,626</b>
<b>Fund Balances</b>				
Reserved for gravel pit restoration	\$ -	\$ 18,637	\$ -	\$ 18,637
Unreserved				
Undesignated	136,283	-	321,862	458,145
<b>Total Fund Balances</b>	<b>\$ 136,283</b>	<b>\$ 18,637</b>	<b>\$ 321,862</b>	<b>\$ 476,782</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 158,986</b>	<b>\$ 18,637</b>	<b>\$ 438,785</b>	<b>\$ 616,408</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Statement B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Statement A-2)</u>
<b>Revenues</b>				
Taxes	\$ 4,483	\$ 1,092	\$ 192,496	\$ 198,071
Licenses and permits	1,600	-	-	1,600
Intergovernmental	50,826	-	303,886	354,712
Charges for services	95,400	-	240,882	336,282
Gifts and contributions	-	-	4,245	4,245
Miscellaneous	236,233	-	12,387	248,620
<b>Total Revenues</b>	<b>\$ 388,542</b>	<b>\$ 1,092</b>	<b>\$ 753,896</b>	<b>\$ 1,143,530</b>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	\$ 393,569	\$ -	\$ -	\$ 393,569
Health	-	-	710,065	710,065
Conservation of natural resources	5,630	-	-	5,630
<b>Total Expenditures</b>	<b>\$ 399,199</b>	<b>\$ -</b>	<b>\$ 710,065</b>	<b>\$ 1,109,264</b>
<b>Net Change in Fund Balance</b>	<b>\$ (10,657)</b>	<b>\$ 1,092</b>	<b>\$ 43,831</b>	<b>\$ 34,266</b>
<b>Fund Balance - January 1</b>	<b>146,940</b>	<b>17,545</b>	<b>278,031</b>	<b>442,516</b>
<b>Fund Balance - December 31</b>	<b>\$ 136,283</b>	<b>\$ 18,637</b>	<b>\$ 321,862</b>	<b>\$ 476,782</b>



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
ENVIRONMENTAL SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,926	\$ 4,926	\$ 4,483	\$ (443)
Licenses and permits	1,000	1,000	1,600	600
Intergovernmental	83,774	83,774	50,826	(32,948)
Charges for services	90,500	90,500	95,400	4,900
Miscellaneous	120,000	120,000	236,233	116,233
<b>Total Revenues</b>	<b>\$ 300,200</b>	<b>\$ 300,200</b>	<b>\$ 388,542</b>	<b>\$ 88,342</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 178,350	\$ 178,350	\$ 232,457	\$ (54,107)
Recycling	131,250	131,250	161,112	(29,862)
<b>Total sanitation</b>	<b>\$ 309,600</b>	<b>\$ 309,600</b>	<b>\$ 393,569</b>	<b>\$ (83,969)</b>
<b>Conservation of natural resources</b>				
Water planning	6,000	6,000	5,630	370
<b>Total Expenditures</b>	<b>\$ 315,600</b>	<b>\$ 315,600</b>	<b>\$ 399,199</b>	<b>\$ (83,599)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (15,400)</b>	<b>\$ (15,400)</b>	<b>\$ (10,657)</b>	<b>\$ 4,743</b>
<b>Fund Balance - January 1</b>	<b>146,940</b>	<b>146,940</b>	<b>146,940</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 131,540</b>	<b>\$ 131,540</b>	<b>\$ 136,283</b>	<b>\$ 4,743</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 214,107	\$ 214,107	\$ 192,496	\$ (21,611)
Intergovernmental	153,742	153,742	303,886	150,144
Charges for services	211,910	211,910	240,882	28,972
Gifts and contributions	-	-	4,245	4,245
Miscellaneous	11,250	11,250	12,387	1,137
<b>Total Revenues</b>	<b>\$ 591,009</b>	<b>\$ 591,009</b>	<b>\$ 753,896</b>	<b>\$ 162,887</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	591,009	591,009	710,065	(119,056)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,831</b>	<b>\$ 43,831</b>
<b>Fund Balance - January 1</b>	<b>278,031</b>	<b>278,031</b>	<b>278,031</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 278,031</b>	<b>\$ 278,031</b>	<b>\$ 321,862</b>	<b>\$ 43,831</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 165,952	\$ 165,952	\$ 148,486	\$ (17,466)
Intergovernmental	25,768	25,768	43,320	17,552
<b>Total Revenues</b>	<b>\$ 191,720</b>	<b>\$ 191,720</b>	<b>\$ 191,806</b>	<b>\$ 86</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Interest	\$ 191,720	\$ 191,720	\$ 182,591	\$ 9,129
Administrative (fiscal) charges	1,000	1,000	402	598
<b>Total Expenditures</b>	<b>\$ 192,720</b>	<b>\$ 192,720</b>	<b>\$ 182,993</b>	<b>\$ 9,727</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,000)</b>	<b>\$ (1,000)</b>	<b>\$ 8,813</b>	<b>\$ 9,813</b>
<b>Fund Balance - January 1</b>	-	-	-	-
<b>Fund Balance - December 31</b>	<b>\$ (1,000)</b>	<b>\$ (1,000)</b>	<b>\$ 8,813</b>	<b>\$ 9,813</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
LAW ENFORCEMENT CAPITAL PROJECT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Interest on investments	\$ 9,200	\$ 9,200	\$ 39,438	\$ 30,238
Miscellaneous	-	-	15,588	15,588
<b>Total Revenues</b>	<b>\$ 9,200</b>	<b>\$ 9,200</b>	<b>\$ 55,026</b>	<b>\$ 45,826</b>
<b>Expenditures</b>				
Capital outlay	<u>2,223,500</u>	<u>2,223,500</u>	<u>3,496,594</u>	<u>(1,273,094)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,214,300)</b>	<b>\$ (2,214,300)</b>	<b>\$ (3,441,568)</b>	<b>\$ (1,227,268)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>975,000</u>	<u>975,000</u>	<u>1,120,000</u>	<u>145,000</u>
<b>Net Change in Fund Balance</b>	<b>\$ (1,239,300)</b>	<b>\$ (1,239,300)</b>	<b>\$ (2,321,568)</b>	<b>\$ (1,082,268)</b>
<b>Fund Balance - January 1</b>	<u>2,229,425</u>	<u>2,229,425</u>	<u>2,229,425</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 990,125</u></u>	<u><u>\$ 990,125</u></u>	<u><u>\$ (92,143)</u></u>	<u><u>\$ (1,082,268)</u></u>

**FIDUCIARY FUNDS**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Statement C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>CHILDREN'S COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 68,406	\$ 62,015	\$ 61,063	\$ 69,358
Due from other governments	2,064	-	2,064	-
<b>Total Assets</b>	<b><u>\$ 70,470</u></b>	<b><u>\$ 62,015</u></b>	<b><u>\$ 63,127</u></b>	<b><u>\$ 69,358</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 70,470</u></b>	<b><u>\$ 62,015</u></b>	<b><u>\$ 63,127</u></b>	<b><u>\$ 69,358</u></b>
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b><u>\$ 22,352</u></b>	<b><u>\$ 484,422</u></b>	<b><u>\$ 489,337</u></b>	<b><u>\$ 17,437</u></b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ 563	\$ 3,938	\$ 4,501	\$ -
Due to other governments	21,789	480,484	484,836	17,437
<b>Total Liabilities</b>	<b><u>\$ 22,352</u></b>	<b><u>\$ 484,422</u></b>	<b><u>\$ 489,337</u></b>	<b><u>\$ 17,437</u></b>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b><u>\$ 59,732</u></b>	<b><u>\$ 2,819,569</u></b>	<b><u>\$ 2,814,704</u></b>	<b><u>\$ 64,597</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 45,903	\$ 2,811,444	\$ 2,800,875	\$ 56,472
Funds held in trust	13,829	8,125	13,829	8,125
<b>Total Liabilities</b>	<b><u>\$ 59,732</u></b>	<b><u>\$ 2,819,569</u></b>	<b><u>\$ 2,814,704</u></b>	<b><u>\$ 64,597</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Statement C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 150,490	\$ 3,366,006	\$ 3,365,104	\$ 151,392
Due from other governments	2,064	-	2,064	-
<b>Total Assets</b>	<b><u>\$ 152,554</u></b>	<b><u>\$ 3,366,006</u></b>	<b><u>\$ 3,367,168</u></b>	<b><u>\$ 151,392</u></b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ 563	\$ 3,938	\$ 4,501	\$ -
Due to other governments	138,162	3,353,943	3,348,838	143,267
Funds held in trust	13,829	8,125	13,829	8,125
<b>Total Liabilities</b>	<b><u>\$ 152,554</u></b>	<b><u>\$ 3,366,006</u></b>	<b><u>\$ 3,367,168</u></b>	<b><u>\$ 151,392</u></b>



## **OTHER SCHEDULES**

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 8*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2006**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Pooled Deposits and Investments</b>			
Interest-bearing checking accounts (2)	Variable	Continuous	\$ 181,557
Money market savings accounts (2)	Variable	Continuous	473,588
Certificates of deposit (5)	2.80 to 5.25	January 24, 2007 to May 6, 2008	212,830
Brokerage certificates of deposit (6)	5.00 to 5.20	February 23, 2007 to December 20, 2012	559,505
Minnesota Association of Governments Investing for Counties Fund	Variable	Continuous	900,209
Federal National Mortgage Association	5.50	November 1, 2008	12,210
Federal Home Loan Mortgage Corporation (3)	3.00 to 8.00	February 25, 2008 to June 15, 2020	301,556
Federal Home Loan Bank (7)	4.00 to 4.50	November 9, 2007 to June 26, 2013	1,288,135
<b>Total Pooled Deposits and Investments</b>			<b><u>\$ 3,929,590</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2006**

	Assets				
	Cash	Undistributed Cash	Special Assessments Receivable		
			Current	Delinquent	Deferred
<b>County Ditches</b>					
1A	\$ 571	\$ -	\$ -	\$ -	\$ 5,001
1B	5,666	-	-	-	-
1C	1,813	-	-	-	5,000
2	6,979	-	-	4	-
3	7,534	233	485	381	20,001
4	3,365	-	-	-	10,001
6	13,622	494	-	-	-
7	6,590	-	-	-	15,001
12	1,570	-	-	-	5,000
15	4,632	-	-	-	10,001
23	(1,270)	-	-	-	10,001
27	4,836	-	-	-	-
28	5,297	460	-	-	-
29	5,531	18	1	-	-
31	15,679	-	-	393	10,000
34	5,633	-	-	-	-
37	1,719	-	-	-	10,000
<b>Bois De Sioux Watershed</b>					
9	-	78	1	-	2,801
10	-	130	15	-	3,300
18	-	-	-	-	2,100
25	-	-	-	-	-
39	-	38	-	-	3,200
<b>Buffalo-Red River Watershed</b>					
5	-	495	28	-	5,001
13	-	-	-	-	10,002
13 lateral	-	391	297	30	50,002
22	-	117	61	-	10,002
22 bond	-	-	-	-	3,000
26	-	-	1	2	-
40	-	-	-	-	4,595
41	-	-	108	-	10,002
42 1 yr	-	180	15	2	-
42 10 yr	-	-	-	-	3,145
43	-	60	116	-	4,122
44	-	353	-	-	23,580

**Schedule 9**

<b>Liabilities and Fund Balances</b>							
<b>Total</b>	<b>Liabilities</b>			<b>Total</b>	<b>Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>	
	<b>Due to Other Funds</b>	<b>Due to Other Governments</b>	<b>Deferred Revenue</b>				
\$ 5,572	\$ -	\$ -	\$ 5,001	\$ 5,001	\$ 571	\$ 5,572	
5,666	678	-	-	678	4,988	5,666	
6,813	-	-	5,000	5,000	1,813	6,813	
6,983	-	-	4	4	6,979	6,983	
28,634	11,836	-	20,822	32,658	(4,024)	28,634	
13,366	-	-	10,001	10,001	3,365	13,366	
14,116	4,140	-	-	4,140	9,976	14,116	
21,591	15,142	-	15,001	30,143	(8,552)	21,591	
6,570	222	-	5,000	5,222	1,348	6,570	
14,633	10,663	-	10,001	20,664	(6,031)	14,633	
8,731	-	-	10,000	10,000	(1,269)	8,731	
4,836	319	-	-	319	4,517	4,836	
5,757	-	-	-	-	5,757	5,757	
5,550	-	-	-	-	5,550	5,550	
26,072	1,403	-	10,393	11,796	14,276	26,072	
5,633	-	-	-	-	5,633	5,633	
11,719	-	-	10,000	10,000	1,719	11,719	
2,880	-	79	2,801	2,880	-	2,880	
3,445	-	129	3,300	3,429	16	3,445	
2,100	-	-	2,100	2,100	-	2,100	
-	309	-	-	309	(309)	-	
3,238	-	38	3,200	3,238	-	3,238	
5,524	-	495	5,001	5,496	28	5,524	
10,002	-	-	10,002	10,002	-	10,002	
50,720	-	391	50,311	50,702	18	50,720	
10,180	-	117	10,063	10,180	-	10,180	
3,000	-	-	3,000	3,000	-	3,000	
3	-	-	3	3	-	3	
4,595	-	-	4,595	4,595	-	4,595	
10,110	-	-	10,107	10,107	3	10,110	
197	-	180	7	187	10	197	
3,145	-	-	3,145	3,145	-	3,145	
4,298	-	60	4,235	4,295	3	4,298	
23,933	-	353	23,580	23,933	-	23,933	

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2006**

	Assets				
	Cash	Undistributed Cash	Special Assessments Receivable		
			Current	Delinquent	Deferred
<b>Joint Ditches</b>					
County					
J-2	30,035	-	-	-	-
Bois De Sioux Watershed					
J-3	-	-	-	-	2,702
J-6	-	35	-	-	2,124
J-7	-	2	21	-	-
J-11	-	129	14	1	5,253
J-12	-	13	7	-	-
Sub-drainage Ditch 1	-	95	-	-	-
Buffalo-Red River Watershed					
Clay 34	-	-	-	-	2,734
J-1	-	1,668	158	-	5,250
<b>Total</b>	<b>\$ 119,802</b>	<b>\$ 4,989</b>	<b>\$ 1,328</b>	<b>\$ 813</b>	<b>\$ 252,921</b>

***Schedule 9***  
***(Continued)***

<b>Liabilities and Fund Balances</b>						
<b>Total</b>	<b>Liabilities</b>			<b>Total</b>	<b>Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>
	<b>Due to Other Funds</b>	<b>Due to Other Governments</b>	<b>Deferred Revenue</b>			
30,035	951	-	-	951	29,084	30,035
2,702	-	-	2,702	2,702	-	2,702
2,159	-	35	2,124	2,159	-	2,159
23	-	2	-	2	21	23
5,397	-	130	5,267	5,397	-	5,397
20	-	12	-	12	8	20
95	-	95	-	95	-	95
2,734	-	-	2,734	2,734	-	2,734
7,076	-	1,668	5,250	6,918	158	7,076
<b><u>\$ 379,853</u></b>	<b><u>\$ 45,663</u></b>	<b><u>\$ 3,784</u></b>	<b><u>\$ 254,750</u></b>	<b><u>\$ 304,197</u></b>	<b><u>\$ 75,656</u></b>	<b><u>\$ 379,853</u></b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 10*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Shared Revenue**

**State**

Highway users tax	\$	4,005,963
County program aid		701,705
PERA rate reimbursement		14,876
Disparity reduction aid		10,414
Police aid		27,905
Border cities reimbursement		1,872
Market value credit		384,015
Market value credit - mobile home		3,374
Disparity reduction credit		52,851

**Total Shared Revenue** **\$ 5,202,975**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	495,486
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**Payments**

**Local**

Payments in lieu of taxes	\$	25,410
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**Grants**

**State**

Minnesota Department of		
Corrections	\$	12,441
Public Safety		99,756
Health		71,997
Human Services		371,994
Board of Peace Officer Standards and Training		1,809
Office of Environmental Assistance		49,079

**Total State** **\$ 607,076**

**Federal**

Department of		
Agriculture	\$	27,011
Transportation		12,712
Health and Human Services		348,183
Homeland Security		393,525
Election Assistance Commission		264,000

**Total Federal** **\$ 1,045,431**

**Total State and Federal Grants** **\$ 1,652,507**

**Total Intergovernmental Revenue** **\$ 7,376,378**



**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 10**  
***(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

Special Supplemental Nutrition Program for Women, Infants, and Children	CFDA #10.557	\$	(6,570)
Help America Vote Act	CFDA #90.401		6,467
Centers for Disease Control and Prevention - Investigations and Technical Assistance	CFDA #93.283		(3,210)
Public Assistance Grants	CFDA #97.036		<u>93,873</u>
<b>Total</b>		<b>\$</b>	<b><u>(90,560)</u></b>

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

**Schedule 11**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

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

- A. Our report expresses unqualified opinions on the financial statements of Wilkin County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Wilkin County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Wilkin County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Wilkin County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Help America Vote Act	CFDA #90.401
Public Assistance Grant	CFDA #97.036
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wilkin County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-4 Segregation of Duties

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

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

Client's Response:

*The County Commission is aware of and assumes the risk, as total compliance would not be economically feasible for Wilkin County.*

ITEMS ARISING THIS YEAR

06-1 Preparation of Financial Statements

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

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

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

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

Client's Response:

*Wilkin County will explore the alternative of possibly hiring a consultant to assist with this.*

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards (SAS) No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified material adjustments in the Road and Bridge Special Revenue Fund. Receivables were increased by \$106,750 for state-aid highway project allotments. At the fund level, the additional revenue was offset by deferred revenue of

\$40,876 for receivables not available during the revenue recognition period. An adjustment was also made to defer unearned revenue of \$282,758 for advances the County had received on future allotments.

County officials are aware that audit adjustments are made for the state-aid highway project allotments each year, and they rely on the independent external auditors to assist in making the necessary adjustments to correctly reflect the state-aid highway project allotments in the financial statements. Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County establish internal procedures for analyzing state-aid highway project allotments to ensure the allotments are reported in accordance with GAAP in the County's annual financial statement.

Client's Response:

*We will work with the State Auditors and the State Aid Finance Office of the Minnesota Department of Transportation to resolve this issue.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

01-2 Credit Card Policy

The County does not have a credit card policy. Minn. Stat. § 375.171 authorizes and restricts the use of credit cards by counties. Pursuant to the language of the statute, county credit cards should be used only by those officers and employees of the county otherwise authorized to make county purchases. Use of the credit card is restricted to purchases for the county; therefore, no personal use is



permitted. The statute further provides that if officers and employees make purchases for the county that are not authorized by the county board, they become personally liable for the amount of the purchase.

Minn. Stat. § 375.171 also requires that the use of a credit card must be consistent with other state law. For example, Minn. Stat. § 375.17, subd. 2, requires the publishing of an itemized account of amounts paid out, to whom, and for what purpose, to the extent that the published proceedings of the county board do not contain the information. If the publishing of disbursements is required, the actual vendors (not the credit card company) providing the goods and services to the county must be identified. The bills received from a credit card company also may lack sufficient detail to comply with Minn. Stat. § 471.38. Therefore, the county must also have the invoices and receipts needed to support the items charged in the bill from the credit card company.

The use of credit cards requires the County Board to act in compliance with Minn. Stat. ch. 475. This statutory chapter governs the issuance of debt by public entities and details a number of restrictions attached to the issuance of an obligation. Minn. Stat. § 375.171 was not intended to be another method of creating debt for the County but was intended to authorize another type of payment method. Therefore, it is incumbent on counties to adopt a policy of paying off credit card charges on a monthly basis. This statute does not authorize the creation of a new form of debt for the County.

In addition to the statutory restrictions on the use of credit cards, we recommend that the County Board develop a comprehensive credit card policy providing other safeguards for the County. A comprehensive policy should:

- identify the officers and employees who are authorized to make purchases on behalf of the County and are eligible to use the card,
- identify the particular purchases that are to be made with the credit card,
- set up a review process for all purchases made with the credit card,
- prohibit the use of a County credit card for personal purposes, and
- require supporting documentation.

The County Board may also want to restrict the total amount of charges that can be made on County credit cards. This will help limit the County's exposure to theft or other improper use.

Client's Response:

*The County Commission will receive for review and possible approval of a policy during the June 2007 meeting period.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS RESOLVED

**Road and Bridge Fund Balance Deficit (05-1)**

At December 31, 2005, the Road and Bridge Special Revenue Fund had a fund balance deficit of \$440,996.

**Resolution**

At December 31, 2006, the Road and Bridge Special Revenue Fund had a positive fund balance.

**Departmental Collections and Receivables (05-2)**

During our review of decentralized departments, we noted that in two of the three departments, tested receipts are not logged or written at the time money is collected. The recording of the collections was done at a later time. We also noted that the receivable ledger for the Public Health Nurse contained receivables for services dating back to 1992.

**Resolution**

One department is now using pre-numbered receipts and records the receipts in a log at the time of collection. The other department secures the collections in a locked drawer and stamps all checks with a restricted endorsement at the time of collection. They deposit with the Treasurer at least weekly. They have also agreed to start recording the collection in a log when received. In 2006, the Public Health Nursing Service obtained Board approval and wrote off old accounts receivables determined to be uncollectible.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

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

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

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

**Schedule 11**  
***(Continued)***

If applicable for Wilkin County, GASB Statements 43 and 45 would be implemented for the years ending December 31, 2008 and 2009, respectively.



REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Wilkin County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2006, and have issued our report thereon dated July 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-4, 06-1, and 06-2 to be significant deficiencies in internal control over financial reporting.

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

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

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Wilkin County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 01-2.

The Schedule of Findings and Questioned Costs also includes an other item for consideration. We believe this information to be of benefit to Wilkin County and is reported for that purpose.

Wilkin County's written responses to the significant deficiencies and the legal compliance finding identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 25, 2007

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REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Wilkin County

### Compliance

We have audited the compliance of Wilkin County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Wilkin County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Wilkin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

#### Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2006, and have issued our report thereon dated July 25, 2007. Our audit was performed 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

July 25, 2007

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**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 12*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 30,825
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Food Stamp Program	10.561	2,756
<b>Total U.S. Department of Agriculture</b>		<b>\$ 33,581</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	\$ 4,224
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	8,488
<b>Total U.S. Department of Transportation</b>		<b>\$ 12,712</b>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	<b>\$ 257,533</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health and West Central Area Agency on Aging Title III-B Special Programs for the Aging	93.044	\$ 13,750
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	26,198
Temporary Assistance for Needy Families (TANF)	93.558	5,302
Maternal and Child Health Services Block Grant	93.994	13,078
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families (TANF)	93.558	70,210
Child Care Mandatory and Matching Funds	93.596	65,421
Child Welfare Services - State Grants	93.645	7,586
Social Services Block Grant Title XX	93.667	60,315
Chafee Foster Care Independent Living	93.674	3,125
Community Mental Health Services Block Grant	93.958	3,878
Direct Drug-Free Communities Support Program	93.276	82,530
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 351,393</b>

**WILKIN COUNTY  
BRECKENRIDGE, MINNESOTA**

*Schedule 12*  
*(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Grant	97.004	\$ 34,814
Public Assistance Grants	97.036	257,847
Emergency Management Performance Grants	97.042	3,327
Homeland Security Grant Program	97.067	3,664
		<hr/>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 299,652</b>
		<hr/>
<b>Total Federal Awards</b>		<b>\$ 954,871</b>
		<hr/> <hr/>

Notes to Schedule of Expenditures of Federal Awards

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