

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

Year Ended December 31, 2014



**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, 2014**

Office	Name	Term Expires
Commissioners		
1st District	John Blaufuss	January 2017
2nd District	Stephanie Miranowski	January 2015
3rd District	Lyle E. Hovland ¹	January 2017
4th District	Neal Folstad	January 2015
5th District	Robert Perry	January 2017
Officials		
Elected		
Attorney	Timothy Fox	January 2015
Auditor	Wayne Bezenek	January 2015
County Recorder	Renae Niemi	January 2015
Registrar of Titles	Renae Niemi	January 2015
Sheriff	Rick Fiedler	January 2015
Treasurer	Rose Ann Hulne	January 2015
Appointed		
Assessor	Cheryl Wall	July 2016
Highway Engineer	Steve Nepl	Indefinite ²
Medical Examiner	Dr. Gregory A. Smith	Indefinite
Veterans Service Officer	Ron Verhaagen	December 2014
Family Services Director	Dave Sayler	Indefinite
Emergency Management Officer	Breanna Koval	Indefinite

¹Chair

²Steve Nepl and Dan Swedlund are filling in during the absence of a County Engineer until a new one is appointed.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wilkin County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilkin County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015, on our consideration of Wilkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wilkin County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 11, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(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, 2014. 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, 2014, by \$54,922,653. Of this amount, \$9,702,131 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2014, Wilkin County's governmental funds reported combined ending fund balances of \$12,820,439, an increase of \$913,042 in comparison with 2013. Of this balance amount, \$8,955,282 was unrestricted by Wilkin County and thus available for spending at the government's discretion.

At the end of 2014, unrestricted fund balance of the General Fund was \$2,104,942, or 48 percent, of the total General Fund expenditures for that year.

The County had general obligation bonds in the amount of \$2,015,000 at the end of 2014.

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 position presents information on all of Wilkin County's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example: uncollected taxes and earned but unused vacation leave).

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

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

Fund Level Statements

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. Wilkin County's assets exceeded liabilities by \$54,922,653 at the close of 2014. The largest portion of the County's net position (74 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets. However, it should be noted that these assets are not for future spending or for liquidating any remaining debt.

	Net Position	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 15,050,481	\$ 15,994,840
Capital assets	<u>42,906,954</u>	<u>41,454,403</u>
Total Assets	\$ 57,957,435	\$ 57,449,243
Long-term liabilities	\$ 2,443,348	\$ 4,711,847
Other liabilities	<u>591,434</u>	<u>484,544</u>
Total Liabilities	\$ 3,034,782	\$ 5,196,391
Net Position		
Net investment in capital assets	\$ 40,834,760	\$ 39,187,419
Restricted	4,385,762	4,293,355
Unrestricted	<u>9,702,131</u>	<u>8,772,078</u>
Total Net Position	\$ 54,922,653	\$ 52,252,852

(Unaudited)

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The unrestricted net position amount of \$9,702,131 as of December 31, 2014, 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 position during 2014 by \$2,669,801. A key element in this increase is the decrease in total liabilities.

Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Charges for services	\$ 2,175,739	\$ 1,997,920
Operating grants and contributions	5,984,151	5,359,598
General revenues		
Property taxes	7,054,637	6,771,257
Other taxes	18,103	15,574
Grants and contributions not restricted	424,132	372,828
Other general revenues	167,648	46,235
Special item - gain on sale of gravel pit	-	245,556
	<u>\$ 15,824,410</u>	<u>\$ 14,808,968</u>
Expenses		
General government	\$ 2,249,407	\$ 2,118,306
Public safety	2,208,181	1,543,732
Highways and streets	4,641,057	4,954,806
Sanitation	356,261	354,764
Human services	2,201,279	2,128,228
Health	832,110	898,302
Culture and recreation	71,067	65,226
Conservation of natural resources	565,410	452,566
Economic development	2,000	2,000
Interest	27,837	106,321
	<u>\$ 13,154,609</u>	<u>\$ 12,624,251</u>
Increase in Net Position	\$ 2,669,801	\$ 2,184,717
Net Position - January 1	<u>52,252,852</u>	<u>50,068,135</u>
Net Position - December 31	<u>\$ 54,922,653</u>	<u>\$ 52,252,852</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Wilkin County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Wilkin County's governmental funds reported combined ending fund balances of \$12,820,439, an increase of \$913,042 in comparison with the prior year. Of the ending fund balance, \$8,955,282 represents unrestricted fund balance, which is available for spending at the County's discretion. The remainder of fund balance is non-spendable or restricted to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is a chief operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$2,104,942. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 48 percent of total General Fund expenditures. In 2014, ending fund balance in the General Fund decreased by \$242,906 due to excess expenditures over revenues of \$30,119 and a transfer to the Road and Bridge Special Revenue Fund of \$212,787.

The Road and Bridge Special Revenue Fund's unrestricted fund balance of \$2,302,532 at year-end represents 35 percent of expenditures. Fund balance increased \$2,508,401 due to excess revenues over expenditures of \$2,167,139, a transfer in from the General Fund of \$212,787, and an increase in inventory of \$128,475.

The Human Services Special Revenue Fund's unrestricted fund balance of \$3,400,762 at year-end represents 155 percent of the fund's annual expenditures. Fund balance increased \$614,233 during 2014 due to excess revenues over expenditures.

General Fund Budgetary Highlights

The Wilkin County Board of Commissioners did not make any significant budgetary amendments/revisions in 2014.

Actual revenues were greater than budgeted revenues by \$313,276, primarily due to intergovernmental transactions.

Actual expenditures were less than budgeted by \$267,165, mostly due to amounts budgeted in 2014 to repair the ventilation system in the LEC building and no bids being received. The expense will happen in 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2014, totaled \$42,906,954 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

	Governmental Capital Assets (Net of Depreciation)	
	<u>2014</u>	<u>2013</u>
Land	\$ 1,013,537	\$ 1,007,927
Infrastructure	31,714,235	32,753,836
Buildings	5,419,538	5,373,571
Improvements other than buildings	119,288	59,160
Machinery and equipment	2,086,290	1,768,281
Software	175,687	189,201
Construction in progress	<u>2,378,379</u>	<u>302,427</u>
 Total	 <u>\$ 42,906,954</u>	 <u>\$ 41,454,403</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had a total outstanding debt of \$2,015,000.

	<u>2014</u>	<u>2013</u>
General obligation refunding bonds	<u>\$ 2,015,000</u>	<u>\$ 4,270,000</u>

The County debt related to general obligation bonds decreased by \$2,255,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for Wilkin County at the end of 2014 was 3.1 percent. This compares favorably with the state unemployment rate of 3.7 percent and shows a decrease from the 0.1 percent rate of one year ago.

By the end of 2014, Wilkin County approved its balanced 2015 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, P. O. Box, 409, Breckenridge, Minnesota 56520.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Assets

Cash and pooled investments	\$ 10,417,290
Taxes receivable delinquent	46,009
Special assessments receivable	
Prior - net	3,974
Noncurrent - net	475,003
Accounts receivable - net	62,648
Accrued interest receivable	14,789
Due from other governments	3,716,687
Inventories	314,081
Capital assets	
Non-depreciable	3,391,916
Depreciable - net of accumulated depreciation	39,515,038
	<hr/>
Total Assets	\$ 57,957,435

Liabilities

Accounts payable	\$ 193,569
Salaries payable	46,004
Contracts payable	89,577
Due to other governments	188,750
Accrued interest payable	16,792
Unearned revenue	56,742
Long-term liabilities	
Due within one year	523,624
Due in more than one year	1,919,724
	<hr/>
Total Liabilities	\$ 3,034,782

Net Position

Net investment in capital assets	\$ 40,834,760
Restricted for	
General government	198,921
Public safety	8,832
Highways and streets	3,479,641
Conservation of natural resources	594,764
Economic development	100,000
Held in trust for other purposes	3,604
Unrestricted	9,702,131
	<hr/>
Total Net Position	\$ 54,922,653

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Revenues			Net (Expense)	
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 2,249,407	\$ 239,858	\$ 59,745	\$ -	\$ (1,949,804)
Public safety	2,208,181	93,979	93,479	-	(2,020,723)
Highways and streets	4,641,057	507,116	4,233,501	-	99,560
Sanitation	356,261	221,477	109,045	-	(25,739)
Human services	2,201,279	387,075	1,160,501	-	(653,703)
Health	832,110	253,504	327,880	-	(250,726)
Culture and recreation	71,067	-	-	-	(71,067)
Conservation of natural resources	565,410	472,351	-	-	(93,059)
Economic development	2,000	-	-	-	(2,000)
Interest	27,837	379	-	-	(27,458)
Total Governmental Activities	\$ 13,154,609	\$ 2,175,739	\$ 5,984,151	\$ -	\$ (4,994,719)
General Revenues					
Property taxes				\$ 7,054,637	
Gravel taxes				18,103	
Payments in lieu of tax				39,097	
Grants and contributions not restricted to specific programs				424,132	
Investment income				94,149	
Miscellaneous				34,402	
Total general revenues and special item				\$ 7,664,520	
Change in net position					\$ 2,669,801
Net Position - Beginning					52,252,852
Net Position - Ending					\$ 54,922,653

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 2,456,984	\$ 2,551,176
Petty cash and change funds	2,750	100
Undistributed cash in agency funds (taxes and other)	40,548	17,365
Taxes receivable delinquent	21,551	11,115
Special assessments		
Prior	-	-
Noncurrent	-	-
Accounts receivable	12,016	2,627
Accrued interest receivable	14,789	-
Due from other funds	12,654	4,667
Due from other governments	49,070	3,405,578
Inventories	-	314,081
	\$ 2,610,362	\$ 6,306,709
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 45,284	\$ 65,503
Salaries payable	16,228	3,293
Contracts payable	-	89,577
Due to other funds	394	86
Due to other governments	106,425	6,142
Unearned revenues	-	-
	\$ 168,331	\$ 164,601
Deferred Inflows of Resources		
Unavailable revenues	\$ 25,732	\$ 1,060,548

EXHIBIT 3

<u>Human Services</u>	<u>Ditch</u>	<u>Courthouse Improvement Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,417,845	\$ 545,704	\$ 174,276	\$ 1,181,774	\$ 10,327,759
-	-	-	5,000	7,850
11,846	3,520	3,114	5,288	81,681
8,846	-	2,190	2,307	46,009
-	3,974	-	-	3,974
-	475,003	-	-	475,003
4,114	-	-	43,891	62,648
-	-	-	-	14,789
250	-	-	33,244	50,815
155,665	-	-	105,882	3,716,195
-	-	-	-	314,081
<u>\$ 3,598,566</u>	<u>\$ 1,028,201</u>	<u>\$ 179,580</u>	<u>\$ 1,377,386</u>	<u>\$ 15,100,804</u>
\$ 64,611	\$ -	\$ -	\$ 18,171	\$ 193,569
10,941	-	-	15,542	46,004
-	-	-	-	89,577
44,079	4,271	-	1,493	50,323
71,348	-	-	4,835	188,750
-	-	-	56,742	56,742
<u>\$ 190,979</u>	<u>\$ 4,271</u>	<u>\$ -</u>	<u>\$ 96,783</u>	<u>\$ 624,965</u>
<u>\$ 6,825</u>	<u>\$ 478,743</u>	<u>\$ 1,664</u>	<u>\$ 81,888</u>	<u>\$ 1,655,400</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 314,081
Missing heirs	3,604	-
Restricted		
Debt service	-	-
Law library	32,738	-
Recorder's technology equipment	66,378	-
Real estate tax shortfall	21,330	-
Enhanced 911	8,832	-
Recorder's compliance fund	78,475	-
Economic development	100,000	-
Gravel pit restoration	-	-
County state-aid highway system	-	2,464,947
Ditch maintenance and construction	-	-
Committed		
Future aggregate	-	256,750
Assigned		
Subsequent year's appropriated budget	530,474	-
Highways and streets	-	2,045,782
Human services	-	-
Sanitation	-	-
Public health	-	-
Unassigned	1,574,468	-
Total Fund Balances	\$ 2,416,299	\$ 5,081,560
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,610,362	\$ 6,306,709

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Ditch</u>	<u>Courthouse Improvement Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 314,081
-	-	-	-	3,604
-	-	177,916	-	177,916
-	-	-	-	32,738
-	-	-	-	66,378
-	-	-	-	21,330
-	-	-	-	8,832
-	-	-	-	78,475
-	-	-	-	100,000
-	-	-	2,092	2,092
-	-	-	-	2,464,947
-	594,764	-	-	594,764
-	-	-	-	256,750
-	-	-	-	530,474
-	-	-	-	2,045,782
3,400,762	-	-	-	3,400,762
-	-	-	261,431	261,431
-	-	-	935,192	935,192
-	(49,577)	-	-	1,524,891
<u>\$ 3,400,762</u>	<u>\$ 545,187</u>	<u>\$ 177,916</u>	<u>\$ 1,198,715</u>	<u>\$ 12,820,439</u>
<u>\$ 3,598,566</u>	<u>\$ 1,028,201</u>	<u>\$ 179,580</u>	<u>\$ 1,377,386</u>	<u>\$ 15,100,804</u>

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balances - total governmental funds (Exhibit 3)	\$ 12,820,439
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.	42,906,954
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	1,655,400
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General obligation bonds	\$ (2,015,000)
Other postemployment benefits	(62,867)
Bond premium	(57,194)
Accrued interest payable	(16,792)
Compensated absences	(308,287)
	<u>(2,460,140)</u>
Net Position of Governmental Activities (Exhibit 1)	<u><u>\$ 54,922,653</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 3,477,826	\$ 1,748,100
Special assessments	-	-
Licenses and permits	7,771	-
Intergovernmental	448,000	6,392,462
Charges for services	249,453	470,299
Fines and forfeits	12,383	-
Gifts and contributions	-	-
Investment earnings	88,802	-
Miscellaneous	100,752	62,404
	<u>100,752</u>	<u>62,404</u>
Total Revenues	\$ 4,384,987	\$ 8,673,265
Expenditures		
Current		
General government	\$ 2,254,059	\$ -
Public safety	1,905,363	-
Highways and streets	-	6,145,016
Sanitation	-	-
Human services	-	-
Health	2,055	-
Culture and recreation	66,270	2,804
Conservation of natural resources	185,359	-
Economic development	2,000	-
Intergovernmental		
Highways and streets	-	358,306
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal) charges	-	-
	<u>-</u>	<u>-</u>
Total Expenditures	\$ 4,415,106	\$ 6,506,126

EXHIBIT 5

<u>Human Services</u>	<u>Ditch</u>	<u>Courthouse Improvement Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,189,389	\$ -	\$ 313,134	\$ 355,818	\$ 7,084,267
-	291,445	-	-	291,445
-	-	-	1,175	8,946
1,230,645	-	17,824	511,247	8,600,178
365,245	-	-	318,613	1,403,610
-	-	-	-	12,383
-	-	-	1,725	1,725
3	-	-	-	88,805
21,827	-	122	154,724	339,829
\$ 2,807,109	\$ 291,445	\$ 331,080	\$ 1,343,302	\$ 17,831,188
\$ -	\$ -	\$ -	\$ -	\$ 2,254,059
-	-	-	-	1,905,363
-	-	-	-	6,145,016
-	-	-	357,749	357,749
2,192,876	-	-	-	2,192,876
-	-	-	838,522	840,577
-	-	-	-	69,074
-	381,082	-	8,451	574,892
-	-	-	-	2,000
-	-	-	-	358,306
-	-	2,255,000	-	2,255,000
-	-	91,284	-	91,284
-	-	425	-	425
\$ 2,192,876	\$ 381,082	\$ 2,346,709	\$ 1,204,722	\$ 17,046,621

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge
Excess of Revenues Over (Under) Expenditures	\$ (30,119)	\$ 2,167,139
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 212,787
Transfers out	(212,787)	-
Total Other Financing Sources (Uses)	\$ (212,787)	\$ 212,787
Change in Fund Balances	\$ (242,906)	\$ 2,379,926
Fund Balances - January 1	2,659,205	2,573,159
Increase (decrease) in inventories	-	128,475
Fund Balances - December 31	\$ 2,416,299	\$ 5,081,560

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Ditch</u>	<u>Courthouse Improvement Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 614,233	\$ (89,637)	\$ (2,015,629)	\$ 138,580	\$ 784,567
\$ -	\$ -	\$ -	\$ -	\$ 212,787
-	-	-	-	(212,787)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 614,233	\$ (89,637)	\$ (2,015,629)	\$ 138,580	\$ 784,567
2,786,529	634,824	2,193,545	1,060,135	11,907,397
-	-	-	-	128,475
<u>\$ 3,400,762</u>	<u>\$ 545,187</u>	<u>\$ 177,916</u>	<u>\$ 1,198,715</u>	<u>\$ 12,820,439</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 784,567

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

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

Unavailable revenue - December 31	\$ 1,655,400	
Unavailable revenue - January 1	<u>(3,662,178)</u>	(2,006,778)

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

Expenditures for general capital assets and infrastructure	\$ 3,430,330	
Current year depreciation	<u>(1,977,779)</u>	1,452,551

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

General obligation bonds		2,255,000
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Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

21,385

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	\$ 42,487	
Change in compensated absences	(4,791)	
Change in other postemployment benefits	(3,095)	
Change in inventories	<u>128,475</u>	<u>163,076</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,669,801

FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 208,052</u>
<u>Liabilities</u>	
Due to other funds	\$ 492
Due to other governments	85,301
Funds held in trust	<u>122,259</u>
Total Liabilities	<u>\$ 208,052</u>

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of governmental net position, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continue)

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

Additionally, the County reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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**

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, 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. The pooled investment earnings for 2014 was \$88,802.

Wilkin County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool.

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.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

3. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments and deferred special assessments. All special assessments receivable are shown net of an allowance for uncollectibles.

4. Inventories

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

5. Capital Assets

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

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

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.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

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

6. Compensated Absences

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

7. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position

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

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

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

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

10. Classification of Fund Balances

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

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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

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

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Minimum Fund Balance

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

12. Use of Estimates

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

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Of 18 drainage systems, 1 has incurred expenditures in excess of revenues and available resources. This deficit will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue Fund as of December 31, 2014.

Account balances	\$	594,764
Account deficits		(49,577)
Fund Balance	\$	545,187

For internal purposes, the County accounts for its ditches on the accrual basis. Under the full accrual basis where revenues are recognized when earned, the Ditch Special Revenue Fund reports a positive fund balance of \$1,020,190.

B. Excess of Expenditures Over Budget

	Expenditures	Budget	Excess
Courthouse Improvement Debt Service Fund	\$ 2,346,709	\$ 327,398	\$ 2,019,311

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	\$	10,417,290
Fiduciary funds		
Cash and pooled investments		
Agency funds		208,052
Total Cash and Investments	\$	10,625,342

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2014, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. As of December 31, 2014, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2014, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank	AA+	S&P		12/30/19	\$ 699,909
Federal Home Loan Bank	AA+	S&P		12/22/22	301,287
Federal Home Loan Bank	AA+	S&P		05/28/24	249,498
Total Federal Home Loan Bank			22.1%		\$ 1,250,694
Federal Farm Credit Bank	AA+	S&P	<5%	12/16/19	269,900
Total U.S. government agency securities					\$ 1,520,594
Investment pools/mutual funds					
MAGIC Fund			N/A		924,413
Negotiable certificates of deposit			N/A		3,215,887
Total investments					\$ 5,660,894
Deposits					4,956,598
Change funds					7,850
Total Cash and Investments					\$ 10,625,342

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, 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	\$ 46,009	\$ -
Special assessments	478,977	-
Accounts - net	62,648	-
Interest	14,789	-
Due from other governments	3,716,687	-
Total Governmental Activities	\$ 4,319,110	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,007,927	\$ 5,610	\$ -	\$ 1,013,537
Construction in progress	302,427	2,230,896	154,944	2,378,379
Total capital assets not depreciated	\$ 1,310,354	\$ 2,236,506	\$ 154,944	\$ 3,391,916
Capital assets depreciated				
Improvements other than buildings	\$ 107,287	\$ 67,063	\$ -	\$ 174,350
Buildings	7,514,284	226,347	-	7,740,631
Machinery, furniture, and equipment	5,400,403	745,323	392,317	5,753,409
Software	202,715	-	-	202,715
Infrastructure	56,120,553	310,035	-	56,430,588
Total capital assets depreciated	\$ 69,345,242	\$ 1,348,768	\$ 392,317	\$ 70,301,693

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Improvements other than buildings	\$ 48,127	\$ 6,935	\$ -	\$ 55,062
Buildings	2,140,713	180,380	-	2,321,093
Machinery, furniture, and equipment	3,632,122	427,314	392,317	3,667,119
Software	13,514	13,514	-	27,028
Infrastructure	<u>23,366,717</u>	<u>1,349,636</u>	<u>-</u>	<u>24,716,353</u>
 Total accumulated depreciation	 \$ 29,201,193	 \$ 1,977,779	 \$ 392,317	 \$ 30,786,655
 Total capital assets depreciated, net	 \$ 40,144,049	 \$ (629,011)	 \$ -	 \$ 39,515,038
 Governmental Activities Capital Assets, Net	 <u>\$ 41,454,403</u>	 <u>\$ 1,607,495</u>	 <u>\$ 154,944</u>	 <u>\$ 42,906,954</u>

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

General government	\$ 42,143
Public safety	240,493
Highways and streets, including depreciation of infrastructure assets	1,664,790
Human services	8,817
Health	558
Sanitation	18,475
Culture and recreation	1,993
Conservation of natural resources	<u>510</u>
 Total Depreciation Expense	 <u>\$ 1,977,779</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Special Revenue Fund	\$ 86
	Human Services Special Revenue Fund	11,033
	Public Health Nurse Special Revenue Fund	1,293
	Agency funds	242
Total due to General Fund		\$ 12,654
Road and Bridge Special Revenue Fund	General Fund	\$ 196
	Ditch Special Revenue Fund	4,271
	Environmental Special Revenue Fund	200
Total due to Road and Bridge Special Revenue Fund		\$ 4,667
Human Services Special Revenue Fund	Agency funds	\$ 250
Public Health Nurse Special Revenue Fund	General Fund	\$ 198
	Human Services Special Revenue Fund	33,046
Total due to Public Health Nurse Special Revenue Fund		\$ 33,244
Total Due To/From Other Funds		\$ 50,815

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfer to Road and Bridge Special Revenue Fund from General Fund	\$	212,787	Board-approved transfer for overbudgeted item
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C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

		<u>Governmental Activities</u>
Accounts	\$	193,569
Salaries		46,004
Contracts		89,577
Due to other governments		188,750
Accrued interest payable		16,792
Total Payables	\$	534,692

2. Long-Term Debt

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

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2014</u>
General obligation bonds					
2013 G.O. Refunding Bonds	2021	\$270,000 - \$310,000	1.215	\$ 2,015,000	\$ 2,015,000
Add: Unamortized premium					57,194
Total General Obligation Bonds, Net					\$ 2,072,194

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2015	\$ 270,000	\$ 37,600
2016	275,000	32,150
2017	280,000	26,600
2018	285,000	20,950
2019	295,000	15,150
2020 - 2021	610,000	12,300
Total	<u>\$ 2,015,000</u>	<u>\$ 144,750</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 4,270,000	\$ -	\$ 2,255,000	\$ 2,015,000	\$ 270,000
Add: Unamortized premium	78,579	-	21,385	57,194	-
Total bonds payable	\$ 4,348,579	\$ -	\$ 2,276,385	\$ 2,072,194	\$ 270,000
Compensated absences	303,496	284,681	279,890	308,287	253,624
OPEB liability	59,772	3,095	-	62,867	-
Total Long-Term Liabilities	<u>\$ 4,711,847</u>	<u>\$ 287,776</u>	<u>\$ 2,556,275</u>	<u>\$ 2,443,348</u>	<u>\$ 523,624</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues consist of state and/or federal grants received but not earned. Deferred inflows of resources - Unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period.

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 15,915	\$ -	\$ -	\$ 9,817	\$ 25,732
Road and Bridge	8,215	-	1,027,374	24,959	1,060,548
Social Services	6,825	-	-	-	6,825
Ditch	3,740	475,003	-	-	478,743
Courthouse Improvement	1,664	-	-	-	1,664
Nonmajor governmental funds					
Environmental	18	5,295	56,742	-	62,055
Public Health	1,707	-	19,715	55,153	76,575
 Total	 <u>\$ 38,084</u>	 <u>\$ 480,298</u>	 <u>\$ 1,103,831</u>	 <u>\$ 89,929</u>	 <u>\$ 1,712,142</u>
 Liability					
Unearned revenue	\$ -	\$ -	\$ 56,742	\$ -	\$ 56,742
Deferred inflows of resources					
Unavailable revenue	<u>38,084</u>	<u>480,298</u>	<u>1,047,089</u>	<u>89,929</u>	<u>1,655,400</u>
 Total	 <u>\$ 38,084</u>	 <u>\$ 480,298</u>	 <u>\$ 1,103,831</u>	 <u>\$ 89,929</u>	 <u>\$ 1,712,142</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 260,915	\$ 253,605	\$ 239,303
Public Employees Police and Fire Fund	59,243	49,612	48,232
Public Employees Correctional Fund	40,697	36,874	35,946

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

One Commissioner of Wilkin County is covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,083	\$ 1,083
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Wilkin County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2012, there were 99 participants in the plan, including 4 retirees.

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 27,074
Interest on net OPEB obligation	2,690
Adjustment to ARC	<u>(3,763)</u>
Annual OPEB cost (expense)	\$ 26,001
Contributions made	<u>(22,906)</u>
Increase in net OPEB obligation	\$ 3,095
Net OPEB Obligation - Beginning of Year	<u>59,772</u>
Net OPEB Obligation - End of Year	<u><u>\$ 62,867</u></u>

The County's annual OPEB cost for December 31, 2014, was \$26,001. The percentage of annual OPEB cost contributed to the plan was 88.1 percent, and the net OPEB obligation for 2014 was \$62,867.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013, and 2014 were as follows:

<u>Fiscal Year-End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 26,265	\$ 22,773	86.7%	\$ 53,143
December 31, 2013	26,159	19,530	74.7	59,772
December 31, 2014	26,001	22,906	88.1	62,867

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan had no funding. The actuarial accrued liability for benefits was \$236,471, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$236,471. The covered payroll (annual payroll of active employees covered by the plan) was \$3,734,955, and the ratio of the UAAL to the covered payroll was 6.3 percent.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Wilkin County's implicit rate of return on the General Fund. The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 25 years.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

with coverage at \$480,000 per claim in 2014 and \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Claims and Litigation

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

C. Contingent Liabilities

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

D. Joint Ventures

Central Minnesota Emergency Services Board

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

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

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

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, Wilkin County did not contribute any funds to the Joint Powers Board.

Complete financial information can be obtained from:

Central Minnesota Emergency Services Board
City of St. Cloud
Office of the Mayor
City Hall
400 Second Street South
St. Cloud, Minnesota 56303

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Wadena, and Wilkin Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. If only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Wilkin County provided \$1,000 to this organization in 2014.

Separate financial information can be obtained from:

Douglas County Courthouse
305 - 8th Avenue West
Alexandria, Minnesota 56308

West Central Area Agency on Aging

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

West Central Area Agency on Aging (Continued)

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

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

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

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

Complete financial information can be obtained from:

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

Wilkin County Children's Collaborative

The Wilkin County Children's Collaborative was established in 1997, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Wilkin County; Wilkin County Family Service Agency; Wilkin County Public Health Nursing Service; Wilkin County Courts Services; Independent School 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.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Wilkin County Children's Collaborative (Continued)

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

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

Financing is provided by state grants and appropriations and contributions from its member parties. Wilkin County, in an agent capacity, reports the cash transactions of the Wilkin County Children's Collaborative as an agency fund on its financial statements. During 2014, the County did not contribute any funds to the Collaborative.

Land of the Dancing Sky Area Agency on Aging

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

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

Wilkin County provided \$1,055 to this organization in 2014.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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

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

During 2014, Wilkin County did not contribute any funds to this organization.

Lake Agassiz Regional Library

The Lake Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1961, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2014, Wilkin County provided \$49,795 in the form of an appropriation.

E. Jointly-Governed Organizations

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

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Becker, Clay, Otter Tail, and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. Control of the District is vested in the Buffalo-Red

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Buffalo-Red River Watershed District (Continued)

River Watershed District Board of Managers, which is composed of seven members having staggered terms of three years each, with one appointed by the Becker County Board, three appointed by the Clay County Board, one appointed by the Otter Tail County Board, and two appointed by the Wilkin County Board.

Western Area City/County Co-Op

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

During 2014, the County did not contribute to WACCO.

Minnesota Criminal Justice Data Communications Network

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

District IV Transportation Planning

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2014, the County contributed \$178 to the Joint Powers Board.

Complete financial statements can be obtained from:

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Sentence to Service

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

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2014.

Richland-Wilkin Joint Powers Authority

Wilkin County, Minnesota, and Richland County, North Dakota, entered into a joint powers agreement for the purpose of protecting the citizens and properties of these two counties and to oppose the planned construction of dams on the Wild Rice and Red Rivers as currently proposed in the Fargo Metropolitan Area Flood and Risk Management Project. This agreement is established pursuant to Minn. Stat § 471.59 and North Dakota Century Code 54-401-1. Control is vested in the Board, which is composed of two members appointed by the Wilkin County Board and two members appointed by the Richland County Board. Wilkin County did not contribute to the Authority in 2014.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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

F. Related Organization

Bois de Sioux Watershed District

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

G. Subsequent Event

On February 10, 2015, the Wilkin County Board approved the transfer of administration duties and remaining funds of the ditch systems previously maintained by Wilkin County to the Buffalo-Red River Watershed District.

REQUIRED SUPPLEMENTARY INFORMATION

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,637,965	\$ 3,637,965	\$ 3,477,826	\$ (160,139)
Licenses and permits	9,100	9,100	7,771	(1,329)
Intergovernmental	65,546	65,546	448,000	382,454
Charges for services	248,800	248,800	249,453	653
Fines and forfeits	-	-	12,383	12,383
Investment earnings	22,000	22,000	88,802	66,802
Miscellaneous	88,300	88,300	100,752	12,452
Total Revenues	\$ 4,071,711	\$ 4,071,711	\$ 4,384,987	\$ 313,276
Expenditures				
Current				
General government				
Commissioners	\$ 169,374	\$ 169,374	\$ 175,566	\$ (6,192)
Courts	80,200	80,200	79,680	520
County auditor	308,997	308,997	319,422	(10,425)
County treasurer	211,986	211,986	216,508	(4,522)
County assessor	255,162	255,162	256,345	(1,183)
Elections	48,369	48,369	44,215	4,154
Data processing	87,892	87,892	92,036	(4,144)
Attorney	210,443	210,443	199,955	10,488
Law library	-	-	12,654	(12,654)
Recorder	229,781	229,781	223,907	5,874
Planning and zoning	7,500	7,500	18,994	(11,494)
Buildings and plant	428,206	428,206	221,797	206,409
Veterans service officer	85,985	85,985	89,118	(3,133)
GIS	17,000	17,000	16,959	41
Unallocated	449,285	449,285	286,903	162,382
Total general government	\$ 2,590,180	\$ 2,590,180	\$ 2,254,059	\$ 336,121
Public safety				
Sheriff	\$ 1,234,668	\$ 1,234,668	\$ 1,195,509	\$ 39,159
Coroner	4,800	4,800	4,800	-
E-911 system	-	-	100,901	(100,901)
County jail	534,534	534,534	535,165	(631)
Emergency management	66,592	66,592	66,988	(396)
Sheriff's contingent	-	-	2,000	(2,000)
Total public safety	\$ 1,840,594	\$ 1,840,594	\$ 1,905,363	\$ (64,769)

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Land of the Dancing Sky	\$ 1,100	\$ 1,100	\$ 1,055	\$ 45
Rothsay Partners	1,000	1,000	1,000	-
Total health	\$ 2,100	\$ 2,100	\$ 2,055	\$ 45
Culture and recreation				
Historical society	\$ 10,000	\$ 10,000	\$ 15,000	\$ (5,000)
Regional library	49,795	49,795	49,795	-
Memorial Celebrations	400	400	400	-
Heartland Tourism	275	275	275	-
Red River Valley Emerging Leaders	800	800	800	-
Senior Citizens	1,000	1,000	-	1,000
Total culture and recreation	\$ 62,270	\$ 62,270	\$ 66,270	\$ (4,000)
Conservation of natural resources				
County extension	\$ 99,810	\$ 99,810	\$ 99,201	\$ 609
Soil and water conservation	70,000	70,000	70,000	-
Agricultural society/County fair	8,000	8,000	8,000	-
Weed control	9,317	9,317	8,158	1,159
Total conservation of natural resources	\$ 187,127	\$ 187,127	\$ 185,359	\$ 1,768
Economic development				
Community development	\$ -	\$ -	\$ 2,000	\$ (2,000)
Total Expenditures	\$ 4,682,271	\$ 4,682,271	\$ 4,415,106	\$ 267,165
Excess of Revenues Over (Under) Expenditures	\$ (610,560)	\$ (610,560)	\$ (30,119)	\$ 580,441
Other Financing Sources (Uses)				
Transfers out	-	-	(212,787)	(212,787)
Net Change in Fund Balance	\$ (610,560)	\$ (610,560)	\$ (242,906)	\$ 367,654
Fund Balance - January 1	2,659,205	2,659,205	2,659,205	-
Fund Balance - December 31	\$ 2,048,645	\$ 2,048,645	\$ 2,416,299	\$ 367,654

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,834,059	\$ 1,834,059	\$ 1,748,100	\$ (85,959)
Intergovernmental	4,758,000	4,758,000	6,392,462	1,634,462
Charges for services	236,500	236,500	470,299	233,799
Miscellaneous	60,000	60,000	62,404	2,404
Total Revenues	\$ 6,888,559	\$ 6,888,559	\$ 8,673,265	\$ 1,784,706
Expenditures				
Current				
Highways and streets				
Administration	\$ 317,681	\$ 317,681	\$ 321,836	\$ (4,155)
Maintenance	1,641,303	1,641,303	1,598,562	42,741
Construction	3,383,782	3,383,782	2,671,815	711,967
Equipment maintenance and shop	1,298,092	1,298,092	1,209,115	88,977
Materials and services for resale	50,000	50,000	101,707	(51,707)
Unallocated - highways and streets	219,201	219,201	241,981	(22,780)
Total highways and streets	\$ 6,910,059	\$ 6,910,059	\$ 6,145,016	\$ 765,043
Culture and recreation				
Parks	6,300	6,300	2,804	3,496
Intergovernmental				
Highways and streets	350,000	350,000	358,306	(8,306)
Total Expenditures	\$ 7,266,359	\$ 7,266,359	\$ 6,506,126	\$ 760,233
Excess of Revenues Over (Under) Expenditures	\$ (377,800)	\$ (377,800)	\$ 2,167,139	\$ 2,544,939
Other Financing Sources (Uses)				
Transfers in	-	-	212,787	212,787
Net Change in Fund Balance	\$ (377,800)	\$ (377,800)	\$ 2,379,926	\$ 2,757,726
Fund Balance - January 1	2,573,159	2,573,159	2,573,159	-
Increase (decrease) in inventories	-	-	128,475	128,475
Fund Balance - December 31	\$ 2,195,359	\$ 2,195,359	\$ 5,081,560	\$ 2,886,201

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,245,439	\$ 1,245,439	\$ 1,189,389	\$ (56,050)
Intergovernmental	959,296	959,296	1,230,645	271,349
Charges for services	221,131	221,131	365,245	144,114
Investment earnings	41	41	3	(38)
Miscellaneous	25,404	25,404	21,827	(3,577)
	<u>2,451,311</u>	<u>2,451,311</u>	<u>2,807,109</u>	<u>355,798</u>
Total Revenues	\$ 2,451,311	\$ 2,451,311	\$ 2,807,109	\$ 355,798
Expenditures				
Current				
Human services				
Income maintenance	\$ 752,659	\$ 752,659	\$ 703,598	\$ 49,061
Social services	1,866,930	1,866,930	1,489,278	377,652
	<u>2,619,589</u>	<u>2,619,589</u>	<u>2,192,876</u>	<u>426,713</u>
Total Expenditures	\$ 2,619,589	\$ 2,619,589	\$ 2,192,876	\$ 426,713
Excess of Revenues Over (Under)				
Expenditures	\$ (168,278)	\$ (168,278)	\$ 614,233	\$ 782,511
Fund Balance - January 1	<u>2,786,529</u>	<u>2,786,529</u>	<u>2,786,529</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,618,251</u></u>	<u><u>\$ 2,618,251</u></u>	<u><u>\$ 3,400,762</u></u>	<u><u>\$ 782,511</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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.

2. Other Postemployment Benefits

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

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

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

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SUPPLEMENTARY INFORMATION

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

BUDGETARY COMPARISON OTHER MAJOR FUND

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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 327,398	\$ 327,398	\$ 313,134	\$ (14,264)
Intergovernmental	-	-	17,824	17,824
Miscellaneous	-	-	122	122
Total Revenues	\$ 327,398	\$ 327,398	\$ 331,080	\$ 3,682
Expenditures				
Debt service				
Principal	\$ 245,000	\$ 245,000	\$ 2,255,000	\$ (2,010,000)
Interest	81,198	81,198	91,284	(10,086)
Administrative (fiscal) charges	1,200	1,200	425	775
Total Expenditures	\$ 327,398	\$ 327,398	\$ 2,346,709	\$ (2,019,311)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (2,015,629)	\$ (2,015,629)
Fund Balance - January 1	2,193,545	2,193,545	2,193,545	-
Fund Balance - December 31	\$ 2,193,545	\$ 2,193,545	\$ 177,916	\$ (2,015,629)

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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.

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>				
Cash and pooled investments	\$ 321,353	\$ 1,328	\$ 859,093	\$ 1,181,774
Petty cash and change funds	5,000	-	-	5,000
Undistributed cash in agency funds	1,848	-	3,440	5,288
Taxes receivable delinquent	24	-	2,283	2,307
Accounts receivable	6,374	2,828	34,689	43,891
Due from other funds	-	-	33,244	33,244
Due from other governments	-	-	105,882	105,882
Total Assets	\$ 334,599	\$ 4,156	\$ 1,038,631	\$ 1,377,386
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 8,015	\$ -	\$ 10,156	\$ 18,171
Salaries payable	160	-	15,382	15,542
Due to other funds	200	-	1,293	1,493
Due to other governments	2,738	2,064	33	4,835
Unearned revenues	56,742	-	-	56,742
Total Liabilities	\$ 67,855	\$ 2,064	\$ 26,864	\$ 96,783
Deferred Inflows of Resources				
Unavailable revenues	\$ 5,313	\$ -	\$ 76,575	\$ 81,888
Fund Balances				
Restricted				
Gravel pit restoration	\$ -	\$ 2,092	\$ -	\$ 2,092
Assigned				
Sanitation	261,431	-	-	261,431
Public health	-	-	935,192	935,192
Total Fund Balances	\$ 261,431	\$ 2,092	\$ 935,192	\$ 1,198,715
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 334,599	\$ 4,156	\$ 1,038,631	\$ 1,377,386

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Exhibit 5)</u>
Revenues				
Taxes	\$ 6,306	\$ 3,829	\$ 345,683	\$ 355,818
Licenses and permits	1,175	-	-	1,175
Intergovernmental	109,539	-	401,708	511,247
Charges for services	80,410	-	238,203	318,613
Gifts and contributions	-	-	1,725	1,725
Miscellaneous	141,127	-	13,597	154,724
Total Revenues	\$ 338,557	\$ 3,829	\$ 1,000,916	\$ 1,343,302
Expenditures				
Current				
Sanitation	\$ 357,749	\$ -	\$ -	\$ 357,749
Health	-	-	838,522	838,522
Conservation of natural resources	5,650	2,801	-	8,451
Total Expenditures	\$ 363,399	\$ 2,801	\$ 838,522	\$ 1,204,722
Net Change in Fund Balance	\$ (24,842)	\$ 1,028	\$ 162,394	\$ 138,580
Fund Balance - January 1	286,273	1,064	772,798	1,060,135
Fund Balance - December 31	\$ 261,431	\$ 2,092	\$ 935,192	\$ 1,198,715

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,500	\$ 3,500	\$ 6,306	\$ 2,806
Licenses and permits	1,200	1,200	1,175	(25)
Intergovernmental	100,000	100,000	109,539	9,539
Charges for services	80,452	80,452	80,410	(42)
Miscellaneous	163,060	163,060	141,127	(21,933)
Total Revenues	\$ 348,212	\$ 348,212	\$ 338,557	\$ (9,655)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 230,469	\$ 230,469	\$ 230,661	\$ (192)
Recycling	177,220	177,220	127,088	50,132
Total sanitation	\$ 407,689	\$ 407,689	\$ 357,749	\$ 49,940
Conservation of natural resources				
Water planning	4,389	4,389	5,650	(1,261)
Total Expenditures	\$ 412,078	\$ 412,078	\$ 363,399	\$ 48,679
Net Change in Fund Balance	\$ (63,866)	\$ (63,866)	\$ (24,842)	\$ 39,024
Fund Balance - January 1	286,273	286,273	286,273	-
Fund Balance - December 31	\$ 222,407	\$ 222,407	\$ 261,431	\$ 39,024

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 362,219	\$ 362,219	\$ 345,683	\$ (16,536)
Intergovernmental	258,159	258,159	401,708	143,549
Charges for services	262,326	262,326	238,203	(24,123)
Gifts and contributions	-	-	1,725	1,725
Miscellaneous	2,400	2,400	13,597	11,197
Total Revenues	\$ 885,104	\$ 885,104	\$ 1,000,916	\$ 115,812
Expenditures				
Current				
Health				
Nursing service	885,104	885,104	838,522	46,582
Net Change in Fund Balance	\$ -	\$ -	\$ 162,394	\$ 162,394
Fund Balance - January 1	772,798	772,798	772,798	-
Fund Balance - December 31	\$ 772,798	\$ 772,798	\$ 935,192	\$ 162,394

FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 6,123	\$ 21,187	\$ 18,077	\$ 9,233
<u>Liabilities</u>				
Due to other funds	\$ 250	\$ 250	\$ 250	\$ 250
Due to other governments	5,873	20,937	17,827	8,983
Total Liabilities	\$ 6,123	\$ 21,187	\$ 18,077	\$ 9,233
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 36,216	\$ 707,501	\$ 735,675	\$ 8,042
<u>Liabilities</u>				
Due to other funds	\$ 1,138	\$ 242	\$ 1,138	\$ 242
Due to other governments	35,078	707,259	734,537	7,800
Total Liabilities	\$ 36,216	\$ 707,501	\$ 735,675	\$ 8,042

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 176,541	\$ 14,284,909	\$ 14,270,673	\$ 190,777
<u>Liabilities</u>				
Due to other governments	\$ 94,777	\$ 14,162,650	\$ 14,188,909	\$ 68,518
Funds held in trust	81,764	122,259	81,764	122,259
Total Liabilities	\$ 176,541	\$ 14,284,909	\$ 14,270,673	\$ 190,777
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 218,880	\$ 15,013,597	\$ 15,024,425	\$ 208,052
<u>Liabilities</u>				
Due to other funds	\$ 1,388	\$ 492	\$ 1,388	\$ 492
Due to other governments	135,728	14,890,846	14,941,273	85,301
Funds held in trust	81,764	122,259	81,764	122,259
Total Liabilities	\$ 218,880	\$ 15,013,597	\$ 15,024,425	\$ 208,052

SCHEDULES

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Cash on hand	N/A	N/A	N/A	\$ 7,850
Interest-bearing checking	Two	Various	Continuous	288,097
Certificates of deposit	Six	0.10 to 0.70	June 23, 2015 to December 31, 2015	982,830
Money market savings	Two	Variable	Continuous	3,685,671
Brokerage certificates of deposit	Fourteen	0.35 to 2.20	July 17, 2015 to October 29, 2019	3,215,887
Minnesota Association of Governments Investing for Counties Fund	N/A	Variable	Continuous	924,413
Federal Home Loan Bank	Three	1.00 to 2.00	December 30, 2019 to May 28, 2024	1,250,694
Federal Farm Credit Bank	One	2.00	December 16, 2019	<u>269,900</u>
Total Cash and Pooled Investments				<u>\$ 10,625,342</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

	Assets			
	Cash	Undistributed Cash	Special Assessments Receivable	
			Prior	Noncurrent
County Ditches				
1A	\$ 20,016	\$ -	\$ -	\$ -
1B	18,501	-	-	-
1C	98,415	838	-	150,000
2	20,854	-	7	-
3	67,555	565	653	115,002
4	19,181	-	-	-
6	76,488	1,330	142	-
7	42,637	-	-	-
12	4,874	405	31	30,001
15	33,593	-	-	-
23	17,510	-	-	-
27	19,001	-	-	-
28	(49,748)	171	-	80,000
29	29,016	-	-	-
31	35,990	211	166	-
34	53,682	-	-	100,000
37	19,333	-	2,975	-
Joint Ditches				
County				
J-2	18,806	-	-	-
Total	\$ 545,704	\$ 3,520	\$ 3,974	\$ 475,003

EXHIBIT E-2

Total	Liabilities Due to Other Funds	Deferred Inflows of Resources Unavailable Revenues	Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
\$ 20,016	\$ -	\$ -	\$ 20,016	\$ 20,016
18,501	-	-	18,501	18,501
249,253	515	150,000	98,738	249,253
20,861	-	8	20,853	20,861
183,775	-	115,563	68,212	183,775
19,181	-	-	19,181	19,181
77,960	-	-	77,960	77,960
42,637	1,840	-	40,797	42,637
35,311	967	30,031	4,313	35,311
33,593	-	-	33,593	33,593
17,510	-	-	17,510	17,510
19,001	-	-	19,001	19,001
30,423	-	80,000	(49,577)	30,423
29,016	-	-	29,016	29,016
36,367	219	166	35,982	36,367
153,682	587	100,000	53,095	153,682
22,308	-	2,975	19,333	22,308
18,806	143	-	18,663	18,806
\$ 1,028,201	\$ 4,271	\$ 478,743	\$ 545,187	\$ 1,028,201

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT E-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Governmental Funds
Shared Revenue	
State	
Highway users tax	\$ 5,934,122
County program aid	153,956
PERA rate reimbursement	14,876
Disparity reduction credit	113,932
Local option disaster abatement	1,947
Police aid	45,696
Market value credit	73,436
Disparity reduction aid	10,350
Border cities reimbursement	8,528
Aquatic invasive species aid	3,905
	\$ 6,360,748
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 263,065
	\$ 263,065
Payments	
Local	
Payments in lieu of taxes	\$ 39,097
	\$ 39,097
Grants	
State	
Minnesota Department/Board of	
Corrections	\$ 9,806
Public Safety	76,791
Health	32,733
Revenue	3,529
Human Services	402,429
Veterans Affairs	7,500
Water and Soil Resources	45,242
Pollution Control Agency	63,803
Peace Officer Standards and Training Board	2,574
	\$ 644,407

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

*EXHIBIT E-3
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Funds</u>
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 192,973
Education	2,288
Health and Human Services	695,456
Homeland Security	32,189
Transportation	369,955
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Total federal	\$ 1,292,861
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Total state and federal grants	\$ 1,937,268
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Total Intergovernmental Revenue	\$ 8,600,178
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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT E-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Clay-Wilkin Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 53,982
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	87,254
Total U.S. Department of Agriculture		\$ 141,236
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 370,613
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	9,425
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	4,689
Total U.S. Department of Transportation		\$ 384,727
U.S. Department of Education		
Passed Through Clay-Wilkin Community Health Services Special Education - Grants for Infants and Families	84.181	\$ 2,288
U.S. Department of Health and Human Services		
Direct Drug-Free Communities Support Program Grants	93.276	\$ 96,883
Passed Through Land of the Dancing Sky Area Agency on Aging/West Central Office Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	13,725
Passed Through Clay-Wilkin Community Health Services Public Health Emergency Preparedness	93.069	772
Universal Newborn Hearing Screening	93.251	300
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	75
Maternal and Child Health Services Block Grant to the States	93.994	9,675

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**EXHIBIT E-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	1,493
Temporary Assistance for Needy Families	93.558	88,964
Child Support Enforcement	93.563	163,483
Refugee and Entrant Assistance - State Administered Programs	93.566	313
Child Care and Development Block Grant	93.575	2,688
Stephanie Tubbs Jones Child Welfare Services Program	93.645	984
Foster Care - Title IV-E	93.658	19,758
Social Services Block Grant	93.667	58,791
Chafee Foster Care Independence Program	93.674	3,633
Children's Health Insurance Program	93.767	29
Medical Assistance Program	93.778	212,886
Block Grants for Community Mental Health Services	93.958	1,146
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Total U.S. Department of Health and Human Services		\$ 675,598
		<hr/>
Total Federal Awards		\$ 1,203,849
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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wilkin County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wilkin County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Wilkin County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	1,292,861
Grants received more than 60 days after year-end, deferred in 2014		
Highway Planning and Construction		14,772
Drug-Free Communities Support Program Grants		7,555
Maternal and Child Health Services Block Grants to the States		2,218
Grants deferred in 2013, recognized in 2014		
Special Supplemental Nutrition Program for Women, Infants, and Children		(48,262)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		(3,475)
Drug-Free Communities Support Program Grants		(23,441)
Public Health Emergency Preparedness		(376)
Centers for Disease Control and Prevention - Investigations and Technical Assistance		(75)
Temporary Assistance for Needy Families		(42)
Child Support Enforcement		(1,234)
Medical Assistance Program		(4,463)
Emergency Management Performance Grants		(32,189)
		(32,189)
Expenditures Per Schedule of Expenditures of Federal Awards	\$	1,203,849

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Subrecipients

Wilkin County did not pass any federal awards through to subrecipients in 2014.

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Highway Planning and Construction	CFDA #20.205
Child Support Enforcement	CFDA #93.563

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-004

Segregation of Duties

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

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

Context: This is not unusual in operations the size of Wilkin County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

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

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

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

Client's Response:

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

Finding 2007-001

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Clarified Auditing Standards AU-C Section 265 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Effect: An audit adjustment was necessary in the Courthouse Improvement Debt Service Fund to reduce Cash with Escrow Agent in the amount of \$2,035,635 and increase debt service expenses for payment of principal in the amount of \$2,010,000 and interest in the amount of \$25,635, to retire the 2005 G. O. Jail Bonds resulting from the issuance of the 2013 crossover refunding bonds.

Cause: The County did not record the activity in the escrow account, related to the retirement of the 2005 G. O. Jail Bonds.

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

Client's Response:

The County will work toward a change in procedure to eliminate the cause.

Finding 2008-001

Documenting and Monitoring Internal Controls

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

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

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

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

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

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

Client's Response:

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

Finding 2012-001

Network/Application Password Controls

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

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

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

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

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

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

Client's Response:

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2013-001

Acceptance of Donations

Criteria: Minn. Stat. § 465.03 states that, “[a]ny city, county, school district, or town may accept a grant or devise of real or personal property and maintain such property for the benefit of its citizens in accordance with the terms prescribed by the donor. Every such acceptance shall be by resolution of the governing body, adopted by a two-thirds majority of its members, expressing such terms in full.”

Condition: In 2014, Wilkin County Public Health received various donations totaling \$1,725. No documentation of acceptance by the County Board could be located for the \$1,725 in donations received by the County.

Context: Eight separate donations were received by the County to cover expenses for the car seat program, senior transportation program, and the We-Care program.

Effect: Noncompliance with Minn. Stat. § 465.03.

Cause: Although the Office of the State Auditor has provided guidance to County officials about the requirements of Minn. Stat. § 465.03 in previous years, the information was not shared throughout the County to ensure all department heads were aware that only the County Board has the authority to accept donations and the terms prescribed by the donor.

Recommendation: We recommend the County establish procedures to ensure that only the County Board accepts donations and the terms prescribed by the donor.

Client's Response:

All departments have been instructed that in the future, any donations received must be brought to the County Commission for approval and acceptance under the terms prescribed by the donor.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years--deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Wilkin County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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

Independent Auditor's Report

Board of County Commissioners
Wilkin County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 11, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2007-001 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 1996-004, 2008-001, and 2012-001 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Wilkin County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2013-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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

Wilkin County's Response to Findings

Wilkin County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 11, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Wilkin County

Report on Compliance for Each Major Federal Program

We have audited Wilkin County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Wilkin County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wilkin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Wilkin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Wilkin County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

June 11, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR