

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

YEAR ENDED DECEMBER 31, 2010

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, 2010



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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Introductory Section		
Organization Schedule		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets--Governmental Activities	1	10
Statement of Activities	2	11
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	12
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	4	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	5	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	19
Fiduciary Funds		
Statement of Fiduciary Net Assets - Agency Funds	7	20
Notes to the Financial Statements		21
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	52
Road and Bridge Special Revenue Fund	A-2	54
Human Services Special Revenue Fund	A-3	55
Schedule of Funding Progress - Other Postemployment Benefits	A-4	56
Notes to the Required Supplementary Information		57

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section (Continued)		
Supplementary Information		
Nonmajor Governmental Funds		58
Combining Balance Sheet	B-1	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	60
Combining Balance Sheet - Nonmajor Special Revenue Funds	B-3	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds	B-4	62
Budgetary Comparison Schedules		
Environmental Special Revenue Fund	B-5	63
Public Health Nurse Special Revenue Fund	B-6	64
Courthouse Improvement Debt Service Fund	B-7	65
Fiduciary Funds		
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	C-1	66
Schedules		
Schedule of Deposits and Investments	D-1	68
Balance Sheet - By Ditch - Ditch Special Revenue Fund	D-2	69
Schedule of Intergovernmental Revenue	D-3	71
Schedule of Expenditures of Federal Awards	D-4	73
Notes to the Schedule of Expenditures of Federal Awards		75
 Management and Compliance Section		
Schedule of Findings and Questioned Costs		77
 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>		
		87
 Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		
		90

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2010**

Office	Name	Term Expires
Commissioners		
1st District	John Blaufuss	January 2013
2nd District	Stephanie Miranowski	January 2011
3rd District	Lyle Hovland	January 2013
4th District	Neal Folstad	January 2011
5th District	Robert Perry*	January 2013
Officials		
Elected		
Attorney	Timothy Fox	January 2011
Auditor	Wayne Bezenek	January 2011
County Recorder	Renae Niemi	January 2011
Registrar of Titles	Renae Niemi	January 2011
Sheriff	Thomas Matejka	January 2011
Treasurer	Rose Ann Hulne	January 2011
Appointed		
Assessor	Cheryl Wall	July 2013
Highway Engineer	Thomas Richels	May 2011
Medical Examiner	Dr. Gregory A. Smith	Indefinite
Veterans Service Officer	Ron Verhaagen	November 2013
Family Services Director	Dave Sayler	Indefinite
Emergency Management Officer	Vernon Woytassek	Indefinite

*Chair

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wilkin County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wilkin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of December 31, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilkin County's basic financial statements taken as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2011, on our consideration of Wilkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(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, 2010. 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, 2010, by \$47,901,322. Of this amount, \$7,140,495 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of 2010, Wilkin County's governmental funds reported combined ending fund balances of \$6,611,594, an increase of \$668,914 in comparison with 2009. Of this balance amount, \$5,291,679 was unreserved by Wilkin County and thus available for spending at the government's discretion.
- At the end of 2010, unreserved fund balance of the General Fund was \$1,810,003, or 53 percent, of the total General Fund expenditures for that year.
- The County had general obligation bonds in the amount of \$2,935,000 at the end of 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. The statement of net assets presents information on all of Wilkin County's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the County is improving or deteriorating.

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

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

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

Fund Level Statements

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

Other information is provided in supplementary information schedules on Wilkin County's budgeted funds, deposits and investments, ditch balances, intergovernmental revenues, and expenditures of federal awards.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Wilkin County's assets exceeded liabilities by \$47,901,322 at the close of 2010. The largest portion of the County's net assets (81 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets. However, it should be noted that these assets are not for future spending or for liquidating any remaining debt.

	Net Assets	
	2010	2009
Current and other assets	\$ 10,290,883	\$ 7,764,861
Capital assets	41,781,602	43,281,391
Total Assets	\$ 52,072,485	\$ 51,046,252
Long-term liabilities	\$ 3,433,358	\$ 3,611,996
Other liabilities	737,805	465,128
Total Liabilities	\$ 4,171,163	\$ 4,077,124
Net Assets		
Invested in capital assets, net of related debt	\$ 38,670,610	\$ 39,980,692
Restricted	2,090,217	918,442
Unrestricted	7,140,495	6,069,994
Total Net Assets	\$ 47,901,322	\$ 46,969,128

The unrestricted net assets amount of \$7,140,495 as of December 31, 2010, may be used to meet the County's ongoing obligations to citizens and creditors.

Governmental Activities

Wilkin County's activities increased Wilkin County's net assets during 2010 by \$932,194. A key element in this increase is the increase in current and other assets.

Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues		
Program revenues		
Charges for services	\$ 2,885,119	\$ 2,149,627
Operating grants and contributions	5,119,061	6,425,273
Capital grants and contributions	170,716	142,367
General revenues		
Property taxes	5,556,780	5,253,488
Other taxes	14,793	8,556
Grants and contributions not restricted	478,261	868,846
Other general revenues	98,079	131,958
Total Revenues	<u>\$ 14,322,809</u>	<u>\$ 14,980,115</u>
Expenses		
General government	\$ 1,896,100	\$ 1,806,137
Public safety	1,597,434	1,573,732
Highways and streets	5,533,614	6,278,842
Sanitation	356,436	307,261
Human services	2,106,424	2,341,260
Health	708,952	700,597
Culture and recreation	64,201	66,844
Conservation of natural resources	1,006,762	714,981
Economic development	-	800
Interest	120,692	131,077
Total Expenses	<u>\$ 13,390,615</u>	<u>\$ 13,921,531</u>
Increase in Net Assets	\$ 932,194	\$ 1,058,584
Net Assets - January 1	<u>46,969,128</u>	<u>45,910,544</u>
Net Assets - December 31	<u>\$ 47,901,322</u>	<u>\$ 46,969,128</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, Wilkin County's governmental funds reported combined ending fund balances of \$6,611,594, an increase of \$668,914 in comparison with the prior year. Of the ending fund balance, \$5,291,179 represents unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is a chief operating fund for the County. At the end of the current fiscal year, it had an unreserved fund balance of \$1,810,003. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund's unreserved fund balance represents 53 percent of total General Fund expenditures. In 2010, ending fund balance in the General Fund decreased by \$4,306.

The Road and Bridge Special Revenue Fund's unreserved fund balance of \$1,034,718 at year-end represents 23 percent of expenditures. Fund balance increased \$168,876 due to excess revenues over expenditures.

The Human Services Special Revenue Fund's unreserved fund balance of \$1,852,613 at year-end represents 88 percent of the fund's annual expenditures. Fund balance increased \$578,115 during 2010 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 2010.

Actual revenues were less than budgeted revenues by \$39,156, primarily due to decreases in taxes, charges for services, and investment earnings.

Actual expenditures are less than budgeted expenditures by \$54,218, due to decreased spending in public safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2010, totaled \$41,781,602 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

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

	2010	2009
Land	\$ 1,042,274	\$ 1,051,043
Infrastructure	33,428,870	34,740,775
Buildings	5,828,731	6,004,091
Improvements other than buildings	44,300	48,820
Machinery and equipment	1,391,702	1,350,165
Construction in progress	45,725	86,497
Total	\$ 41,781,602	\$ 43,281,391

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 \$2,935,000.

	2010	2009
General obligation bonds	\$ 2,935,000	\$ 3,150,000

The County debt related to general obligation bonds decreased by \$215,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The unemployment rate for Wilkin County at the end of 2010 was 5.4 percent. This compares favorably with the state unemployment rate of 6.9 percent and shows a decrease from the 6.1 percent rate of one year ago.

By the end of 2010, Wilkin County approved its balanced 2011 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Assets

Cash and pooled investments	\$	6,393,664
Taxes receivable		
Current - net		42,879
Prior - net		28,877
Special assessments receivable		
Current - net		1,121
Prior - net		54
Deferred - net		1,142,705
Accounts receivable - net		97,599
Accrued interest receivable		14,577
Due from other governments		2,240,157
Inventories		286,187
Deferred charges		43,063
Capital assets		
Non-depreciable		1,087,999
Depreciable - net of accumulated depreciation		40,693,603
		52,072,485
Total Assets	\$	52,072,485

Liabilities

Accounts payable	\$	225,492
Salaries payable		30,242
Contracts payable		280,871
Due to other governments		64,366
Accrued interest payable		50,985
Unearned revenue		85,849
Long-term liabilities		
Due within one year		552,833
Due in more than one year		2,880,525
		4,171,163
Total Liabilities	\$	4,171,163

Net Assets

Invested in capital assets - net of related debt	\$	38,670,610
Restricted for		
General government		115,050
Public safety		318,215
Highways and streets		1,553,348
Economic development		100,000
Held in trust for other purposes		3,604
Unrestricted		7,140,495
		47,901,322
Total Net Assets	\$	47,901,322

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 1,896,100	\$ 194,312	\$ 41,618	\$ -	\$ (1,660,170)
Public safety	1,597,434	136,231	324,999	-	(1,136,204)
Highways and streets	5,533,614	689,703	3,412,982	170,716	(1,260,213)
Sanitation	356,436	257,352	-	-	(99,084)
Human services	2,106,424	222,387	964,966	-	(919,071)
Health	708,952	218,294	255,151	-	(235,507)
Culture and recreation	64,201	-	-	-	(64,201)
Conservation of natural resources	1,006,762	1,166,840	119,345	-	279,423
Interest	120,692	-	-	-	(120,692)
Total	\$ 13,390,615	\$ 2,885,119	\$ 5,119,061	\$ 170,716	\$ (5,215,719)
General Revenues					
Property taxes					\$ 5,556,780
Gravel taxes					14,793
Payments in lieu of tax					30,725
Grants and contributions not restricted to specific programs					478,261
Investment income					41,704
Miscellaneous					25,650
Total general revenues					\$ 6,147,913
Change in net assets					\$ 932,194
Net Assets - Beginning					46,969,128
Net Assets - Ending					\$ 47,901,322

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 2,204,186	\$ 826,760
Petty cash and change funds	2,750	100
Undistributed cash in agency funds (taxes and other)	39,667	14,979
Taxes receivable		
Current	19,160	8,768
Prior	12,447	6,243
Special assessments		
Current	-	-
Prior	-	-
Deferred	-	-
Accounts receivable	19,869	35,372
Accrued interest receivable	14,577	-
Due from other funds	2,304	450,317
Due from other governments	158,265	1,815,461
Advance to other funds	393,386	-
Inventories	-	286,187
	\$ 2,866,611	\$ 3,444,187
Total Assets	\$ 2,866,611	\$ 3,444,187

EXHIBIT 3

Human Services	Ditch	Other Governmental Funds	Total Governmental Funds
\$ 1,781,776	\$ 531,882	\$ 945,394	\$ 6,289,998
-	-	5,000	7,850
17,907	13,486	9,777	95,816
10,474	-	4,477	42,879
7,132	-	3,055	28,877
-	1,121	-	1,121
-	54	-	54
-	1,142,705	-	1,142,705
8,866	-	33,492	97,599
-	-	-	14,577
2,271	-	8,477	463,369
132,809	-	132,711	2,239,246
-	-	-	393,386
-	-	-	286,187
\$ 1,961,235	\$ 1,689,248	\$ 1,142,383	\$ 11,103,664

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 36,177	\$ 101,727
Salaries payable	11,315	8,734
Contracts payable	-	280,871
Due to other funds	1,494	-
Due to other governments	42,793	1,013
Deferred revenue - unavailable	34,574	1,645,853
Deferred revenue - unearned	-	-
Advance from other funds	-	-
	\$ 126,353	\$ 2,038,198
Fund Balances		
Reserved for		
Advances to other funds	\$ 393,386	\$ -
Inventories	-	286,187
Real estate tax shortfall	21,330	-
Highway projects	-	85,084
Gravel pit restoration	-	-
Missing heirs	3,604	-
Economic development	100,000	-
Recorder's compliance fund	33,445	-
Law library	5,828	-
Recorder's equipment purchases	54,447	-
Enhanced 911	318,215	-
Unreserved		
Designated for future expenditures	147,694	-
Designated for cash flows	1,426,521	-
Designated for capital improvements	-	70,548
Undesignated	235,788	964,170
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
	\$ 2,740,258	\$ 1,405,989
Total Liabilities and Fund Balances	\$ 2,866,611	\$ 3,444,187

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Ditch</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 65,997	\$ 10,757	\$ 10,834	\$ 225,492
7,490	-	2,703	30,242
-	-	-	280,871
9,870	449,928	1,166	462,458
11,191	3,510	5,859	64,366
14,074	1,143,542	111,363	2,949,406
-	-	85,849	85,849
-	393,386	-	393,386
\$ 108,622	\$ 2,001,123	\$ 217,774	\$ 4,492,070
\$ -	\$ -	\$ -	\$ 393,386
-	-	-	286,187
-	-	-	21,330
-	-	-	85,084
-	-	18,889	18,889
-	-	-	3,604
-	-	-	100,000
-	-	-	33,445
-	-	-	5,828
-	-	-	54,447
-	-	-	318,215
-	-	-	147,694
-	-	-	1,426,521
-	-	-	70,548
1,852,613	(311,875)	-	2,740,696
-	-	791,143	791,143
-	-	114,577	114,577
\$ 1,852,613	\$ (311,875)	\$ 924,609	\$ 6,611,594
\$ 1,961,235	\$ 1,689,248	\$ 1,142,383	\$ 11,103,664

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Fund balances - total governmental funds (Exhibit 3)		\$	6,611,594
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			41,781,602
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.			2,949,406
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	\$	(2,935,000)	
Capital leases		(158,933)	
Other postemployment benefits		(39,047)	
Bond premium		(17,059)	
Deferred charges		43,063	
Accrued interest payable		(50,985)	
Compensated absences		(283,319)	
		<u> </u>	<u>(3,441,280)</u>
Net Assets of Governmental Activities (Exhibit 1)			<u> </u> <u>\$ 47,901,322</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Road and Bridge
Revenues		
Taxes	\$ 2,513,461	\$ 1,135,256
Special assessments	-	-
Licenses and permits	13,790	-
Intergovernmental	500,370	2,557,650
Charges for services	295,782	611,986
Fines and forfeits	16,677	-
Gifts and contributions	-	-
Investment earnings	40,786	-
Miscellaneous	38,478	118,385
	\$ 3,419,344	\$ 4,423,277
Expenditures		
Current		
General government	\$ 1,801,921	\$ -
Public safety	1,369,773	-
Highways and streets	-	4,012,819
Sanitation	-	-
Human services	-	-
Health	4,018	-
Culture and recreation	54,825	9,108
Conservation of natural resources	193,113	-
Intergovernmental		
Highways and streets	-	293,405
Conservation of natural resources	-	-
Debt service		
Principal	-	112,061
Interest	-	7,143
Administrative (fiscal) charges	-	-
	\$ 3,423,650	\$ 4,434,536
Excess of Revenues Over (Under) Expenditures	\$ (4,306)	\$ (11,259)
Other Financing Sources (Uses)		
Capital lease issued	-	139,046
	\$ (4,306)	\$ 127,787
Fund Balances - January 1	2,744,564	1,237,113
Increase (decrease) in reserved for inventories	-	41,089
	\$ 2,740,258	\$ 1,405,989
Fund Balances - December 31	\$ 2,740,258	\$ 1,405,989

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

EXHIBIT 5

<u>Human Services</u>	<u>Ditch</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,342,952	\$ -	\$ 578,450	\$ 5,570,119
-	661,825	-	661,825
-	-	200	13,990
1,117,273	-	405,443	4,580,736
198,977	-	281,399	1,388,144
1,120	-	-	17,797
-	-	364	364
-	-	-	40,786
22,290	-	173,769	352,922
<u>\$ 2,682,612</u>	<u>\$ 661,825</u>	<u>\$ 1,439,625</u>	<u>\$ 12,626,683</u>
\$ -	\$ 1,003	\$ -	\$ 1,802,924
-	-	-	1,369,773
-	-	-	4,012,819
-	-	316,153	316,153
2,104,497	-	-	2,104,497
-	-	709,745	713,763
-	-	-	63,933
-	675,552	25,508	894,173
-	-	-	293,405
-	111,328	-	111,328
-	-	215,000	327,061
-	-	120,529	127,672
-	-	403	403
<u>\$ 2,104,497</u>	<u>\$ 787,883</u>	<u>\$ 1,387,338</u>	<u>\$ 12,137,904</u>
\$ 578,115	\$ (126,058)	\$ 52,287	\$ 488,779
-	-	-	139,046
<u>\$ 578,115</u>	<u>\$ (126,058)</u>	<u>\$ 52,287</u>	<u>\$ 627,825</u>
1,274,498	(185,817)	872,322	5,942,680
-	-	-	41,089
<u>\$ 1,852,613</u>	<u>\$ (311,875)</u>	<u>\$ 924,609</u>	<u>\$ 6,611,594</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, 2010**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 627,825

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

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

Deferred revenue - December 31	\$ 2,949,406	
Deferred revenue - January 1	<u>(1,366,395)</u>	1,583,011

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	\$ 377,504	
Net book value of assets sold	(8,769)	
Current year depreciation	<u>(1,868,524)</u>	(1,499,789)

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

Capital lease issued		(139,046)
----------------------	--	-----------

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

General obligation bonds	\$ 215,000	
Capital lease	<u>112,061</u>	327,061

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.		(2,579)
---	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 5,691	
Change in compensated absences	6,001	
Change in other postemployment benefits	(17,070)	
Change in inventories	<u>41,089</u>	<u>35,711</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 932,194

FIDUCIARY FUNDS

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2010**

<u>Assets</u>	
Cash and pooled investments	\$ 205,984
Due from other governments	<u>42</u>
Total Assets	<u><u>\$ 206,026</u></u>
 <u>Liabilities</u>	
Due to other funds	\$ 911
Due to other governments	160,197
Funds held in trust	<u>44,918</u>
Total Liabilities	<u><u>\$ 206,026</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of governmental net assets, the governmental activities: (a) are presented on a consolidated basis; and (b) are reported on a full accrual, economic resource basis that recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

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

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2010 were \$40,786.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

All receivables are shown net of an allowance for uncollectibles.

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

3. Inventories

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

4. Capital Assets

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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

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

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

5. Compensated Absences

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

6. Deferred Revenue

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Long-Term Obligations

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

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

8. Fund Equity

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

9. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The following major fund had a deficit fund balance as of December 31, 2010:

Ditch Special Revenue Fund	\$ <u>311,875</u>
----------------------------	-------------------

The Ditch Special Revenue Fund's deficit balance will be eliminated through special assessments the County has levied on the benefited properties.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity (Continued)

Of 40 drainage systems, 12 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue Fund as of December 31, 2010.

Account balances	\$	53,932
Account deficits		(365,807)
Fund Balance	\$	(311,875)

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 \$831,667, with one ditch reporting a deficit.

B. Excess of Expenditures Over Budget

	Expenditures	Budget	Excess
Environmental Special Revenue Fund	\$ 341,661	\$ 305,450	\$ 36,211

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	\$	6,393,664
Fiduciary funds		
Cash and pooled investments		
Agency funds		205,984
Total Cash and Investments	\$	6,599,648

**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, 2010, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2010, \$906,809 of government securities and \$257,547 of publicly traded certificates of deposit were exposed to custodial credit risk because they were held by the counterparty.

Concentration of Credit Risk

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2010, 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 National Mortgage Association	Aaa	Moody's		07/27/18	\$ 499,995
Federal National Mortgage Association	Aaa	Moody's		04/05/19	197,756
Total Federal National Mortgage Association			26.0%		\$ 697,751
Federal Home Loan Mortgage Corporation					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/18/15	\$ 199,936
Federal Home Loan Mortgage Corporation	Aaa	Moody's		07/06/16	100,014
Federal Home Loan Mortgage Corporation	Aaa	Moody's		09/07/17	298,512
Total Federal Home Loan Mortgage Corporation			22.3%		\$ 598,462
Investment pools/mutual funds					
MAGIC Fund			N/A		\$ 1,018,365
Negotiable certificates of deposit					
			N/A		\$ 368,143
Total investments					\$ 2,682,721
Deposits					
Change funds					3,909,077
					7,850
Total Cash and Investments					\$ 6,599,648

N/A - Not Applicable

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2010, 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	\$ 71,756	\$ -
Special assessments	1,143,880	81,185
Accounts - net	97,599	-
Interest	14,577	-
Due from other governments	2,240,157	-
Total Governmental Activities	\$ 3,567,969	\$ 81,185

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,051,043	\$ -	\$ 8,769	\$ 1,042,274
Construction in progress	86,497	8,774	49,546	45,725
Total capital assets not depreciated	\$ 1,137,540	\$ 8,774	\$ 58,315	\$ 1,087,999
Capital assets depreciated				
Improvements other than buildings	\$ 75,716	\$ -	\$ -	\$ 75,716
Buildings	7,437,594	-	-	7,437,594
Machinery, furniture, and equipment	4,860,277	418,276	496,438	4,782,115
Infrastructure	52,620,244	-	-	52,620,244
Total capital assets depreciated	\$ 64,993,831	\$ 418,276	\$ 496,438	\$ 64,915,669

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Improvements other than buildings	\$ 26,896	\$ 4,520	\$ -	\$ 31,416
Buildings	1,433,503	175,360	-	1,608,863
Machinery, furniture, and equipment	3,510,112	376,739	496,438	3,390,413
Infrastructure	17,879,469	1,311,905	-	19,191,374
	<u>\$ 22,849,980</u>	<u>\$ 1,868,524</u>	<u>\$ 496,438</u>	<u>\$ 24,222,066</u>
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 42,143,851	\$ (1,450,248)	\$ -	\$ 40,693,603
	<u>\$ 43,281,391</u>	<u>\$ (1,441,474)</u>	<u>\$ 58,315</u>	<u>\$ 41,781,602</u>
Governmental Activities				
Capital Assets, Net				

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

General government	\$ 88,175
Public safety	201,553
Highways and streets, including depreciation of infrastructure assets	1,530,489
Human services	8,047
Health	1,068
Sanitation	38,682
Conservation of natural resources	510
	<u>510</u>
Total Depreciation Expense	<u>\$ 1,868,524</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, 2010, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund	\$ 1,393
	Agency funds	911
Total due to General Fund		\$ 2,304
Road and Bridge Special Revenue Fund	General Fund	\$ 163
	Ditch Special Revenue Fund	449,928
	Environmental Special Revenue Fund	226
Total due to Road and Bridge Special Revenue Fund		\$ 450,317
Human Services Special Revenue Fund	General Fund	\$ 1,331
	Public Health Nurse Special Revenue Fund	940
Total due to Human Services Special Revenue Fund		\$ 2,271
Public Health Nurse Special Revenue Fund	Human Services Special Revenue Fund	\$ 8,477
Total Due To/From Other Funds		\$ 463,369

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. Advance From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Special Revenue Fund	\$ 393,386

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

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	Governmental Activities
Accounts	\$ 225,492
Salaries	30,242
Contracts	280,871
Due to other governments	64,366
Total Payables	\$ 600,971

2. Deferred Revenue

Deferred revenue as of December 31, 2010, for the County is as follows:

	Deferred Unavailable	Deferred Unearned
Taxes and special assessments	\$ 1,203,629	\$ -
State-aid highway allotments	1,449,375	-
Charges for services	106,064	-
Grants	179,464	85,849
Interest	10,874	-
Total Deferred Revenue	\$ 2,949,406	\$ 85,849

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Capital Lease

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. Capital leases consist of the following at December 31, 2010:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental activities					
2008 Motor grader	2011	Yearly	\$ 70,816	\$ 193,375	\$ 67,537
2010 Motor grader	2012	Yearly	48,388	139,046	<u>91,396</u>
Total					<u>\$ 158,933</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2011	\$ 119,204
2012	<u>48,388</u>
Total future minimum lease payments	\$ 167,592
Less: amount representing interest	<u>(8,659)</u>
Present Value of Minimum Lease Payments	<u>\$ 158,933</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2010</u>
General obligation bonds					
2005 G.O. Jail Bonds	2021	\$200,000 - \$325,000	3.99	<u>\$ 3,750,000</u>	\$ 2,935,000
Add: unamortized premium					<u>17,059</u>
Total General Obligation Bonds, Net					<u>\$ 2,952,059</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 220,000	\$ 112,372
2012	225,000	104,029
2013	235,000	95,404
2014	245,000	86,097
2015	255,000	76,098
2016 - 2020	1,430,000	216,233
2021	<u>325,000</u>	<u>6,744</u>
Total	<u>\$ 2,935,000</u>	<u>\$ 696,977</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 3,150,000	\$ -	\$ 215,000	\$ 2,935,000	\$ 220,000
Add: Unamortized premium	18,751	-	1,692	17,059	-
Total bonds payable	\$ 3,168,751	\$ -	\$ 216,692	\$ 2,952,059	\$ 220,000
Capital leases	131,948	139,046	112,061	158,933	112,361
Compensated absences	289,320	375,992	381,993	283,319	220,472
OPEB liability	21,977	17,070	-	39,047	-
Total Long-Term Liabilities	\$ 3,611,996	\$ 532,108	\$ 710,746	\$ 3,433,358	\$ 552,833

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 227,085	\$ 225,584	\$ 215,590
Public Employees Police and Fire Fund	47,375	46,440	42,411
Public Employees Correctional Fund	33,735	31,415	31,646

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

B. Defined Contribution Plan

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 932	\$ 932
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Wilkin County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2010, there were 101 participants in the plan, including two retirees and surviving spouses.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 35,590
Interest on net OPEB obligation	989
Adjustment to ARC	<u>(1,320)</u>
Annual OPEB cost (expense)	\$ 35,259
Contributions made	<u>(18,189)</u>
Increase in net OPEB obligation	\$ 17,070
Net OPEB Obligation - Beginning of Year	<u>21,977</u>
Net OPEB Obligation - End of Year	<u>\$ 39,047</u>

The County's annual OPEB cost for December 31, 2010, was \$35,259. The percentage of annual OPEB cost contributed to the plan was 51.6 percent, and the net OPEB obligation for 2010 was \$39,047.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

GASB Statement 45 was adopted effective January 1, 2009. Therefore, disclosure of annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal years ending December 31, 2008, and earlier are not applicable. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2010 are 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, 2009	\$ 35,590	\$ 13,613	38.2%	\$ 21,977
December 31, 2010	35,259	18,189	51.6	39,047

Funded Status and Funding Progress

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

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

**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, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Wilkin County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 8 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2010, was 28 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 \$450,000 per claim in 2010 and 2011. 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 Regional Radio 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, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

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

In the event of dissolution of the Central Minnesota Regional Radio 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. Complete financial information can be obtained from Central Minnesota Regional Radio Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56303.

West Central Area Agency on Aging

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

West Central Area Agency on Aging (Continued)

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.

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

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

Wilkin County Children's Collaborative

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

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Wilkin County Children's Collaborative (Continued)

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 2010, the County did not contribute any funds to the Collaborative.

E. Jointly-Governed Organizations

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

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. §§ 103D.201-.231, effective June 17, 1963, and includes land within Becker, Clay, and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of five members having staggered terms of three years each, with three appointed by the Clay County Board, one appointed by the Becker County Board, and one appointed by the Wilkin County Board.

Western Area City/County Co-Op

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

District IV Transportation Planning

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

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2010, Wilkin County provided \$43,825 in the form of an appropriation.

F. Related Organization

Bois de Sioux Watershed District

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,690,540	\$ 2,690,540	\$ 2,513,461	\$ (177,079)
Licenses and permits	8,750	8,750	13,790	5,040
Intergovernmental	263,875	263,875	500,370	236,495
Charges for services	325,675	325,675	295,782	(29,893)
Fines and forfeits	-	-	16,677	16,677
Investment earnings	125,000	125,000	40,786	(84,214)
Miscellaneous	44,660	44,660	38,478	(6,182)
Total Revenues	\$ 3,458,500	\$ 3,458,500	\$ 3,419,344	\$ (39,156)
Expenditures				
Current				
General government				
Commissioners	\$ 149,287	\$ 149,287	\$ 151,277	\$ (1,990)
County auditor	279,498	279,498	279,534	(36)
County treasurer	196,554	196,554	194,913	1,641
County assessor	233,798	233,798	217,954	15,844
Elections	42,235	42,235	46,021	(3,786)
Accounting and auditing	40,000	40,000	58,355	(18,355)
Data processing	76,400	76,400	72,426	3,974
Attorney	181,239	181,239	170,855	10,384
Law library	-	-	10,640	(10,640)
Recorder	192,507	192,507	192,661	(154)
Planning and zoning	8,500	8,500	6,352	2,148
Buildings and plant	160,467	160,467	146,720	13,747
Veterans service officer	79,333	79,333	76,600	2,733
GIS	13,250	18,923	19,010	(87)
Unallocated	130,113	130,113	158,603	(28,490)
Total general government	\$ 1,783,181	\$ 1,788,854	\$ 1,801,921	\$ (13,067)
Public safety				
Sheriff	\$ 829,081	\$ 829,081	\$ 789,562	\$ 39,519
Coroner	4,800	4,800	4,800	-
E-911 system	-	-	32,352	(32,352)
County jail	495,650	495,650	419,397	76,253
Probation and parole	97,500	97,500	106,247	(8,747)
Civil defense	23,116	23,116	17,415	5,701
Total public safety	\$ 1,450,147	\$ 1,450,147	\$ 1,369,773	\$ 80,374

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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Aging grant	\$ 1,500	\$ 1,500	\$ 1,018	\$ 482
Rural life outreach	3,000	3,000	3,000	-
Total health	\$ 4,500	\$ 4,500	\$ 4,018	\$ 482
Culture and recreation				
Historical society	\$ 9,000	\$ 9,000	\$ 9,000	\$ -
Regional library	43,825	43,825	43,825	-
Celebrations	2,500	2,500	-	2,500
Other	2,000	2,000	2,000	-
Total culture and recreation	\$ 57,325	\$ 57,325	\$ 54,825	\$ 2,500
Conservation of natural resources				
County extension	\$ 99,632	\$ 99,632	\$ 98,021	\$ 1,611
Soil and water conservation	61,000	61,000	61,000	-
Agricultural society/County fair	8,000	8,000	8,000	-
Weed control	8,410	8,410	7,011	1,399
Other conservation	-	-	19,081	(19,081)
Total conservation of natural resources	\$ 177,042	\$ 177,042	\$ 193,113	\$ (16,071)
Total Expenditures	\$ 3,472,195	\$ 3,477,868	\$ 3,423,650	\$ 54,218
Net Change in Fund Balance	\$ (13,695)	\$ (19,368)	\$ (4,306)	\$ 15,062
Fund Balance - January 1	2,744,564	2,744,564	2,744,564	-
Fund Balance - December 31	\$ 2,730,869	\$ 2,725,196	\$ 2,740,258	\$ 15,062

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,217,523	\$ 1,217,523	\$ 1,135,256	\$ (82,267)
Intergovernmental	3,171,177	3,171,177	2,557,650	(613,527)
Charges for services	340,000	340,000	611,986	271,986
Miscellaneous	37,500	37,500	118,385	80,885
Total Revenues	\$ 4,766,200	\$ 4,766,200	\$ 4,423,277	\$ (342,923)
Expenditures				
Current				
Highways and streets				
Administration	\$ 280,515	\$ 280,515	\$ 257,903	\$ 22,612
Maintenance	1,080,660	1,080,660	1,135,440	(54,780)
Construction	2,239,644	2,239,644	1,118,675	1,120,969
Equipment maintenance and shop	880,104	880,104	808,950	71,154
Materials and services for resale	-	-	83,912	(83,912)
Federal disaster	-	-	140,812	(140,812)
Unallocated - highways and streets	285,277	285,277	467,127	(181,850)
Total highways and streets	\$ 4,766,200	\$ 4,766,200	\$ 4,012,819	\$ 753,381
Culture and recreation				
Parks	-	-	9,108	(9,108)
Intergovernmental				
Highways and streets	-	-	293,405	(293,405)
Debt service				
Principal	-	-	112,061	(112,061)
Interest	-	-	7,143	(7,143)
Total Expenditures	\$ 4,766,200	\$ 4,766,200	\$ 4,434,536	\$ 331,664
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (11,259)	\$ (11,259)
Other Financing Sources (Uses)				
Capital lease/installment purchase	-	-	139,046	139,046
Net Change in Fund Balance	\$ -	\$ -	\$ 127,787	\$ 127,787
Fund Balance - January 1	1,237,113	1,237,113	1,237,113	-
Increase (decrease) in reserved for inventories	-	-	41,089	41,089
Fund Balance - December 31	\$ 1,237,113	\$ 1,237,113	\$ 1,405,989	\$ 168,876

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

Page 54

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,383,943	\$ 1,383,943	\$ 1,342,952	\$ (40,991)
Intergovernmental	1,152,261	1,118,511	1,117,273	(1,238)
Charges for services	144,388	144,388	198,977	54,589
Fines and forfeits	-	-	1,120	1,120
Miscellaneous	24,242	24,242	22,290	(1,952)
Total Revenues	\$ 2,704,834	\$ 2,671,084	\$ 2,682,612	\$ 11,528
Expenditures				
Current				
Human services				
Income maintenance	\$ 597,940	\$ 595,940	\$ 556,134	\$ 39,806
Social services	2,106,894	2,017,869	1,548,363	469,506
Total Expenditures	\$ 2,704,834	\$ 2,613,809	\$ 2,104,497	\$ 509,312
Net Change in Fund Balance	\$ -	\$ 57,275	\$ 578,115	\$ 520,840
Fund Balance - January 1	1,274,498	1,274,498	1,274,498	-
Fund Balance - December 31	\$ 1,274,498	\$ 1,331,773	\$ 1,852,613	\$ 520,840

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

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.

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

2. Other Postemployment Benefits

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

Multi-year trend information is not available at this time as Governmental Accounting Standards Board Statement 45 was implemented in 2009.

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SUPPLEMENTARY INFORMATION

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

DEBT SERVICE FUND

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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>Special Revenue (Exhibit B -3)</u>	<u>Courthouse Improvement Debt Service</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 835,764	\$ 109,630	\$ 945,394
Petty cash and change funds	5,000	-	5,000
Undistributed cash in agency funds	5,785	3,992	9,777
Taxes receivable			
Current	2,143	2,334	4,477
Prior	1,421	1,634	3,055
Accounts receivable	33,492	-	33,492
Due from other funds	8,477	-	8,477
Due from other governments	132,711	-	132,711
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,024,793</u>	<u>\$ 117,590</u>	<u>\$ 1,142,383</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 10,834	\$ -	\$ 10,834
Salaries payable	2,703	-	2,703
Due to other funds	1,166	-	1,166
Due to other governments	5,859	-	5,859
Deferred revenue - unavailable	108,350	3,013	111,363
Deferred revenue - unearned	85,849	-	85,849
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 214,761</u>	<u>\$ 3,013</u>	<u>\$ 217,774</u>
 Fund Balances			
Reserved for gravel pit restoration	\$ 18,889	\$ -	\$ 18,889
Unreserved			
Designated for debt service	-	114,577	114,577
Undesignated	791,143	-	791,143
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ 810,032</u>	<u>\$ 114,577</u>	<u>\$ 924,609</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 1,024,793</u>	<u>\$ 117,590</u>	<u>\$ 1,142,383</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Special Revenue (Exhibit B-4)</u>	<u>Courthouse Improvement Debt Service</u>	<u>Total (Exhibit 5)</u>
Revenues			
Taxes	\$ 278,590	\$ 299,860	\$ 578,450
Licenses and permits	200	-	200
Intergovernmental	380,474	24,969	405,443
Charges for services	281,399	-	281,399
Gifts and contributions	364	-	364
Miscellaneous	173,769	-	173,769
Total Revenues	\$ 1,114,796	\$ 324,829	\$ 1,439,625
Expenditures			
Current			
Sanitation	\$ 316,153	\$ -	\$ 316,153
Health	709,745	-	709,745
Conservation of natural resources	25,508	-	25,508
Debt service			
Principal	-	215,000	215,000
Interest	-	120,529	120,529
Administrative - fiscal charges	-	403	403
Total Expenditures	\$ 1,051,406	\$ 335,932	\$ 1,387,338
Net Change in Fund Balance	\$ 63,390	\$ (11,103)	\$ 52,287
Fund Balance - January 1	746,642	125,680	872,322
Fund Balance - December 31	\$ 810,032	\$ 114,577	\$ 924,609

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2010**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Exhibit B-1)</u>
<u>Assets</u>				
Cash and pooled investments	\$ 353,030	\$ 18,335	\$ 464,399	\$ 835,764
Petty cash and change funds	5,000	-	-	5,000
Undistributed cash in agency funds	2,158	-	3,627	5,785
Taxes receivable				
Current	19	-	2,124	2,143
Prior	16	-	1,405	1,421
Accounts receivable	7,907	2,125	23,460	33,492
Due from other funds	-	-	8,477	8,477
Due from other governments	-	-	132,711	132,711
	\$ 368,130	\$ 20,460	\$ 636,203	\$ 1,024,793
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 2,955	\$ -	\$ 7,879	\$ 10,834
Salaries payable	-	-	2,703	2,703
Due to other funds	226	-	940	1,166
Due to other governments	4,288	1,571	-	5,859
Deferred revenue - unavailable	6,047	-	102,303	108,350
Deferred revenue - unearned	85,849	-	-	85,849
	\$ 99,365	\$ 1,571	\$ 113,825	\$ 214,761
 Fund Balances				
Reserved for gravel pit restoration	\$ -	\$ 18,889	\$ -	\$ 18,889
Unreserved				
Undesignated	268,765	-	522,378	791,143
	\$ 268,765	\$ 18,889	\$ 522,378	\$ 810,032
	\$ 368,130	\$ 20,460	\$ 636,203	\$ 1,024,793

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Exhibit B-2)</u>
Revenues				
Taxes	\$ 2,411	\$ 3,859	\$ 272,320	\$ 278,590
Licenses and permits	200	-	-	200
Intergovernmental	119,918	-	260,556	380,474
Charges for services	94,090	-	187,309	281,399
Gifts and contributions	-	-	364	364
Miscellaneous	163,228	-	10,541	173,769
Total Revenues	\$ 379,847	\$ 3,859	\$ 731,090	\$ 1,114,796
Expenditures				
Current				
Sanitation	\$ 316,153	\$ -	\$ -	\$ 316,153
Health	-	-	709,745	709,745
Conservation of natural resources	25,508	-	-	25,508
Total Expenditures	\$ 341,661	\$ -	\$ 709,745	\$ 1,051,406
Net Change in Fund Balance	\$ 38,186	\$ 3,859	\$ 21,345	\$ 63,390
Fund Balance - January 1	230,579	15,030	501,033	746,642
Fund Balance - December 31	\$ 268,765	\$ 18,889	\$ 522,378	\$ 810,032

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-5

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,557	\$ 2,557	\$ 2,411	\$ (146)
Licenses and permits	1,100	1,100	200	(900)
Intergovernmental	98,108	98,108	119,918	21,810
Charges for services	83,000	83,000	94,090	11,090
Miscellaneous	73,060	73,060	163,228	90,168
Total Revenues	\$ 257,825	\$ 257,825	\$ 379,847	\$ 122,022
Expenditures				
Current				
Sanitation				
Solid waste	\$ 213,450	\$ 213,450	\$ 188,581	\$ 24,869
Recycling	87,000	87,000	127,572	(40,572)
Total sanitation	\$ 300,450	\$ 300,450	\$ 316,153	\$ (15,703)
Conservation of natural resources				
Water planning	5,000	5,000	25,508	(20,508)
Total Expenditures	\$ 305,450	\$ 305,450	\$ 341,661	\$ (36,211)
Net Change in Fund Balance	\$ (47,625)	\$ (47,625)	\$ 38,186	\$ 85,811
Fund Balance - January 1	230,579	230,579	230,579	-
Fund Balance - December 31	\$ 182,954	\$ 182,954	\$ 268,765	\$ 85,811

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-6

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 293,673	\$ 293,673	\$ 272,320	\$ (21,353)
Intergovernmental	153,487	153,487	260,556	107,069
Charges for services	283,834	283,834	187,309	(96,525)
Gifts and contributions	-	-	364	364
Miscellaneous	1,050	1,050	10,541	9,491
	<u>1,050</u>	<u>1,050</u>	<u>10,541</u>	<u>9,491</u>
Total Revenues	\$ 732,044	\$ 732,044	\$ 731,090	\$ (954)
Expenditures				
Current				
Health				
Nursing service	732,044	732,044	709,745	22,299
	<u>732,044</u>	<u>732,044</u>	<u>709,745</u>	<u>22,299</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 21,345	\$ 21,345
Fund Balance - January 1	501,033	501,033	501,033	-
	<u>501,033</u>	<u>501,033</u>	<u>501,033</u>	<u>-</u>
Fund Balance - December 31	\$ 501,033	\$ 501,033	\$ 522,378	\$ 21,345
	<u><u>501,033</u></u>	<u><u>501,033</u></u>	<u><u>522,378</u></u>	<u><u>21,345</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 322,596	\$ 322,596	\$ 299,860	\$ (22,736)
Intergovernmental	13,354	13,354	24,969	11,615
Total Revenues	\$ 335,950	\$ 335,950	\$ 324,829	\$ (11,121)
Expenditures				
Debt service				
Principal	\$ 215,000	\$ 215,000	\$ 215,000	\$ -
Interest	120,529	120,529	120,529	-
Administrative (fiscal) charges	421	421	403	18
Total Expenditures	\$ 335,950	\$ 335,950	\$ 335,932	\$ 18
Net Change in Fund Balance	\$ -	\$ -	\$ (11,103)	\$ (11,103)
Fund Balance - January 1	125,680	125,680	125,680	-
Fund Balance - December 31	\$ 125,680	\$ 125,680	\$ 114,577	\$ (11,103)

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FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 55,628	\$ 20,870	\$ 31,269	\$ 45,229
Due from other governments	109	42	109	42
Total Assets	\$ 55,737	\$ 20,912	\$ 31,378	\$ 45,271
<u>Liabilities</u>				
Due to other governments	\$ 55,737	\$ 20,912	\$ 31,378	\$ 45,271
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 10,257	\$ 476,582	\$ 456,471	\$ 30,368
<u>Liabilities</u>				
Due to other funds	\$ 312	\$ 911	\$ 312	\$ 911
Due to other governments	9,945	475,671	456,159	29,457
Total Liabilities	\$ 10,257	\$ 476,582	\$ 456,471	\$ 30,368

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 91,957	\$ 3,709,641	\$ 3,671,211	\$ 130,387
<u>Liabilities</u>				
Due to other governments	\$ 58,421	\$ 3,664,723	\$ 3,637,675	\$ 85,469
Funds held in trust	33,536	44,918	33,536	44,918
Total Liabilities	\$ 91,957	\$ 3,709,641	\$ 3,671,211	\$ 130,387
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 157,842	\$ 4,207,093	\$ 4,158,951	\$ 205,984
Due from other governments	109	42	109	42
Total Assets	\$ 157,951	\$ 4,207,135	\$ 4,159,060	\$ 206,026
<u>Liabilities</u>				
Due to other funds	\$ 312	\$ 911	\$ 312	\$ 911
Due to other governments	124,103	4,161,306	4,125,212	160,197
Funds held in trust	33,536	44,918	33,536	44,918
Total Liabilities	\$ 157,951	\$ 4,207,135	\$ 4,159,060	\$ 206,026

SCHEDULES

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	493,908
Certificates of deposit	Three	1.00 to 3.00	May 6 to December 31, 2011	62,830
Money market savings	Two	Variable	Continuous	3,352,339
Brokerage certificates of deposit	Three	0.41 to 2.35	February 8 to August 19, 2011	368,143
Minnesota Association of Governments Investing for Counties Fund	N/A	Variable	Continuous	1,018,365
Federal National Mortgage Association	Two	2.00 to 2.38	July 27, 2018 to April 5, 2019	697,751
Federal Home Loan Mortgage Corporation	Three	0.05 to 2.00	April 28 to December 24, 2014	<u>598,462</u>
Total Cash and Pooled Investments				<u>\$ 6,599,648</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2010**

	Assets					Total
	Cash	Undistributed Cash	Special Assessments Receivable			
			Current	Delinquent	Deferred	
County Ditches						
1A	\$ 12,037	\$ -	\$ -	\$ -	\$ 47,447	\$ 59,484
1A - new	6,028	-	-	-	18,001	24,029
1B	15,189	2,066	-	-	77,533	94,788
1B - new	6,684	-	-	-	18,000	24,684
1C	1,453	479	62	-	12,000	13,994
2	104,548	-	23	-	72,000	176,571
3	15,436	-	-	20	130,001	145,457
4	2,511	436	-	-	10,001	12,948
6	51,990	1,099	267	-	85,002	138,358
7	3,404	-	-	-	7,001	10,405
12	5,596	-	-	19	5,000	10,615
15	5,279	-	-	-	5,001	10,280
23	76,072	1,223	14	-	180,000	257,309
27	654	32	-	-	5,000	5,686
28	3,803	456	1	-	5,000	9,260
29	4,939	4,185	-	-	44,391	53,515
31	7,145	-	-	-	75,001	82,146
34	1,141	-	-	-	15,000	16,141
37	184,821	-	-	-	145,001	329,822
Bois de Sioux Watershed						
8	-	-	-	-	8,841	8,841
9	-	37	56	-	2,801	2,894
20	-	183	94	-	-	277
25	-	311	9	9	13,200	13,529
35	-	-	-	-	2,600	2,600
39	-	1,194	-	-	6,600	7,794
Buffalo-Red River Watershed						
5	-	-	-	-	5,001	5,001
13	-	-	-	-	25,002	25,002
22	-	53	-	-	19,999	20,052
26	-	-	-	-	2,000	2,000
40	-	348	9	5	-	362
41	-	194	15	-	15,000	15,209
43	-	139	87	1	-	227
44	-	-	-	-	25,001	25,001
Joint Ditches						
County						
J-2	23,152	-	-	-	10,000	33,152
Bois de Sioux Watershed						
J-6	-	36	-	-	4,425	4,461
J-7	-	7	-	-	5,069	5,076
J-11	-	222	1	-	10,907	11,130
J-12	-	-	-	-	10,318	10,318
Buffalo-Red River Watershed						
J-1	-	786	483	-	17,060	18,329
J-1 Br 4	-	-	-	-	2,501	2,501
Total	\$ 531,882	\$ 13,486	\$ 1,121	\$ 54	\$ 1,142,705	\$ 1,689,248

EXHIBIT D-2

						Liabilities			
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Advance from Other Funds	Total	Fund Balances	Total Liabilities and Fund Balances		
\$ 5,847	\$ 9,704	\$ -	\$ 47,447	\$ 53,507	\$ 116,505	\$ (57,021)	\$ 59,484		
-	370	-	18,001	8,500	26,871	(2,842)	24,029		
4,910	8,056	-	77,533	78,397	168,896	(74,108)	94,788		
-	331	-	18,000	8,500	26,831	(2,147)	24,684		
-	1,253	-	12,000	2,700	15,953	(1,959)	13,994		
-	103,742	-	72,000	56,000	231,742	(55,171)	176,571		
-	10,476	-	130,021	12,000	152,497	(7,040)	145,457		
-	1,870	-	10,001	500	12,371	577	12,948		
-	42,756	-	85,268	-	128,024	10,334	138,358		
-	510	-	7,001	-	7,511	2,894	10,405		
-	390	-	5,019	-	5,409	5,206	10,615		
-	-	-	5,001	-	5,001	5,279	10,280		
-	75,628	-	180,000	27,000	282,628	(25,319)	257,309		
-	962	-	5,000	-	5,962	(276)	5,686		
-	366	-	5,002	-	5,368	3,892	9,260		
-	3,094	-	44,391	17,282	64,767	(11,252)	53,515		
-	1,753	-	75,001	-	76,754	5,392	82,146		
-	995	-	15,000	5,000	20,995	(4,854)	16,141		
-	184,639	-	145,001	124,000	453,640	(123,818)	329,822		
-	-	-	8,841	-	8,841	-	8,841		
-	-	37	2,827	-	2,864	30	2,894		
-	-	183	-	-	183	94	277		
-	-	311	13,218	-	13,529	-	13,529		
-	-	-	2,600	-	2,600	-	2,600		
-	-	1,194	6,600	-	7,794	-	7,794		
-	-	-	5,001	-	5,001	-	5,001		
-	-	-	25,002	-	25,002	-	25,002		
-	-	53	19,999	-	20,052	-	20,052		
-	-	-	2,000	-	2,000	-	2,000		
-	-	348	-	-	348	14	362		
-	-	194	15,001	-	15,195	14	15,209		
-	-	139	1	-	140	87	227		
-	-	-	25,001	-	25,001	-	25,001		
-	3,033	-	10,000	-	13,033	20,119	33,152		
-	-	36	4,425	-	4,461	-	4,461		
-	-	7	5,069	-	5,076	-	5,076		
-	-	222	10,908	-	11,130	-	11,130		
-	-	-	10,318	-	10,318	-	10,318		
-	-	786	17,543	-	18,329	-	18,329		
-	-	-	2,501	-	2,501	-	2,501		
\$ 10,757	\$ 449,928	\$ 3,510	\$ 1,143,542	\$ 393,386	\$ 2,001,123	\$ (311,875)	\$ 1,689,248		

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Funds</u>
Shared Revenue	
State	
Highway users tax	\$ 2,241,655
County program aid	98,425
PERA rate reimbursement	14,876
Disparity reduction credit	53,462
Police aid	39,159
Market value credit	253,624
Market value credit - MH	2,724
Disparity reduction aid	10,351
Border cities reimbursement	10,499
	<u>10,499</u>
Total shared revenue	\$ 2,724,775
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 163,394
	<u>163,394</u>
Payments	
Local	
Other contributions	\$ 500
Otto Bremer Grant	33,800
Payments in lieu of taxes	30,725
	<u>30,725</u>
Total payments	\$ 65,025
Grants	
State	
Minnesota Department/Board of	
Corrections	\$ 11,960
Public Safety	138,459
Health	75,150
Natural Resources	86
Human Services	336,030
Veterans Affairs	1,255
Transportation	83,223
Water and Soil Resources	63,395
Pollution Control Agency	55,950
Peace Officer Standards and Training Board	1,792
	<u>1,792</u>
Total state	\$ 767,300

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Funds</u>
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 84,684
Commerce	60,271
Health and Human Services	586,149
Homeland Security	124,216
Transportation	4,922
	<hr/>
Total federal	\$ 860,242
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Total state and federal grants	\$ 1,627,542
	<hr/>
Total Intergovernmental Revenue	\$ 4,580,736
	<hr/> <hr/>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT D-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 47,365
Passed Through Minnesota Department of Human Services Supplemental Nutrition Assistance Program (SNAP) Cluster State Administrative Matching Grants for SNAP	10.561	36,365
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>1,258</u>
Total U.S. Department of Agriculture		<u>\$ 84,988</u>
U.S. Department of Commerce		
Passed Through Minnesota Department of Public Safety and City of St. Cloud Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 60,271</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	\$ 2,511
Occupant Protection Incentive Grants	20.602	1,540
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>871</u>
Total U.S. Department of Transportation		<u>\$ 4,922</u>
U.S. Department of Health and Human Services		
Direct Drug-Free Communities Support Program Grants	93.276	\$ 86,671
Passed Through Minnesota Department of Health and West Central Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	15,250
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services Public Health Emergency Preparedness Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.069	16,973
Temporary Assistance for Needy Families (TANF)	93.283	7,460
Immunization - ARRA	93.558	864
Maternal and Child Health Services Block Grant to the States	93.712	1,272
	93.994	3,782

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	4,764
Temporary Assistance for Needy Families (TANF)	93.558	88,631
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	160,218
Child Support Enforcement - ARRA	93.563	10,686
Refugee and Entrant Assistance - State-Administered Programs	93.566	42
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	3,328
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	7,947
Foster Care Title IV-E - ARRA	93.658	3,087
Social Services Block Grant	93.667	59,477
Chafee Foster Care Independence Program	93.674	5,301
Children's Health Insurance Program	93.767	48
Medical Assistance Program	93.778	128,463
Total U.S. Department of Health and Human Services		\$ 604,264
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 150,794
Emergency Management Performance Grants	97.042	5,876
Passed Through Minnesota Department of Public Safety and City of St. Cloud		
Homeland Security Grant Program	97.067	1,038
Passed Through Minnesota Department of Public Safety and West Central Minnesota EMS Corporation		
Homeland Security Grant Program	97.067	29,433
Total U.S. Department of Homeland Security		\$ 187,141
Total Federal Awards		\$ 941,586

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Wilkin County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wilkin County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 860,242
Grants received more than 60 days after year-end, deferred in 2010	
Special Supplemental Nutrition Program for Women, Infants, and Children	2,417
Centers for Disease Control and Prevention - Investigations and Technical Assistance	3,794
Immunization Grants - ARRA	160
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	110,775
Drug Free Community Support	24,604
Grants deferred in 2009, recognized in 2010	
Special Supplemental Nutrition Program for Women, Infants, and Children	(2,113)
Centers for Disease Control and Prevention - Investigations and Technical Assistance	(10,198)
Temporary Assistance for Needy Families	(245)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(35,165)
Emergency Management Performance Grants	(12,685)
	(12,685)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 941,586

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Subrecipients

Wilkin County did not pass any federal awards through to subrecipients in 2010.

6. American Recovery and Reinvestment Act

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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Wilkin County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Wilkin County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Wilkin County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Wilkin County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Medical Assistance Program	CFDA #93.778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA #97.036

- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wilkin County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-4 Segregation of Duties

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

Without proper segregation of duties, errors or irregularities may not be detected timely.

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

Client's Response:

The Wilkin County Commission is aware of the risk and is prepared to assume those risks, as total compliance is not economically feasible for the County.

06-1 Preparation of Financial Statements

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

Wilkin County has established controls and procedures for recording, processing, and summarizing its accounting data used in the preparation of its financial statements. The County provides a modified accrual general ledger and other supporting schedules used for the preparation of the fund level and government-wide financial statements, but relies on its external auditors for the preparation of the basic financial statements, including notes to the financial statements. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control.

We recommend Wilkin County continue to obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP.

Client's Response:

The County is considering the recommendation.

07-1 Audit Adjustments

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.

During our audit, we identified adjustments in the Environmental Special Revenue Fund to defer a Clean Water Legacy Grant in the amount of \$49,724 and a Natural Resources Block Grant in the amount of \$36,125. These grants were received in 2010 but not earned until 2011.

An adjustment was identified in the Road and Bridge Special Revenue Fund reducing charges for services revenue and highways and streets expenditures by \$339,267. Payments relating to ditch contracts were made through the Road and Bridge Special Revenue Fund and were subsequently reimbursed by the Ditch Special Revenue Fund.

We also identified an adjustment in the Ditch Special Revenue Fund to correct a reversal entry made in error. The original entry was made to reclassify \$309,000 of advances from other funds originally posted as transfers in. The reversing entry, if left uncorrected, would have resulted in the underreporting of advances from other funds and overreporting of transfers in.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements.

We recommend the County establish review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

Client's Response:

The County will continue to work toward complying with the recommendations.

08-1 Documenting and Monitoring Internal Controls

County 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. Although the County may informally assess risks and adjust internal control procedures to address those risks, there are no formal procedures or documentation of those procedures in place.

At a minimum, the following significant internal control areas should be documented:

- cash and investment activities;
- capital assets (capitalization process and related depreciation);
- major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items);
- expenditure/expense processing;
- payroll; and
- inventories.

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

Client's Response:

The County will begin documenting the monitoring of its internal controls.

08-2 Gravel Stockpile Inventory

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

The County's gravel stockpiles are located at several locations. The valuation for each stockpile is the purchase price of the gravel plus any internal labor or equipment costs associated with the gravel stockpiles, less the loads charged to the project based on haul sheets.

The effect of not taking an inventory of the gravel stockpiles is an increased risk that the inventory reported may be misstated.

To improve control over gravel stockpile inventory, gravel should be periodically measured and compared to the costing system. This comparison would ensure that errors are detected timely and that haul sheets are filled out correctly and on a regular basis.

We recommend the County implement procedures to measure the gravel stockpiles and compare the quantity to the inventory system at least once a year. If the measurement is significantly different from the inventory system, the system should be adjusted to the actual measurement.

ITEM ARISING THIS YEAR

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

The Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Auditee Responsibilities*, subpart C § .300, requires, "The auditee shall (a) identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (d) prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with subpart C § .310."

Wilkin County does not prepare a SEFA, nor does it adequately identify federal programs by amount received and expended, federal grantor agency, pass-through agency, and Catalog of Federal Domestic Assistance (CFDA) title and number as required under OMB Circular A-133.

This condition results in a deficiency in internal control over financial statement preparation and the reporting of federal financial assistance by the County. Since the County has not developed procedures for properly identifying all federal financial assistance, the County relies on its auditors for assistance with preparing the SEFA. Independent auditors cannot be considered part of the County's internal control over financial reporting.

We recommend that Wilkin County management develop a process, including written procedures, which will allow staff to adequately identify federal revenues and accumulate the information needed to prepare the SEFA. Specific measures could include having departments informing accounting/finance when they have received a grant award, holding in suspense accounts until properly identified as to nature and source any intergovernmental revenue receipts, and comparison of the prior year SEFA to the current year. For each federal award identified, the County should determine the correct program CFDA title and number, award number and year, federal grantor agency, pass-through agency, amount received and expended, and whether American Recovery and Reinvestment Act funding is involved. The federal CFDA website is available to assist in this process. Those responsible for compiling the SEFA should obtain the training necessary (through courses or reference materials) to understand the components of the SEFA and properly gather the correct information and maintain supporting documentation. The County should also reconcile the SEFA amounts to the general ledger and financial statements.

Client's Response:

The County will work toward gathering the necessary information to prepare a SEFA.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Forfeited Land Sale Distribution (07-3)

Wilkin County had not distributed the net collections on forfeited land sales for 2003, 2004, 2005, 2007, and 2008. The net cash balance from forfeited land sales at December 31, 2009, was \$55,307. There were no revenues from forfeited land sales in 2006 or 2009.

Resolution

Wilkin County settled the December 31, 2009, balance of the net proceeds from forfeited land sales along with its October 2010 settlement.

Acceptance of Donation (09-1)

On August 27, 2009, the County received a \$600 donation from the Red River Sportsmen’s Club for the purchase of trees for the County park. A resolution by the Board approving the acceptance of the donation, including the terms prescribed by the donor, could not be located in the official minutes as required by Minn. Stat § 465.03.

Resolution

No donations requiring acceptance by resolution were noted in 2010.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

09-2 Ditch Fund Balance Deficits

Twelve of the 40 individual ditch systems had deficit unreserved, undesignated fund balances as of December 31, 2010, totaling \$365,807, the largest being \$123,818. These 12 ditch deficits, combined with the remaining ditch systems, leave the Ditch Special Revenue Fund with a total deficit fund balance of \$311,875. Eleven of the ditch systems have sufficient levies to cover the deficits; however, one ditch system does not.

As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend that the County eliminate the ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client’s Response:

The County has changed the method for ditch assessments to allow an accumulation of funds to eliminate deficit balances.

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Wilkin County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of County Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
 - if yes, the fund may continue to be classified as a special revenue fund;
 - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf.



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

Board of County Commissioners
Wilkin County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-4, 06-1, 08-1, 08-2, and 10-1 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe this recommendation and other information to be of benefit to Wilkin County, and they are reported for that purpose.

Wilkin County's written responses to the internal control and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 12, 2011

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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

Board of County Commissioners
Wilkin County

Compliance

We have audited Wilkin County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Wilkin County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Wilkin County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

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

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 12, 2011