

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

WILKIN COUNTY
BRECKENRIDGE, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 700 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, 2015



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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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BRECKENRIDGE, MINNESOTA**

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BRECKENRIDGE, MINNESOTA**

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2015**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	John Blaufuss	January 2017
2nd District	Stephanie Miranowski	January 2019
3rd District	Lyle E. Hovland	January 2017
4th District	Neal Folstad	January 2019
5th District	Robert Perry ¹	January 2017
Officials		
Elected		
Attorney	Timothy Fox	January 2019
Auditor-Treasurer	Janelle Krump	January 2019
County Recorder	Renae Niemi	January 2019
Registrar of Titles	Renae Niemi	January 2019
Sheriff	Rick Fiedler	January 2019
Appointed		
Assessor	Cheryl Wall	July 2016
Highway Engineer (Interim)	Brian Noetzelman	Indefinite
Medical Examiner	Dr. Gregory A. Smith	Indefinite
Veterans Service Officer	Ron Verhaagen	December 2015
Family Services Director	Dave Sayler	Indefinite
Emergency Management Officer	Breanna Koval	Indefinite

¹Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wilkin County
Breckenridge, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2016, on our consideration of Wilkin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wilkin County's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 23, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(Unaudited)**

Wilkin County's Management and Discussion and Analysis (MD&A) provides an overview of financial activities for the fiscal year ended December 31, 2015. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position totals \$51,693,299 for the year ended December 31, 2015. Net investment in capital assets represents \$44,460,307 of the total, \$1,636,083 is restricted to specific purposes/uses, and \$5,596,909 is unrestricted.
- Wilkin County's net position increased by \$188,417 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the restatement can be found in Note 1.E.
- The net cost of Wilkin County's governmental activities for the year ended December 31, 2015, was \$6,455,037. The net cost was funded by general revenues of \$7,663,408.
- The Wilkin County Board of Commissioners approved the transfer of the County Ditch Systems to the Buffalo-Red River and Bois de Sioux Watershed Districts. The net position of the ditches transferred was \$1,019,954 and is reported on the financial statement as a special item.
- Wilkin County's fund balances of the governmental funds decreased by \$3,113,290 in 2015. This net decrease consisted of a \$59,511 decrease in the General Fund, a decrease of \$2,430,458 in the Road and Bridge Special Revenue Fund, a decrease of \$153,127 in the Human Services Special Revenue Fund, and a \$470,194 decrease in Other Governmental Funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Level Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at the end of the year available for spending. Such information may be useful in evaluating a government's near-term financial requirements.

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

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

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

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

Notes to the Financial Statements

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

Other Information

Other information is provided as supplementary information regarding Wilkin County’s budgeted funds, deposits and investments, intergovernmental revenues, and federal award programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County’s financial position. Wilkin County’s assets exceeded liabilities by \$51,693,299 at the close of 2015. The largest portion of the County’s net position (86 percent) reflects the County’s investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets. However, it should be noted that these assets are not for future spending or for liquidating any remaining debt.

	Net Position	
	<u>2015</u>	<u>2014</u>
Assets		
Current and other assets	\$ 12,648,189	\$ 15,050,481
Capital assets	<u>46,253,099</u>	<u>42,906,954</u>
Total Assets	<u>\$ 58,901,288</u>	<u>\$ 57,957,435</u>
Deferred Outflows of Resources		
Deferred pension outflows	<u>\$ 610,208</u>	<u>\$ -</u>

	<u>2015</u>	<u>2014</u>
Liabilities		
Long-term liabilities	\$ 5,893,627	\$ 2,443,348
Other liabilities	<u>1,501,985</u>	<u>591,434</u>
Total Liabilities	<u>\$ 7,395,612</u>	<u>\$ 3,034,782</u>
Deferred Inflows of Resources		
Deferred pension inflows	<u>\$ 422,585</u>	<u>\$ -</u>
Net Position		
Net investment in capital assets	\$ 44,460,307	\$ 40,834,760
Restricted	1,636,083	4,385,762
Unrestricted	<u>5,596,909</u>	<u>9,702,131</u>
Total Net Position, as reported	<u>\$ 51,693,299</u>	\$ 54,922,653
Change in accounting principle*		<u>(3,417,771)</u>
Total Net Position, as restated		<u>\$ 51,504,882</u>

*This is the first year the County implemented the new pension accounting and financial reporting standards, GASB Statements 68 and 71. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

The unrestricted net position amount of \$5,596,909 as of December 31, 2015, may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements, was 10.83 percent of the net position.

Governmental Activities

Wilkin County's activities increased net position during 2015 by 3.66 percent. The net position for 2015 was \$51,693,299 compared to \$51,504,882 in 2014, after the restatement for GASB Statements 68 and 71. Key elements in this increase in net position are as follows.

Changes in Net Position

	2015	2014
Revenues		
Program revenues		
Charges for services	\$ 1,790,234	\$ 2,175,739
Operating grants and contributions	5,927,583	5,984,151
Capital grants and contributions	548,270	-
General revenues		
Property taxes	7,025,348	7,054,637
Other taxes	22,908	18,103
Grants and contributions not restricted	461,197	424,132
Other general revenues	153,955	167,648
	<u>\$ 15,929,495</u>	<u>\$ 15,824,410</u>
Expenses		
Program expenses		
General government	\$ 2,446,161	\$ 2,249,407
Public safety	2,010,814	2,208,181
Highways and streets	6,221,948	4,641,057
Sanitation	320,294	356,261
Human services	2,474,218	2,201,279
Health	927,702	832,110
Culture and recreation	70,029	71,067
Conservation of natural resources	221,585	565,410
Economic development	2,000	2,000
Interest	26,373	27,837
	<u>\$ 14,721,124</u>	<u>\$ 13,154,609</u>
Special item - transfer ditch funds to watershed districts	1,019,954	-
	<u>\$ 15,741,079</u>	<u>\$ 13,154,609</u>
Increase in Net Position	\$ 188,417	\$ 2,669,801
Net Position - January 1, as restated	<u>51,504,882</u> *	<u>52,252,852</u>
Net Position - December 31, as reported	<u>\$ 51,693,299</u>	<u>\$ 54,922,653</u>

*Amount includes a change in accounting principles.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,707,149, a decrease of \$3,113,290 in comparison with the prior year. Of the ending fund balance, \$8,967,881 represents unrestricted (committed, assigned, and unassigned) fund balance, which is available for spending at the County's discretion. The remainder of fund balance is non-spendable or restricted to indicate that it is not available for new spending because it has already been restricted for various reasons either by state law, grant agreements, or bond covenants, or is nonspendable.

The General Fund is a main operating fund for the County. At the end of the current fiscal year, it had an unrestricted fund balance of \$2,023,433. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 42.9 percent of total General Fund expenditures. In 2015, ending fund balance in the General Fund decreased by \$59,511 due to excess expenditures over revenues of \$59,511.

The Road and Bridge Special Revenue Fund's unrestricted fund balance of \$2,432,243 at year-end represents 26.0 percent of expenditures. The ending fund balance decreased \$2,430,458 during 2015, which was a planned reduction due to projects funded in prior years that were nearing completion in 2015.

The Human Services Special Revenue Fund's unrestricted fund balance of \$3,247,635 at year-end represents 130.9 percent of the fund's annual expenditures. The ending fund balance decreased \$153,127 during 2015, which was a planned reduction due to a lower levy amount in order to spend down excess funds.

All Other Governmental Funds' unrestricted fund balance of \$1,264,570 at year-end represents 80.2 percent of the funds' annual expenditures. The ending fund balances decreased \$470,194 during 2015.

Governmental Activities

The County's total revenues were \$15,929,495. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2015.

Table 1
Total County Revenues

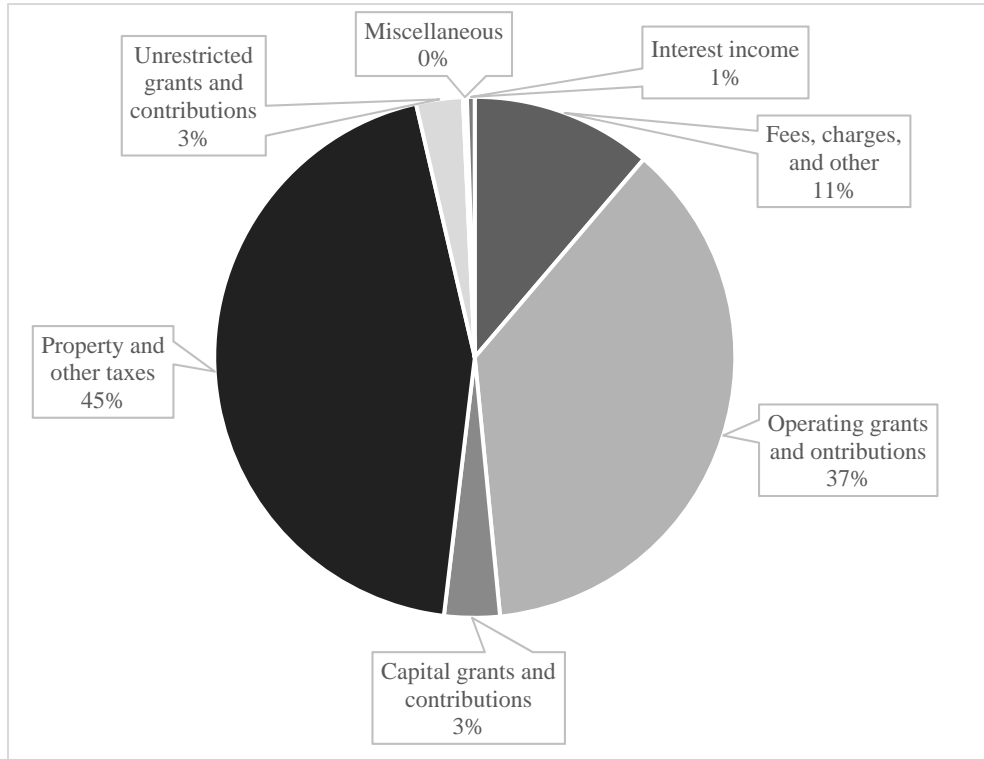


Table 2 presents the cost and revenue of each program, as well as the County's general revenues.

Total program and general revenues for the County were \$15,929,495, while total expenses were \$14,721,124 and special item, ditch transfer to watershed, was \$1,019,954. This reflects a \$188,417 increase in net position for the year ended December 31, 2015, after the restatement for GASB Statements 68 and 71.

Table 2
General Revenues, Program Revenues, and Expenses

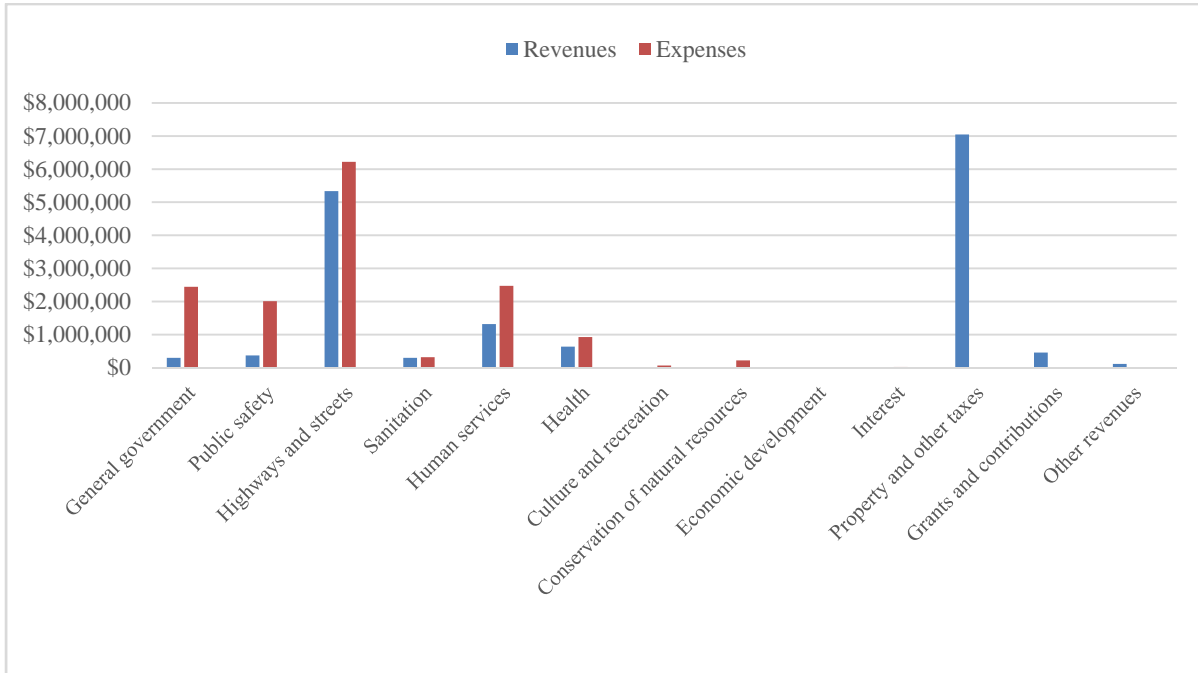


Table 3 presents the cost of each of the County’s four largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015
General government	\$ 2,446,161	\$ 2,146,125
Public safety	2,010,814	1,639,905
Highways and streets	6,221,948	884,659
Human services	2,474,218	1,156,303
All others	1,567,983	628,045
Totals	\$ 14,721,124	\$ 6,455,037

General Fund Budgetary Highlights

The Wilkin County Board of Commissioners, over the course of the year, may amend/revise the County's budget. These budget amendments usually will fall into one of two categories: new information changing original budget estimations and greater than anticipated revenues or costs. During 2015, the County did not make any significant budgetary amendments/revisions.

Actual revenues were greater than budgeted revenues by \$417,806, primarily due to intergovernmental transactions.

Actual expenditures were less than budgeted expenditures by \$53,157.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Wilkin County's capital assets for its governmental activities at December 31, 2015, totaled \$46,253,099 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investments in capital assets increased \$3,346,145, or 7.8 percent, from the previous year.

	Governmental Capital Assets (Net of Depreciation)	
	2015	2014
Land	\$ 1,185,189	\$ 1,013,537
Infrastructure	36,228,950	31,714,235
Buildings	5,561,774	5,419,538
Improvements other than buildings	107,345	119,288
Machinery and equipment	2,031,077	2,086,290
Software	162,173	175,687
Construction in progress	976,591	2,378,379
Total	<u>\$ 46,253,099</u>	<u>\$ 42,906,954</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$1,745,000.

	<u>2015</u>	<u>2014</u>
General obligation refunding bonds	<u>\$ 1,745,000</u>	<u>\$ 2,015,000</u>

The County debt related to general obligation bonds decreased by \$270,000 during the fiscal year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Wilkin County's elected and appointed officials considered many factors when setting the 2016 budget and tax levy. These factors include state aid levels, increasing input costs, appropriate fund balances, being mindful of the burden on county taxpayers, and a need to provide a certain level of services to Wilkin County residents/taxpayers.

- The unemployment rate for Wilkin County at the end of 2015 was 3.0 percent. This compares favorably with the state unemployment rate of 3.7 percent and shows a decrease of 0.1 percent rate from one year ago.
- The County's expenditures for 2016 are budgeted to decrease 22.0 percent (\$4,003,610) over the 2015 original budget. The 2016 anticipated revenues, other than tax levy, state aid and special assessments, are budgeted to decrease 43.0 percent (\$4,237,192) over the 2015 original budget.
- The net tax levy (the amount spread to taxpayers) increased 2.38 percent (\$172,022) from 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Wilkin County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to: Wilkin County Auditor-Treasurer, Janelle Krump, Wilkin County Courthouse, 300 South 5th Street, P. O. Box, 409, Breckenridge, Minnesota 56520.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Assets

Cash and pooled investments	\$	10,492,743
Taxes receivable - prior		42,862
Accounts receivable - net		95,094
Accrued interest receivable		16,502
Due from other governments		1,782,129
Inventories		218,859
Capital assets		
Non-depreciable		2,161,780
Depreciable - net of accumulated depreciation		44,091,319
		\$ 58,901,288
Total Assets	\$	58,901,288

Deferred Outflows of Resources

Deferred pension outflows	\$	610,208
		\$ 610,208

Liabilities

Accounts payable	\$	244,019
Salaries payable		32,896
Contracts payable		379,157
Due to other governments		177,119
Accrued interest payable		14,542
Unearned revenue		50,295
Advance from other governments		603,957
Long-term liabilities		
Due within one year		518,654
Due in more than one year		1,579,487
Other postemployment benefits		77,818
Net pension liability		3,717,668
		\$ 7,395,612
Total Liabilities	\$	7,395,612

Deferred Inflows of Resources

Deferred pension inflows	\$	422,585
		\$ 422,585

Net Position

Net investment in capital assets	\$	44,460,307
Restricted for		
General government		207,286
Public safety		22,465
Highways and streets		1,302,728
Economic development		100,000
Held in trust for other purposes		3,604
Unrestricted		5,596,909
		\$ 51,693,299
Total Net Position	\$	51,693,299

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Revenues			Net (Expense)	
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 2,446,161	\$ 244,029	\$ 56,007	\$ -	\$ (2,146,125)
Public safety	2,010,814	231,009	139,900	-	(1,639,905)
Highways and streets	6,221,948	615,327	4,173,692	548,270	(884,659)
Sanitation	320,294	175,204	126,434	-	(18,656)
Human services	2,474,218	247,312	1,070,603	-	(1,156,303)
Health	927,702	277,053	360,947	-	(289,702)
Culture and recreation	70,029	-	-	-	(70,029)
Conservation of natural resources	221,585	-	-	-	(221,585)
Economic development	2,000	-	-	-	(2,000)
Interest	26,373	300	-	-	(26,073)
Total Governmental Activities	\$ 14,721,124	\$ 1,790,234	\$ 5,927,583	\$ 548,270	\$ (6,455,037)
General Revenues					
Property taxes				\$ 7,025,348	
Gravel taxes				22,908	
Payments in lieu of tax				37,593	
Grants and contributions not restricted to specific programs				461,197	
Investment income				77,142	
Miscellaneous				39,220	
Special Item					
Ditch transfer to watershed					(1,019,954)
Total general revenues and special item					\$ 6,643,454
Change in net position					\$ 188,417
Net Position - Beginning, as restated (Note 1.E.)					51,504,882
Net Position - Ending					\$ 51,693,299

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and pooled investments	\$ 2,416,687	\$ 3,207,186	\$ 3,317,696	\$ 1,400,309	\$ 10,341,878
Petty cash and change funds	2,750	100	-	5,000	7,850
Undistributed cash in agency funds	75,878	34,374	17,843	14,920	143,015
Taxes receivable - prior	20,856	10,866	7,042	4,098	42,862
Accounts receivable	26,784	4,482	2,422	61,406	95,094
Accrued interest receivable	16,502	-	-	-	16,502
Due from other funds	13,147	358	1,217	44,919	59,641
Due from other governments	21,049	1,567,890	111,423	81,256	1,781,618
Inventories	-	218,859	-	-	218,859
Total Assets	\$ 2,593,653	\$ 5,044,115	\$ 3,457,643	\$ 1,611,908	\$ 12,707,319
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 99,126	\$ 51,624	\$ 79,341	\$ 13,928	\$ 244,019
Salaries payable	13,150	5,237	6,959	7,550	32,896
Contracts payable	-	379,157	-	-	379,157
Due to other funds	1,169	777	57,028	156	59,130
Due to other governments	103,143	4,103	61,383	8,490	177,119
Unearned revenues	-	-	-	50,295	50,295
Advance from other governments	-	603,957	-	-	603,957
Total Liabilities	\$ 216,588	\$ 1,044,855	\$ 204,711	\$ 80,419	\$ 1,546,573
Deferred Inflows of Resources					
Unavailable revenues	\$ 20,277	\$ 1,348,158	\$ 5,297	\$ 79,865	\$ 1,453,597

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
(Continued)					
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 218,859	\$ -	\$ -	\$ 218,859
Missing heirs	3,604	-	-	-	3,604
Restricted					
Debt service	-	-	-	181,390	181,390
Law library	33,998	-	-	-	33,998
Recorder's technology equipment	65,697	-	-	-	65,697
Real estate tax shortfall	21,330	-	-	-	21,330
Enhanced 911	22,465	-	-	-	22,465
Recorder's compliance fund	86,261	-	-	-	86,261
Economic development	100,000	-	-	-	100,000
Gravel pit restoration	-	-	-	5,664	5,664
Committed					
Future aggregate	-	256,750	-	-	256,750
Assigned					
Subsequent year's appropriated budget	603,000	-	-	-	603,000
Highways and streets	-	2,175,493	-	-	2,175,493
Human services	-	-	3,247,635	-	3,247,635
Sanitation	-	-	-	230,267	230,267
Public health	-	-	-	1,034,303	1,034,303
Unassigned	1,420,433	-	-	-	1,420,433
Total Fund Balances	\$ 2,356,788	\$ 2,651,102	\$ 3,247,635	\$ 1,451,624	\$ 9,707,149
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,593,653	\$ 5,044,115	\$ 3,457,643	\$ 1,611,908	\$ 12,707,319

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balances - total governmental funds (Exhibit 3)		\$	9,707,149
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.			46,253,099
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.			610,208
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			1,453,597
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
General obligation bonds	\$	(1,745,000)	
Bond premium		(47,792)	
Accrued interest payable		(14,542)	
Compensated absences		(305,349)	
Net OPEB liability		(77,818)	
Net pension liability		<u>(3,717,668)</u>	(5,908,169)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.			<u>(422,585)</u>
Net Position of Governmental Activities (Exhibit 1)			<u><u>\$ 51,693,299</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 3,590,130	\$ 1,848,910	\$ 950,620	\$ 661,312	\$ 7,050,972
Licenses and permits	7,444	-	-	1,650	9,094
Intergovernmental	477,140	4,555,993	1,130,127	548,674	6,711,934
Charges for services	394,536	544,526	219,634	311,972	1,470,668
Fines and forfeits	9,135	-	-	-	9,135
Gifts and contributions	-	-	-	11,750	11,750
Investment earnings	81,084	-	3	-	81,087
Miscellaneous	103,143	61,533	27,675	115,614	307,965
Total Revenues	\$ 4,662,612	\$ 7,010,962	\$ 2,328,059	\$ 1,650,972	\$ 15,652,605
Expenditures					
Current					
General government	\$ 2,450,313	\$ -	\$ -	\$ -	\$ 2,450,313
Public safety	1,986,704	-	-	-	1,986,704
Highways and streets	-	8,966,433	-	-	8,966,433
Sanitation	-	-	-	336,448	336,448
Human services	-	-	2,481,186	-	2,481,186
Health	2,087	-	-	920,028	922,115
Culture and recreation	66,118	1,918	-	-	68,036
Conservation of natural resources	214,901	-	-	11,714	226,615
Economic development	2,000	-	-	-	2,000
Intergovernmental					
Highways and streets	-	377,847	-	-	377,847
Debt service					
Principal	-	-	-	270,000	270,000
Interest	-	-	-	37,600	37,600
Administrative (fiscal) charges	-	-	-	425	425
Total Expenditures	\$ 4,722,123	\$ 9,346,198	\$ 2,481,186	\$ 1,576,215	\$ 18,125,722

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Excess of Revenues Over (Under) Expenditures	\$ (59,511)	\$ (2,335,236)	\$ (153,127)	\$ 74,757	\$ (2,473,117)
Special Item					
Ditch transfer to watershed	-	-	-	(544,951)	(544,951)
Change in Fund Balances	\$ (59,511)	\$ (2,335,236)	\$ (153,127)	\$ (470,194)	\$ (3,018,068)
Fund Balances - January 1	2,416,299	5,081,560	3,400,762	1,921,818	12,820,439
Increase (decrease) in inventories	-	(95,222)	-	-	(95,222)
Fund Balances - December 31	<u>\$ 2,356,788</u>	<u>\$ 2,651,102</u>	<u>\$ 3,247,635</u>	<u>\$ 1,451,624</u>	<u>\$ 9,707,149</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, 2015**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (3,018,068)

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

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

Unavailable revenue - December 31	\$ 1,453,597	
Unavailable revenue - January 1	<u>(1,655,400)</u>	(201,803)

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	\$ 5,548,074	
Current year depreciation	<u>(2,201,929)</u>	3,346,145

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

General obligation bonds		270,000
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Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

9,402

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

Change in accrued interest payable	\$ 2,250	
Change in compensated absences	2,938	
Change in net OPEB liability	(14,951)	
Change in net pension liability, as restated	(116,553)	
Change in deferred outflows of resources, as restated	426,864	
Change in deferred inflows of resources	(422,585)	
Change in inventories	<u>(95,222)</u>	<u>(217,259)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 188,417

FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015**

<u>Assets</u>	
Cash and pooled investments	<u>\$ 224,110</u>
<u>Liabilities</u>	
Due to other funds	\$ 511
Due to other governments	162,810
Funds held in trust	<u>60,789</u>
Total Liabilities	<u>\$ 224,110</u>

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures, Jointly-Governed Organizations, and Related Organization

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

- The Ditch Special Revenue Fund is used to account for the financial transactions of the County drainage systems. Financing is provided by special assessments levied against benefited property owners.
- The Courthouse Improvement Debt Service Fund accounts for the resources accumulated and payments made for the principal and interest on long-term debt of the government.
- Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed, unless the County Board takes specific action to appropriate those unrestricted resources.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. The pooled investment earnings for 2015 were \$81,084.

Wilkin County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

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

All receivables are shown net of an allowance for uncollectibles.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

3. 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.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

5. Unearned Revenue

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

6. Compensated Absences

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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

8. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has two types of

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

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

9. Pension Plan

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

10. Classification of Net Position

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position (Continued)

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

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

11. Classification of Fund Balances

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

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

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

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

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

12. Minimum Fund Balance

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Use of Estimates

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

E. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	Governmental Activities
Net Position, January 1, 2015, as previously reported	\$ 54,922,653
Change in accounting principles	(3,417,771)
Net Position, January 1, 2015, as restated	\$ 51,504,882

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

	Expenditures	Budget	Excess
Public Health Nurse Special Revenue Fund	\$ 920,028	\$ 840,564	\$ 79,464

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 10,492,743
Fiduciary funds	
Cash and pooled investments	
Agency funds	224,110
Total Cash and Investments	\$ 10,716,853

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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, 2015, 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 and Deferred Outflows of Resources

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 and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. As of December 31, 2015, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2015, 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 Farm Credit Bank	AA+	S&P		03/17/2021	\$ 298,950
Federal Farm Credit Bank	AA+	S&P		01/13/2022	182,410
Total U.S. government agency securities			7.4%		\$ 481,360
Investment pools/mutual funds					
MAGIC Fund			N/A		1,788,601
Negotiable certificates of deposit			N/A		4,233,842
Repurchase agreement			N/A		333
Total investments					\$ 6,504,136
Deposits					4,204,867
Change funds					7,850
Total Cash and Investments					\$ 10,716,853

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2015, are as follows:

	Total Receivables
Governmental Activities	
Taxes	\$ 42,862
Accounts - net	95,094
Interest	16,502
Due from other governments	1,781,618
Total Governmental Activities	\$ 1,936,076

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

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,013,537	\$ 171,652	\$ -	\$ 1,185,189
Construction in progress	2,378,379	5,283,920	6,685,708	976,591
Total capital assets not depreciated	\$ 3,391,916	\$ 5,455,572	\$ 6,685,708	\$ 2,161,780
Capital assets depreciated				
Improvements other than buildings	\$ 174,350	\$ -	\$ -	\$ 174,350
Buildings	7,740,631	337,007	-	8,077,638
Machinery, furniture, and equipment	5,753,409	345,977	160,937	5,938,449
Software	202,715	-	-	202,715
Infrastructure	56,430,588	6,095,226	-	62,525,814
Total capital assets depreciated	\$ 70,301,693	\$ 6,778,210	\$ 160,937	\$ 76,918,966
Less: accumulated depreciation for				
Improvements other than buildings	\$ 55,062	\$ 11,943	\$ -	\$ 67,005
Buildings	2,321,093	194,771	-	2,515,864
Machinery, furniture, and equipment	3,667,119	401,190	160,937	3,907,372
Software	27,028	13,514	-	40,542
Infrastructure	24,716,353	1,580,511	-	26,296,864
Total accumulated depreciation	\$ 30,786,655	\$ 2,201,929	\$ 160,937	\$ 32,827,647
Total capital assets depreciated, net	\$ 39,515,038	\$ 4,576,281	\$ -	\$ 44,091,319
Governmental Activities				
Capital Assets, Net	\$ 42,906,954	\$ 10,031,853	\$ 6,685,708	\$ 46,253,099

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

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

General government	\$ 41,904
Public safety	230,712
Highways and streets, including depreciation of infrastructure assets	1,889,215
Human services	12,506
Health	1,774
Sanitation	23,315
Culture and recreation	1,993
Conservation of natural resources	510
Total Depreciation Expense	\$ 2,201,929

4. Deferred Outflows of Resources

Deferred outflows of resources - deferred pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. Deferred pension outflows for the year ended December 31, 2015, were \$610,208.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Special Revenue Fund	\$ 777
	Human Services Special Revenue Fund	12,109
	Agency funds	261
Total due to General Fund		\$ 13,147

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue Fund	General Fund	\$ 231
	Environmental Special Revenue Fund	127
Total due to Road and Bridge Special Revenue Fund		\$ 358
Human Services Special Revenue Fund	General Fund	\$ 938
	Public Health Nurse Special Revenue Fund	29
	Agency funds	250
Total due to Human Services Special Revenue Fund		\$ 1,217
Public Health Nurse Special Revenue Fund	Human Services Special Revenue Fund	\$ 44,919
Total Due To/From Other Funds		\$ 59,641

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

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	Governmental Activities
Accounts	\$ 244,019
Salaries	32,896
Contracts	379,157
Due to other governments	177,119
Advance from other governments	603,957
	\$ 1,437,148
Total Payables	

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Construction and Other Significant Commitments

The County has an active construction project and commitment as of December 31, 2015.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Highways and streets		
Production and stockpile of aggregate	\$ 64,925	\$ 23,975

3. Long-Term Debt

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2013 G.O. Refunding Bonds	2021	\$270,000 - 310,000	1.215	\$ 2,015,000	\$ 1,745,000
Add: Unamortized premium					47,792
Total General Obligation Bonds, Net					\$ 1,792,792

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2016	\$ 275,000	\$ 32,150
2017	280,000	26,600
2018	285,000	20,950
2019	295,000	15,150
2020	300,000	9,200
2021	310,000	3,100
Total	<u>\$ 1,745,000</u>	<u>\$ 107,150</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 2,015,000	\$ -	\$ 270,000	\$ 1,745,000	\$ 275,000
Add: Unamortized premium	57,194	-	9,402	47,792	-
Total bonds payable	\$ 2,072,194	\$ -	\$ 279,402	\$ 1,792,792	\$ 275,000
Compensated absences	308,287	280,879	283,817	305,349	243,654
Total Long-Term Liabilities	<u>\$ 2,380,481</u>	<u>\$ 280,879</u>	<u>\$ 563,219</u>	<u>\$ 2,098,141</u>	<u>\$ 518,654</u>

6. Unearned Revenues/Deferred Inflows of Resources

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

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

	<u>Taxes</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds				
General	\$ 14,402	\$ -	\$ 5,875	\$ 20,277
Road and Bridge	7,523	1,306,408	34,227	1,348,158
Social Services	5,297	-	-	5,297
Nonmajor governmental funds				
Environmental	5,247	50,295	-	55,542
Public Health	1,513	-	71,719	73,232
Courthouse Improvement	1,386	-	-	1,386
Total	<u>\$ 35,368</u>	<u>\$ 1,356,703</u>	<u>\$ 111,821</u>	<u>\$ 1,503,892</u>
Liability				
Unearned revenue	\$ -	\$ 50,295	\$ -	\$ 50,295
Deferred inflows of resources				
Unavailable revenue	<u>35,368</u>	<u>1,306,408</u>	<u>111,821</u>	<u>1,453,597</u>
Total	<u>\$ 35,368</u>	<u>\$ 1,356,703</u>	<u>\$ 111,821</u>	<u>\$ 1,503,892</u>

D. Special Item

The Wilkin County Board approved the transfer of the County ditch systems to the Buffalo-Red River Watershed District because the Board determined it was more effective and efficient for the Buffalo-Red River Watershed District to manage and operate the ditch systems. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the ditch systems as of February 27, 2015, were transferred to the Watershed District. The net position of the ditches transferred was \$1,019,954 and is reported in the financial statements as a special item.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Wilkin County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement 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. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. 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. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$ 273,724
Public Employees Police and Fire Fund	62,192
Public Employees Correctional Fund	40,213

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$3,213,162 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.062 percent. It was 0.0668 percent measured as of June 30, 2014. The County recognized pension expense of \$371,084 for its proportionate share of the General Employees Retirement Fund's pension expense.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 161,998
Difference between projected and actual investment earnings	304,175	-
Changes in proportion	-	169,110
Contributions paid to PERA subsequent to the measurement date	138,540	-
Total	\$ 442,715	\$ 331,108

A total of \$138,540 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (34,325)
2017	(34,325)
2018	(34,325)
2019	76,044

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$465,856 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.041 percent. It was 0.041 percent measured as of June 30, 2014. The County recognized pension expense of \$80,040 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$3,690 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9.0 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 75,547
Difference between projected and actual investment earnings	81,168	-
Contributions paid to PERA subsequent to the measurement date	33,150	-
Total	\$ 114,318	\$ 75,547

A total of \$33,150 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 5,182
2017	5,182
2018	5,182
2019	5,182
2020	(15,109)

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$38,650 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.25 percent. It was 0.27 percent measured as of June 30, 2014. The County recognized pension expense of \$40,983 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 14,798
Difference between projected and actual investment earnings	32,218	-
Changes in proportion	-	1,132
Contributions paid to PERA subsequent to the measurement date	20,957	-
Total	\$ 53,175	\$ 15,930

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

A total of \$20,957 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 2,745
2017	2,745
2018	2,745
2019	8,055

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended June 30, 2015, was \$492,107.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 5,052,232	\$ 3,213,162	\$ 1,694,372
Public Employees Police and Fire Fund net pension liability	907,958	465,856	100,603
Public Employees Correctional Fund net pension liability	269,165	38,650	(145,855)

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,115	\$ 1,115
Percentage of covered payroll	5%	5%

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Wilkin County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2015, there were 98 participants in the plan, including 3 retirees.

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$ 46,613
Interest on net OPEB obligation	2,515
Adjustment to ARC	<u>(3,813)</u>
Annual OPEB cost (expense)	\$ 45,315
Contributions made	<u>(30,364)</u>
Increase in net OPEB obligation	\$ 14,951
Net OPEB Obligation - Beginning of Year	<u>62,867</u>
Net OPEB Obligation - End of Year	<u>\$ 77,818</u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for 2013, 2014, and 2015 were as follows:

<u>Fiscal Year-End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 26,159	\$ 19,530	74.7%	\$ 59,772
December 31, 2014	26,001	22,906	88.1	62,867
December 31, 2015	45,315	30,364	58.3	77,818

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$378,502, and the actuarial value of plan assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$378,502. The covered payroll (annual payroll of active employees covered by the plan) was \$4,192,117, and the ratio of the UAAL to the covered payroll was 9.0 percent.

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Wilkin County's implicit rate of return on the General Fund. The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 24 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 \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Claims and Litigation

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

C. Contingent Liabilities

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

D. Joint Ventures

Central Minnesota Emergency Services Board

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

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

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2015, Wilkin County did not contribute any funds to the Board.

Complete financial information can be obtained from:

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. During 2015, Wilkin County did not contribute any funds to the Task Force.

Separate financial information can be obtained from:

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

West Central Area Agency on Aging

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

West Central Area Agency on Aging (Continued)

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

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

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

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

Complete financial information can be obtained from:

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

Wilkin County Children's Collaborative

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Wilkin County Children's Collaborative (Continued)

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

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

Financing is provided by state grants and appropriations and contributions from its member parties. Wilkin County, in an agent capacity, reports the cash transactions of the Wilkin County Children's Collaborative as an agency fund on its financial statements. During 2015, the County did not contribute any funds to the Collaborative.

Land of the Dancing Sky Area Agency on Aging

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

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

Wilkin County provided \$1,087 to this organization in 2015.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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

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

During 2015, Wilkin County did not contribute any funds to this organization.

Lake Agassiz Regional Library

The Lake Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1961, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2015, Wilkin County provided \$50,755 in the form of an appropriation.

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

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

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

The two probation officers for the five-county area are appointed by three area judges, who also set the probation officer salaries. The Minnesota Department of Corrections reimburses Traverse County for a portion of the probation officer salaries. The remaining expenses are allocated to each participating county based on population. During 2015, Wilkin County contributed \$50,368 to the entity.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

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

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

Partnership4Health Community Health Board

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

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

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

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

During 2015, Wilkin County did not contribute to Partnership4Health Community Health Board.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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

E. Jointly-Governed Organizations

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

Buffalo-Red River Watershed District

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

Western Area City/County Co-Op

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

During 2015, Wilkin County did not contribute to WACCO.

Minnesota Criminal Justice Data Communications Network

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

**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.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2015, Wilkin County made no contributions to the Joint Powers Board.

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

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

Complete financial statements can be obtained from:

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

Sentence to Service

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

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes the implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Wilkin County did not contribute to the SW-MIIC during 2015.

Richland-Wilkin Joint Powers Authority

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Richland-Wilkin Joint Powers Authority (Continued)

and North Dakota Century Code 54-401-1. Control is vested in the Board, which is composed of two members appointed by the Wilkin County Board and two members appointed by the Richland County Board. Wilkin County did not contribute to the Authority in 2015.

F. Related Organization

Bois de Sioux Watershed District

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

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,786,506	\$ 3,786,506	\$ 3,590,130	\$ (196,376)
Licenses and permits	9,050	9,050	7,444	(1,606)
Intergovernmental	154,300	154,300	477,140	322,840
Charges for services	218,950	218,950	394,536	175,586
Fines and forfeits	12,000	12,000	9,135	(2,865)
Investment earnings	30,000	30,000	81,084	51,084
Miscellaneous	34,000	34,000	103,143	69,143
Total Revenues	\$ 4,244,806	\$ 4,244,806	\$ 4,662,612	\$ 417,806
Expenditures				
Current				
General government				
Commissioners	\$ 199,534	\$ 199,534	\$ 199,256	\$ 278
Courts	86,926	86,926	83,555	3,371
County auditor	-	-	1,206	(1,206)
County auditor-treasurer	434,934	434,934	441,606	(6,672)
County treasurer	-	-	2,733	(2,733)
County assessor	296,590	296,590	251,007	45,583
Elections	10,235	10,235	10,706	(471)
Data processing	98,604	98,604	102,657	(4,053)
Attorney	235,644	235,644	218,133	17,511
Law library	-	-	10,136	(10,136)
Recorder	255,497	255,497	238,484	17,013
Planning and zoning	7,500	7,500	1,627	5,873
Buildings and plant	468,482	468,482	263,319	205,163
Veterans service officer	88,592	88,592	100,929	(12,337)
GIS	26,000	26,000	18,534	7,466
Unallocated	262,851	262,851	506,425	(243,574)
Total general government	\$ 2,471,389	\$ 2,471,389	\$ 2,450,313	\$ 21,076
Public safety				
Sheriff	\$ 1,301,186	\$ 1,301,186	\$ 1,073,249	\$ 227,937
Communications	-	-	222,915	(222,915)
Coroner	4,800	4,800	4,800	-
E-911 system	36,800	36,800	47,351	(10,551)
County jail	609,760	609,760	568,022	41,738
Emergency management	77,379	77,379	70,367	7,012
Sheriff's contingent	2,000	2,000	-	2,000
Total public safety	\$ 2,031,925	\$ 2,031,925	\$ 1,986,704	\$ 45,221

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Health				
Land of the Dancing Sky	\$ 1,100	\$ 1,100	\$ 1,087	\$ 13
Rothsay Partners	1,000	1,000	1,000	-
Total health	\$ 2,100	\$ 2,100	\$ 2,087	\$ 13
Culture and recreation				
Historical society	\$ 10,000	\$ 10,000	\$ 10,710	\$ (710)
Regional library	50,755	50,755	50,755	-
Memorial celebrations	400	400	400	-
Heartland tourism	275	275	275	-
Red River Valley Emerging Leaders	800	800	800	-
Red River Basin Commission	-	-	178	(178)
Senior citizens	3,000	3,000	3,000	-
Total culture and recreation	\$ 65,230	\$ 65,230	\$ 66,118	\$ (888)
Conservation of natural resources				
County extension	\$ 109,019	\$ 109,019	\$ 117,791	\$ (8,772)
Soil and water conservation	75,000	75,000	75,000	-
Aquatic invasive species	-	-	5,459	(5,459)
Agricultural society/County fair	8,000	8,000	8,000	-
Weed control	10,617	10,617	8,651	1,966
Total conservation of natural resources	\$ 202,636	\$ 202,636	\$ 214,901	\$ (12,265)
Economic development				
Community development	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total Expenditures	\$ 4,775,280	\$ 4,775,280	\$ 4,722,123	\$ 53,157
Net Change in Fund Balance	\$ (530,474)	\$ (530,474)	\$ (59,511)	\$ 470,963
Fund Balance - January 1	2,416,299	2,416,299	2,416,299	-
Fund Balance - December 31	\$ 1,885,825	\$ 1,885,825	\$ 2,356,788	\$ 470,963

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,942,856	\$ 1,942,856	\$ 1,848,910	\$ (93,946)
Intergovernmental	6,910,000	6,910,000	4,555,993	(2,354,007)
Charges for services	236,500	236,500	544,526	308,026
Miscellaneous	55,000	55,000	61,533	6,533
Total Revenues	\$ 9,144,356	\$ 9,144,356	\$ 7,010,962	\$ (2,133,394)
Expenditures				
Current				
Highways and streets				
Administration	\$ 338,392	\$ 338,392	\$ 337,727	\$ 665
Maintenance	1,351,667	1,351,667	1,404,252	(52,585)
Construction	5,554,432	5,554,432	6,124,810	(570,378)
Equipment maintenance and shop	1,211,071	1,211,071	814,504	396,567
Unallocated - highways and streets	332,694	332,694	285,140	47,554
Total highways and streets	\$ 8,788,256	\$ 8,788,256	\$ 8,966,433	\$ (178,177)
Culture and recreation				
Parks	6,100	6,100	1,918	4,182
Intergovernmental				
Highways and streets	350,000	350,000	377,847	(27,847)
Total Expenditures	\$ 9,144,356	\$ 9,144,356	\$ 9,346,198	\$ (201,842)
Net Change in Fund Balance	\$ -	\$ -	\$ (2,335,236)	\$ (2,335,236)
Fund Balance - January 1	5,081,560	5,081,560	5,081,560	-
Increase (decrease) in inventories	-	-	(95,222)	(95,222)
Fund Balance - December 31	\$ 5,081,560	\$ 5,081,560	\$ 2,651,102	\$ (2,430,458)

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,006,860	\$ 1,006,860	\$ 950,620	\$ (56,240)
Intergovernmental	954,527	954,527	1,130,127	175,600
Charges for services	139,104	139,104	219,634	80,530
Investment earnings	-	-	3	3
Miscellaneous	23,360	23,360	27,675	4,315
Total Revenues	\$ 2,123,851	\$ 2,123,851	\$ 2,328,059	\$ 204,208
Expenditures				
Current				
Human services				
Income maintenance	\$ 752,679	\$ 752,679	\$ 700,654	\$ 52,025
Social services	1,866,612	1,866,612	1,780,532	86,080
Total Expenditures	\$ 2,619,291	\$ 2,619,291	\$ 2,481,186	\$ 138,105
Net Change in Fund Balance	\$ (495,440)	\$ (495,440)	\$ (153,127)	\$ 342,313
Fund Balance - January 1	3,400,762	3,400,762	3,400,762	-
Fund Balance - December 31	\$ 2,905,322	\$ 2,905,322	\$ 3,247,635	\$ 342,313

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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%
January 1, 2012	-	236,471	236,471	0.0	3,734,955	6.3
January 1, 2015	-	378,502	378,502	0.0	4,192,117	9.0

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.2500%	\$ 3,213,162	\$ 3,647,074	88.10%	78.20%

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$ 273,724	\$ 273,724	\$ -	\$ 3,649,653	7.50%

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

<u>Measurement Date</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</u>	<u>Covered Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	0.041%	\$ 465,856	\$ 374,631	124.35%	86.60%

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

<u>Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions (b)</u>	<u>Contribution (Deficiency) Excess (b-a)</u>	<u>Covered Payroll (c)</u>	<u>Actual Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$ 62,192	\$ 62,192	\$ -	\$ 383,901	16.20%

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.041%	\$ 38,650	\$ 374,631	10.32%	96.95%

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$ 40,214	\$ 40,214	\$ -	\$ 459,589	8.75%

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Budget

The following is a summary of individual major funds that had expenditures in excess of budget for the year ended December 31, 2015.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 9,346,198	\$ 9,144,356	\$ 201,842

3. Other Postemployment Benefits

Funding Status

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

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

3. Other Postemployment Benefits

Funding Status (Continued)

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

Significant Actuarial Assumption Changes

2015

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases. This change caused a decrease in the liability.
- Mortality assumptions were updated to include the RP-2014 tables, including the generational improvement scale, to include future mortality improvement. This change caused an increase in the liability.
- The discount rate was changed from 4.5 percent to 4.0 percent. This change caused a decrease in the liability.

SUPPLEMENTARY INFORMATION

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Ditch Fund - to account for the financing and costs relating to all County ditches.

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

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue (Exhibit C-1)	Courthouse Improvement Debt Service	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 1,224,947	\$ 175,362	\$ 1,400,309
Petty cash and change funds	5,000	-	5,000
Undistributed cash in agency funds	9,422	5,498	14,920
Taxes receivable - prior	2,182	1,916	4,098
Accounts receivable	61,406	-	61,406
Due from other funds	44,919	-	44,919
Due from other governments	81,256	-	81,256
	\$ 1,429,132	\$ 182,776	\$ 1,611,908
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 13,928	\$ -	\$ 13,928
Salaries payable	7,550	-	7,550
Due to other funds	156	-	156
Due to other governments	8,490	-	8,490
Unearned revenues	50,295	-	50,295
	\$ 80,419	\$ -	\$ 80,419
 Deferred Inflows of Resources			
Unavailable revenue	\$ 78,479	\$ 1,386	\$ 79,865
 Fund Balances			
Restricted			
Debt service	\$ -	\$ 181,390	\$ 181,390
Gravel pit postclosure	5,664	-	5,664
Assigned			
Sanitation	230,267	-	230,267
Public health	1,034,303	-	1,034,303
	\$ 1,270,234	\$ 181,390	\$ 1,451,624
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,429,132	\$ 182,776	\$ 1,611,908

**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, 2015**

	Special Revenue (Exhibit C-2)	Courthouse Improvement Debt Service	Total (Exhibit 5)
Revenues			
Taxes	\$ 367,688	\$ 293,624	\$ 661,312
Licenses and permits	1,650	-	1,650
Intergovernmental	530,799	17,875	548,674
Charges for services	311,972	-	311,972
Gifts and contributions	11,750	-	11,750
Miscellaneous	115,614	-	115,614
	\$ 1,339,473	\$ 311,499	\$ 1,650,972
Expenditures			
Current			
Sanitation	\$ 336,448	\$ -	\$ 336,448
Health	920,028	-	920,028
Conservation of natural resources	11,714	-	11,714
Debt service			
Principal	-	270,000	270,000
Interest	-	37,600	37,600
Administrative (fiscal) fees	-	425	425
	\$ 1,268,190	\$ 308,025	\$ 1,576,215
Excess of Revenues Over (Under)			
Expenditures	\$ 71,283	\$ 3,474	\$ 74,757
Special Item			
Ditch transfer to watershed	(544,951)	-	(544,951)
Net Change in Fund Balance	\$ (473,668)	\$ 3,474	\$ (470,194)
Fund Balance - January 1	1,743,902	177,916	1,921,818
Fund Balance - December 31	\$ 1,270,234	\$ 181,390	\$ 1,451,624

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2015**

	<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	\$ 287,010	\$ 5,128	\$ 932,809	\$ 1,224,947
Petty cash and change funds	5,000	-	-	5,000
Undistributed cash in agency funds	2,784	-	6,638	9,422
Taxes receivable - prior	22	-	2,160	2,182
Accounts receivable	6,437	2,053	52,916	61,406
Due from other funds	-	-	44,919	44,919
Due from other governments	-	-	81,256	81,256
	\$ 301,253	\$ 7,181	\$ 1,120,698	\$ 1,429,132
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 8,441	\$ -	\$ 5,487	\$ 13,928
Salaries payable	-	-	7,550	7,550
Due to other funds	127	-	29	156
Due to other governments	6,876	1,517	97	8,490
Unearned revenues	50,295	-	-	50,295
	\$ 65,739	\$ 1,517	\$ 13,163	\$ 80,419
 Deferred Inflows of Resources				
Unavailable revenues	\$ 5,247	\$ -	\$ 73,232	\$ 78,479
 Fund Balances				
Restricted				
Gravel pit restoration	\$ -	\$ 5,664	\$ -	\$ 5,664
Assigned				
Sanitation	230,267	-	-	230,267
Health	-	-	1,034,303	1,034,303
	\$ 230,267	\$ 5,664	\$ 1,034,303	\$ 1,270,234
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 301,253	\$ 7,181	\$ 1,120,698	\$ 1,429,132

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Ditch</u>	<u>Environmental</u>	<u>Gravel Tax Reserve</u>	<u>Public Health Nurse</u>	<u>Total (Exhibit B-2)</u>
Revenues					
Taxes	\$ -	\$ 4,537	\$ 8,278	\$ 354,873	\$ 367,688
Licenses and permits	-	1,650	-	-	1,650
Intergovernmental	-	127,020	-	403,779	530,799
Charges for services	-	80,187	-	231,785	311,972
Gifts and contributions	-	-	-	11,750	11,750
Miscellaneous	-	98,662	-	16,952	115,614
Total Revenues	\$ -	\$ 312,056	\$ 8,278	\$ 1,019,139	\$ 1,339,473
Expenditures					
Current					
Sanitation	\$ -	\$ 336,448	\$ -	\$ -	\$ 336,448
Health	-	-	-	920,028	920,028
Conservation of natural resources	236	6,772	4,706	-	11,714
Total Expenditures	\$ 236	\$ 343,220	\$ 4,706	\$ 920,028	\$ 1,268,190
Excess of Revenues Over (Under) Expenditures	\$ (236)	\$ (31,164)	\$ 3,572	\$ 99,111	\$ 71,283
Special Item					
Ditch transfer to watershed	(544,951)	-	-	-	(544,951)
Net Change in Fund Balance	\$ (545,187)	\$ (31,164)	\$ 3,572	\$ 99,111	\$ (473,668)
Fund Balance - January 1	545,187	261,431	2,092	935,192	1,743,902
Fund Balance - December 31	\$ -	\$ 230,267	\$ 5,664	\$ 1,034,303	\$ 1,270,234

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,500	\$ 3,500	\$ 4,537	\$ 1,037
Licenses and permits	1,300	1,300	1,650	350
Intergovernmental	127,700	127,700	127,020	(680)
Charges for services	80,000	80,000	80,187	187
Miscellaneous	123,060	123,060	98,662	(24,398)
Total Revenues	\$ 335,560	\$ 335,560	\$ 312,056	\$ (23,504)
Expenditures				
Current				
Sanitation				
Solid waste	\$ 228,800	\$ 228,800	\$ 223,266	\$ 5,534
Recycling	133,720	133,720	113,182	20,538
Total sanitation	\$ 362,520	\$ 362,520	\$ 336,448	\$ 26,072
Conservation of natural resources				
Water planning	7,389	7,389	6,772	617
Total Expenditures	\$ 369,909	\$ 369,909	\$ 343,220	\$ 26,689
Net Change in Fund Balance	\$ (34,349)	\$ (34,349)	\$ (31,164)	\$ 3,185
Fund Balance - January 1	261,431	261,431	261,431	-
Fund Balance - December 31	\$ 227,082	\$ 227,082	\$ 230,267	\$ 3,185

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH NURSE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 373,923	\$ 373,923	\$ 354,873	\$ (19,050)
Intergovernmental	294,585	294,585	403,779	109,194
Charges for services	171,856	171,856	231,785	59,929
Gifts and contributions	-	-	11,750	11,750
Miscellaneous	200	200	16,952	16,752
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 840,564	\$ 840,564	\$ 1,019,139	\$ 178,575
Expenditures				
Current				
Health				
Nursing service	840,564	840,564	920,028	(79,464)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ -	\$ -	\$ 99,111	\$ 99,111
Fund Balance - January 1	935,192	935,192	935,192	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 935,192	\$ 935,192	\$ 1,034,303	\$ 99,111
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT C-5

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE IMPROVEMENT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 309,000	\$ 309,000	\$ 293,624	\$ (15,376)
Intergovernmental	-	-	17,875	17,875
Total Revenues	\$ 309,000	\$ 309,000	\$ 311,499	\$ 2,499
Expenditures				
Debt service				
Principal	\$ 270,000	\$ 270,000	\$ 270,000	\$ -
Interest	37,450	37,450	37,600	(150)
Administrative (fiscal) charges	1,550	1,550	425	1,125
Total Expenditures	\$ 309,000	\$ 309,000	\$ 308,025	\$ 975
Net Change in Fund Balance	\$ -	\$ -	\$ 3,474	\$ 3,474
Fund Balance - January 1	177,916	177,916	177,916	-
Fund Balance - December 31	\$ 177,916	\$ 177,916	\$ 181,390	\$ 3,474

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FIDUCIARY FUNDS

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 9,233	\$ 28,207	\$ 24,075	\$ 13,365
<u>Liabilities</u>				
Due to other funds	\$ 250	\$ 250	\$ 250	\$ 250
Due to other governments	8,983	27,957	23,825	13,115
Total Liabilities	\$ 9,233	\$ 28,207	\$ 24,075	\$ 13,365
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 8,042	\$ 745,642	\$ 744,990	\$ 8,694
<u>Liabilities</u>				
Due to other funds	\$ 242	\$ 261	\$ 242	\$ 261
Due to other governments	7,800	745,381	744,748	8,433
Total Liabilities	\$ 8,042	\$ 745,642	\$ 744,990	\$ 8,694

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>190,777</u>	\$ <u>15,183,734</u>	\$ <u>15,172,460</u>	\$ <u>202,051</u>
<u>Liabilities</u>				
Due to other governments	\$ 68,518	\$ 15,122,945	\$ 15,050,201	\$ 141,262
Funds held in trust	<u>122,259</u>	<u>60,789</u>	<u>122,259</u>	<u>60,789</u>
Total Liabilities	\$ <u>190,777</u>	\$ <u>15,183,734</u>	\$ <u>15,172,460</u>	\$ <u>202,051</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>208,052</u>	\$ <u>15,957,583</u>	\$ <u>15,941,525</u>	\$ <u>224,110</u>
<u>Liabilities</u>				
Due to other funds	\$ 492	\$ 511	\$ 492	\$ 511
Due to other governments	85,301	15,896,283	15,818,774	162,810
Funds held in trust	<u>122,259</u>	<u>60,789</u>	<u>122,259</u>	<u>60,789</u>
Total Liabilities	\$ <u>208,052</u>	\$ <u>15,957,583</u>	\$ <u>15,941,525</u>	\$ <u>224,110</u>

SCHEDULES

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT E-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	167,007
Certificates of deposit	Six	0.15 to 0.70	March 23, 2016 to December 31, 2016	982,830
Money market savings	Two	Variable	Continuous	3,055,030
Brokerage certificates of deposit	Nineteen	0.40 to 2.40	January 15, 2016 to September 12, 2022	4,233,842
Minnesota Association of Governments Investing for Counties Fund	N/A	Variable	Continuous	1,788,601
Repurchase agreement	One	Various	Continuous	333
Federal Farm Credit Bank	Two	2.00 to 2.04	March 17, 2021 to January 13, 2022	481,360
Total Cash and Pooled Investments				<u><u>\$ 10,716,853</u></u>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT E-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Funds
Appropriations and Shared Revenue	
State	
Highway users tax	\$ 4,079,072
County program aid	154,511
PERA rate reimbursement	14,877
Disparity reduction credit	76,716
Police aid	47,854
Market value credit	139,549
Disparity reduction aid	10,350
Border cities reimbursement	7,154
Aquatic invasive species aid	8,676
	\$ 4,538,759
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 289,979
	\$ 289,979
Payments	
Local	
Otto Bremer Grant	\$ 18,267
Payments in lieu of taxes	37,593
	\$ 55,860
Grants	
State	
Minnesota Department/Board of	
Corrections	\$ 9,405
Public Safety	76,791
Health	54,688
Human Services	306,249
Veterans Affairs	7,457
Water and Soil Resources	56,742
Pollution Control Agency	69,692
Peace Officer Standards and Training Board	2,665
	\$ 583,689

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

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

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Funds</u>
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 122,823
Commerce	212
Education	2,492
Health and Human Services	695,912
Homeland Security	56,938
Transportation	365,270
	<hr/>
Total federal	\$ 1,243,647
	<hr/>
Total state and federal grants	\$ 1,827,336
	<hr/>
Total Intergovernmental Revenue	\$ 6,711,934
	<hr/> <hr/>

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

EXHIBIT E-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Agriculture			
Passed Through Clay County Special Supplemental Nutrition Program for Women, Infants, and Children (Total Special Supplemental Nutrition Program for Women, Infants, and Children 10.557 \$55,297)	10.557	Not Provided	\$ 9,652
Passed Through Partnership4Health Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children (Total Special Supplemental Nutrition Program for Women, Infants, and Children 10.557 \$55,297)	10.557	Not Provided	45,645
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Not Provided	<u>67,526</u>
Total U.S. Department of Agriculture			<u>\$ 122,823</u>
U.S. Department of Commerce			
Passed Through the City of Saint Cloud State and Local Implementation Grant Program	11.549	A-SLIGP-2013- CRRB-0001	<u>\$ 212</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	99984	\$ 347,204
Passed Through the City of Breckenridge State and Community Highway Safety	20.600	Not Provided	2,011
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not Provided	<u>1,283</u>
Total U.S. Department of Transportation			<u>\$ 350,498</u>
U.S. Department of Education			
Passed Through Partnership4Health Community Health Board Special Education - Grants for Infants and Families	84.181	Not provided	<u>\$ 2,492</u>
U.S. Department of Health and Human Services			
Direct Drug-Free Communities Support Program Grants	93.276	5H79SP012889-10	\$ 117,445
Passed Through Land of the Dancing Sky Area Agency on Aging/West Central Office Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	Not provided	13,862

**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**EXHIBIT E-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Partnership4Health Community Health Board			
Public Health Emergency Preparedness	93.069	90858	592
PPHF National Public Health Improvement Initiative	93.507	Not provided	522
Temporary Assistance for Needy Families	93.558	1502MNTANF	366
(Total Temporary Assistance for Needy Families 93.558 \$64,796)			
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	12,152
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1401MNFPS	1,357
Temporary Assistance for Needy Families	93.558	1502MNTANF	64,430
(Total Temporary Assistance for Needy Families 93.558 \$64,796)			
Child Support Enforcement	93.563	1504MN4005	178,942
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNRCA	79
Child Care and Development Block Grant	93.575	G1501MNCDF	2,740
Community-Based Child Abuse Prevention Grants	93.590	1302MNFPG	9,870
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1401MNCSS	895
Foster Care - Title IV-E	93.658	1501MNFOS	22,370
Social Services Block Grant	93.667	1501MNSOS	50,754
Chafee Foster Care Independence Program	93.674	1401MN1420	3,633
Children's Health Insurance Program	93.767	1405MN5021	25
Medical Assistance Program	93.778	1505MN5ADM	206,105
			<u>686,139</u>
Total U.S. Department of Health and Human Services			\$ 686,139
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2015- WILKIN-00088	\$ 56,620
Passed Through the City of Saint Cloud			
Homeland Security Grant Program	97.067	A-DECN-SHSP- 2014-CRRB-00001	318
			<u>56,938</u>
Total U.S. Department of Homeland Security			\$ 56,938
			<u><u>1,219,102</u></u>

Wilkin County did not pass any federal awards through to subrecipients in 2015.

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Wilkin County, it is not intended to and does not present the financial position or changes in net position of Wilkin County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Wilkin County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,243,647
Grants deferred in 2014, recognized in 2015	
Highway Planning and Construction	(14,772)
Drug-Free Communities Support Program Grants	(7,555)
Maternal and Child Health Services Block Grant to the States	(2,218)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,219,102</u>

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**WILKIN COUNTY
BRECKENRIDGE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

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

The major federal programs are:

Highway Planning and Construction	CFDA No. 20.205
Child Support Enforcement	CFDA No. 93.563

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-004

Segregation of Duties

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

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

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

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

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

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

Client's Response:

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

Finding 2008-001

Documenting and Monitoring Internal Controls

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

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

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

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

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

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

Client's Response:

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

Finding 2012-001

Network/Application Password Controls

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

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

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

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

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

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

Client's Response:

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

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (2007-001)

During our 2014 audit, we identified a material adjustment that resulted in significant changes to the County's financial statements. An audit adjustment was necessary in the Courthouse Improvement Debt Service Fund to reduce Cash with Escrow Agent in the amount of \$2,035,635 and increase debt service expenses for payment of principal in the amount of \$2,010,000 and interest in the amount of \$25,635 to retire the 2005 G. O. Jail Bonds resulting from the issuance of the 2013 crossover refunding bonds.

Resolution

No material audit adjustments were necessary to fairly present the 2015 financial statements.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding 2015-001

Withholding Affidavit for Contractors (Form IC-134)

Criteria: Referring to the withholding of income taxes by the contractor or subcontractor, Minn. Stat. § 270C.66 states that, “[n]o . . . political or governmental subdivision of the state shall make final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor and by subcontractors until satisfactory showing is made that said contractor or subcontractor has complied with the provisions of section 290.92.”

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

Context: Final payment was made on the project on September 17, 2015, without an IC-134 Form on file.

Effect: Noncompliance with Minn. Stat. § 270C.66.

Cause: The County Auditor-Treasurer was not aware that Form IC-134 should be submitted before final payment is made to contractors.

Recommendation: We recommend the County officials involved in the contracting process be informed of the statutory requirements to ensure compliance with applicable statutes for all future contracts.

Client's Response:

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

PREVIOUSLY REPORTED ITEM RESOLVED

Acceptance of Donations (2013-001)

In 2014, Wilkin County Public Health received various donations to cover expenses for the car seat program, senior transportation program, and the We-Care program totaling \$1,725. No documentation of acceptance by the County Board could be located for the \$1,725 in donations received by the County.

Resolution

In 2015, Wilkin County Public Health received one donation for the senior transportation program which was approved by the County Board on July 14, 2015.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Wilkin County
Breckenridge, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wilkin County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 23, 2016.

Internal Control Over Financial Reporting

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

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

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-004, 2008-001, and 2012-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Wilkin County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2015-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Wilkin County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 23, 2016

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

Independent Auditor's Report

Board of County Commissioners
Wilkin County
Breckenridge, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Wilkin County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. Wilkin County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wilkin County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wilkin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Wilkin County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

May 23, 2016