

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

WRIGHT COUNTY
BUFFALO, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

For the Year Ended December 31, 2004



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

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

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BUFFALO, MINNESOTA**

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

ORGANIZATION
2004

Office	Name	Term	
		From	To
Commissioners			
1st District	Karla Heeter	January 2003	January 2005
2nd District	Pat Sawatzke	January 1991	January 2007
3rd District	John D. Russek	January 1993	January 2005
4th District	Elmer Eichelberg	January 1999	January 2007
5th District	Richard "Dick" Mattson	January 1993	January 2007
Officers			
Elected			
Attorney	Tom Kelly	January 1999	January 2007
Auditor/Treasurer	Robert J. Hiivala ¹	January 1999	January 2007
Sheriff	Gary Miller	June 2000	January 2007
Appointed			
Coordinator	Richard W. Norman		Indefinite
Assessor	Greg Kramber	February 2002	December 2004
Court Administrator	LaVonn Nordeen		Indefinite
Coroner	Dr. Janis Amatuzio	January 2003	January 2006
Highway Engineer	Wayne Fingalson	May 1983	April 2006
Human Services Director	Don Mleziva		Indefinite
Recorder/Registrar of Titles	Larry Unger		Indefinite

¹Robert Hiivala was appointed by the County Board to complete the term of Douglas Gruber.

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Wright County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County as of December 31, 2004, and the respective changes in financial position and the respective budgetary comparison for the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2005, on our consideration of Wright County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

(Unaudited)

As management of Wright County, we offer readers of the Wright County financial statements this narrative overview and analysis of the financial activities of Wright County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of Wright County exceeded its liabilities by \$127,475,421 at the close of 2004. Of this amount, \$22,582,861 (unrestricted net assets) may be used to meet Wright County's ongoing obligations to citizens and creditors.

Wright County's total net assets increased by \$8,741,295 in 2004. This is attributable primarily to the capitalization of additional capital assets and improved cash flows from operations.

At the close of 2004, Wright County's governmental funds reported combined ending fund balances of \$28,894,219, an increase of \$4,726,642 in comparison with the prior year. Of the total fund balance, \$9,612,080 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.

At the close of 2004, unreserved, undesignated fund balance for the General Fund was \$4,089,040, or 13 percent of total General Fund expenditures.

Wright County's total debt increased by \$920,000, or four percent, during 2004. The key factor in the increase was the issuance of the 2004 Series A and B Capital Notes and the 2004 Series C General Obligation Solid Waste Revenue Refunding Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Wright County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. The MD&A is required to accompany the basic financial statements and, therefore, is included as required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

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

Fund Level Financial Statements

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, County fund level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Wright County reports ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements after the notes to the financial statements.

Fiduciary funds. Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Wright County's fiduciary funds consist of seven agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the agency funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

Other information. In addition to the basic financial statements and notes, supplementary information is provided on Wright County's intergovernmental revenues.

Wright County adopts an annual appropriated budget for its General Fund and major special revenue funds. Budgetary comparison statements have been provided for the County's major funds to demonstrate compliance with these budgets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Wright County's assets exceeded liabilities by \$127,475,421 at the close of 2004. The largest portion of Wright County's net assets (79 percent) reflects its investment in capital assets (land, buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. However, it should be noted that these assets are not available for future spending.

Governmental Net Assets

	2004	2003 (Restated)
Current and other assets	\$ 36,866,914	\$ 33,362,578
Capital assets	125,476,213	119,552,324
Total Assets	<u>\$ 162,343,127</u>	<u>\$ 152,914,902</u>
Long-term liabilities outstanding	\$ 28,766,395	\$ 27,734,798
Other liabilities	6,101,311	6,445,978
Total Liabilities	<u>\$ 34,867,706</u>	<u>\$ 34,180,776</u>

	<u>2004</u>	<u>2003 (Restated)</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 100,941,213	\$ 93,837,324
Restricted	3,951,347	3,859,501
Unrestricted	<u>22,582,861</u>	<u>21,037,301</u>
Total Net Assets	<u>\$ 127,475,421</u>	<u>\$ 118,734,126</u>

The unrestricted net asset amount of \$22,582,861 as of December 31, 2004, may be used to meet the County's ongoing obligations to citizens and creditors.

Wright County's activities increased net assets by \$8,741,295, or seven percent over the 2003 net assets. Revenues increased by \$2,655,345; the key element of the increase was additional property tax revenue. Expenses increased by \$5,357,728, with the largest increase in general government.

Changes in Net Assets

	<u>2004</u>	<u>2003 (Restated)</u>
Revenues		
Program revenues		
Charges for services	\$ 10,626,531	\$ 9,814,634
Operating grants and contributions	22,325,656	23,739,792
Capital grants and contributions	2,098,165	3,156,215
General revenues		
Property taxes	26,141,048	22,294,987
Other	<u>6,618,381</u>	<u>6,146,808</u>
Total Revenues	<u>\$ 67,809,781</u>	<u>\$ 65,152,436</u>
Expenses		
General government	\$ 14,143,405	\$ 11,650,161
Public safety	14,277,686	12,926,315
Highways and streets	8,252,177	7,636,552
Sanitation	686,220	485,023
Human services	15,500,177	14,263,074
Health	2,472,101	2,399,207
Culture and recreation	2,047,174	2,330,478
Conservation of natural resources	503,953	770,951
Economic development	38,289	42,400
Interest	<u>1,147,304</u>	<u>1,206,597</u>
Total Expenses	<u>\$ 59,068,486</u>	<u>\$ 53,710,758</u>
Increase in Net Assets	\$ 8,741,295	\$ 11,441,678
Net Assets - January 1, restated	<u>118,734,126</u>	<u>107,292,448</u>
Net Assets - December 31	<u>\$ 127,475,421</u>	<u>\$ 118,734,126</u>

The increase in general government's expenses is due to a number of factors, including increased labor costs and an increased demand for the County's services.

The increase in highways and streets' expenses is due to greater depreciation expenses, specifically on infrastructure capital assets.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,894,219, an increase of \$4,726,642 in comparison with the prior year. The majority of this amount (\$27,708,770) consists of unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of Wright County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$14,818,913, while total fund balance was \$14,936,858. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 48 percent of total General Fund expenditures. In 2004, fund balance in the General Fund increased by \$1,168,064. This increase was due primarily to the increase of tax revenue and transfers to the fund.

The Road and Bridge Special Revenue Fund's fund balance increased by \$606,172 in 2004. The main reason for this increase resulted from reduced expenditures for road construction and maintenance projects.

The Human Services Fund's fund balance increased \$1,154,997 from the prior year due to additional property tax revenues and grants received in 2004.

General Fund Budgetary Highlights

There were no changes between the original budget and the final amended budget. The actual revenues exceeded budgeted revenues by \$207,501. The largest variance was in intergovernmental revenue where the County received more state aid than was budgeted. Actual expenditures were under the amounts budgeted by \$784,685, with the most favorable savings coming from the general government category in the amount of \$984,871.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2004, was \$125,476,213 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was five percent. The increases were attributed primarily in the areas of buildings, infrastructure, and construction in progress.

Governmental Capital Assets (Net of Depreciation)

	2004	2003 (Restated)
Land	\$ 6,200,652	\$ 5,829,104
Construction in progress	4,330,672	8,969,809
Building	32,065,893	30,344,485
Furniture, equipment, and machinery	3,767,839	3,492,460
Infrastructure	79,111,157	70,916,466
Total	<u>\$ 125,476,213</u>	<u>\$ 119,552,324</u>

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

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$26,535,000, which is backed by the full faith and credit of the government.

Outstanding Debt

	2004	2003
General Obligation Bonds	\$ 23,260,000	\$ 25,615,000
General Obligation Capital Notes	3,275,000	-
Total	<u>\$ 26,535,000</u>	<u>\$ 25,615,000</u>

The County's debt related to general obligation bonds decreased by \$2,355,000 (nine percent) during the fiscal year, due primarily to the refunding of the 1994 Series A General Obligation Revenue Refunding Bonds. During 2004, the County issued two capital notes for the purchase of capital equipment.

Wright County's bond rating is A1 from Moody's.

Minnesota statutes limit the amount of debt that a county may levy to two percent of its total market value. At the end of 2004, Wright County is well below the two percent debt limit imposed by state statutes.

Additional information on the County's long-term debt can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- Wright County's unemployment rate was 4.9 percent at the end of 2004. This was above the statewide rate of 4.2 percent.
- Mortgage interest rates have been low, causing many people to refinance their mortgages.
- At the end of 2004, the Wright County Board set its 2005 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Wright County Auditor/Treasurer, Wright County Government Center, 10 Second Street N.W., Room 230, Buffalo, Minnesota 55313-1195.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Assets

Cash and pooled investments	\$	30,430,523
Petty cash and change funds		1,760
Departmental cash		2,443
Taxes receivable		
Prior - net		942,724
Special assessments receivable		
Prior - net		140,549
Noncurrent - net		1,122,182
Accounts receivable - net		614,920
Accrued interest receivable		305,581
Loans receivable		87,035
Due from other governments		2,323,743
Prepaid items		3,849
Inventories		819,029
Deferred charges		72,576
Capital assets		
Non-depreciable		10,531,324
Depreciable - net of accumulated depreciation		114,944,889
Total Assets	\$	162,343,127

Liabilities

Accounts payable	\$	1,427,187
Salaries payable		1,466,361
Contracts payable		2,109,489
Due to other governments		312,622
Accrued interest payable		182,838
Unearned revenue		602,814
Long-term liabilities		
Due within one year		4,176,144
Due in more than one year		24,590,251
Total Liabilities	\$	34,867,706

Net Assets

Invested in capital assets - net of related debt	\$	100,941,213
Restricted for		
Capital projects		1,019,159
Debt service		2,596,678
Equipment replacement		87,035
Postclosure		248,475
Unrestricted		22,582,861
Total Net Assets	\$	127,475,421

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Revenues			Net (Expenses)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
Functions/Programs				
Governmental activities				
General government	\$ 14,143,405	\$ 5,058,715	\$ 306,137	\$ (8,778,553)
Public safety	14,277,686	3,681,460	1,394,022	(9,202,204)
Highways and streets	8,252,177	84,073	8,639,801	1,145,835
Sanitation	686,220	66,620	-	(619,600)
Human services	15,500,177	1,535,730	10,480,845	(3,483,602)
Health	2,472,101	-	1,148,462	(1,323,639)
Culture and recreation	2,047,174	196,949	101,170	(1,749,055)
Conservation of natural resources	503,953	2,984	255,219	1,178,277
Economic development	38,289	-	-	(38,289)
Interest	1,147,304	-	-	(1,147,304)
Total governmental activities	<u>\$ 59,068,486</u>	<u>\$ 10,626,531</u>	<u>\$ 22,325,656</u>	<u>\$ 2,098,165</u>
General Revenues				
Property taxes				\$ 26,141,048
Gravel taxes				155,571
Mortgage registry and deed tax				275,096
Payments in lieu of tax				114,000
Grants and contributions not restricted to specific programs				5,069,670
Investment income				913,077
Miscellaneous				65,310
Gain on sale of capital assets				25,657
Total general revenues				<u>\$ 32,759,429</u>
Change in net assets				\$ 8,741,295
Net Assets - January 1, restated (Note 1.E.)				<u>118,734,126</u>
Net Assets - December 31				<u>\$ 127,475,421</u>

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 16,169,319	\$ 1,033,126
Petty cash and change funds	1,700	-
Departmental cash	2,443	-
Taxes receivable		
Prior	561,543	96,060
Special assessments receivable		
Prior	808	-
Noncurrent	14,069	-
Accounts receivable	99,554	93,137
Accrued interest receivable	305,581	-
Loans receivable	87,035	-
Due from other funds	17,661	36,761
Due from other governments	295,218	1,376,939
Inventories	-	819,029
Advances to other funds	17,400	-
Prepaid items	-	-
	\$ 17,572,331	\$ 3,455,052

EXHIBIT 3

Human Services	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 6,067,219	\$ 2,545,789	\$ 4,615,070	\$ 30,430,523
60	-	-	1,760
-	-	-	2,443
198,506	84,410	2,205	942,724
-	137,034	2,707	140,549
-	1,086,944	21,169	1,122,182
422,229	-	-	614,920
-	-	-	305,581
-	-	-	87,035
-	-	-	54,422
651,586	-	-	2,323,743
-	-	-	819,029
-	-	-	17,400
3,849	-	-	3,849
\$ 7,343,449	\$ 3,854,177	\$ 4,641,151	\$ 36,866,160

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 882,482	\$ 72,917
Salaries payable	1,074,237	88,053
Contracts payable	-	2,083,289
Due to other funds	36,299	-
Due to other governments	119,982	4,953
Deferred revenue - unavailable	522,473	45,767
Deferred revenue - unearned	-	602,814
Advance from other funds	-	-
	\$ 2,635,473	\$ 2,897,793
Fund Balances		
Reserved for		
Inventories	\$ -	\$ 819,029
Advances to other funds	17,400	-
Missing heirs	2,618	-
Gravel tax	97,927	-
Landfill closure/postclosure	-	-
Unreserved		
Designated for cash flows	9,251,138	-
Designated for debt service	-	-
Designated for compensated absences	1,478,735	-
Undesignated	4,089,040	(261,770)
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Capital projects fund	-	-
	\$ 14,936,858	\$ 557,259
Total Liabilities and Fund Balances	\$ 17,572,331	\$ 3,455,052

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 463,940	\$ -	\$ 7,848	\$ 1,427,187
304,071	-	-	1,466,361
-	-	26,200	2,109,489
13,954	-	4,169	54,422
136,280	-	51,407	312,622
131,704	1,257,499	24,203	1,981,646
-	-	-	602,814
-	-	17,400	17,400
<u>\$ 1,049,949</u>	<u>\$ 1,257,499</u>	<u>\$ 131,227</u>	<u>\$ 7,971,941</u>
\$ -	\$ -	\$ -	\$ 819,029
-	-	-	17,400
-	-	-	2,618
-	-	-	97,927
-	-	248,475	248,475
4,378,267	-	-	13,629,405
-	2,596,678	-	2,596,678
391,872	-	-	1,870,607
1,523,361	-	-	5,350,631
-	-	1,242,290	1,242,290
-	-	3,019,159	3,019,159
<u>\$ 6,293,500</u>	<u>\$ 2,596,678</u>	<u>\$ 4,509,924</u>	<u>\$ 28,894,219</u>
<u>\$ 7,343,449</u>	<u>\$ 3,854,177</u>	<u>\$ 4,641,151</u>	<u>\$ 36,866,160</u>

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Fund balances - total governmental funds (Exhibit 3)		\$	28,894,219
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.			125,476,213
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			1,981,646
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 and any related unamortized discounts or premiums	\$ (26,664,449)		
Deferred debt issuance costs	72,576		
Compensated absences	(2,101,946)		
Accrued interest payable	(182,838)		
			(28,876,657)
Net assets of governmental activities (Exhibit 1)		\$	<u>127,475,421</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Road and Bridge
Revenues		
Taxes	\$ 15,848,695	\$ 2,643,572
Special assessments	284	-
Licenses and permits	324,466	-
Intergovernmental	5,174,400	10,500,583
Charges for services	6,690,455	601,237
Fines and forfeits	694,597	-
Gifts and contributions	1,000	-
Interest on investments	906,169	-
Miscellaneous	1,569,839	216,583
	\$ 31,209,905	\$ 13,961,975
Expenditures		
Current		
General government	\$ 13,602,036	\$ -
Public safety	14,209,563	-
Highways and streets	-	13,695,723
Sanitation	36,792	-
Human services	-	-
Health	-	-
Culture and recreation	1,017,047	-
Conservation of natural resources	469,168	-
Economic development	38,289	-
Intergovernmental		
Public safety	145,848	-
Highways and streets	-	338,994
Culture and recreation	1,282,924	-
Conservation of natural resources	-	-
Capital outlay	-	-
Debt service		
Principal retirement	-	-
Interest	-	-
Bond issuance costs	-	-
	\$ 30,801,667	\$ 14,034,717
Excess of Revenues Over (Under) Expenditures	\$ 408,238	\$ (72,742)

EXHIBIT 5

<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,198,814	\$ 2,757,142	\$ 47,380	\$ 26,495,603
-	1,544,408	62,605	1,607,297
-	-	-	324,466
12,901,080	-	238,808	28,814,871
1,073,674	-	66,620	8,431,986
-	-	-	694,597
15,575	-	-	16,575
-	5,397	1,511	913,077
461,593	-	603	2,248,618
\$ 19,650,736	\$ 4,306,947	\$ 417,527	\$ 69,547,090
\$ -	\$ -	\$ -	\$ 13,602,036
-	-	-	14,209,563
-	-	-	13,695,723
-	-	470,319	507,111
16,071,651	-	-	16,071,651
2,482,088	-	-	2,482,088
-	-	-	1,017,047
-	-	12,254	481,422
-	-	-	38,289
-	-	-	145,848
-	-	-	338,994
-	-	-	1,282,924
-	-	14,283	14,283
-	-	2,660,864	2,660,864
-	11,850,000	100,000	11,950,000
-	1,130,468	6,518	1,136,986
-	44,974	35,970	80,944
\$ 18,553,739	\$ 13,025,442	\$ 3,300,208	\$ 79,715,773
\$ 1,096,997	\$ (8,718,495)	\$ (2,882,681)	\$ (10,168,683)

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 781,292	\$ 534,800
Transfers out	(21,466)	-
Proceeds from sale of capital assets	-	-
Notes issued	-	-
Premium on bonds/notes issued	-	-
Refunding bonds issued	-	-
	\$ 759,826	\$ 534,800
Net Change in Fund Balance	\$ 1,168,064	\$ 462,058
Fund Balance - January 1	13,768,794	(48,913)
Increase (decrease) in reserved for inventories	-	144,114
Fund Balance - December 31	\$ 14,936,858	\$ 557,259

EXHIBIT 5
(Continued)

Human Services	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 58,000	\$ 309,745	\$ 21,466	\$ 1,705,303
-	-	(1,683,837)	(1,705,303)
-	-	1,806,000	1,806,000
-	-	4,485,000	4,485,000
-	134,422	40,789	175,211
-	8,285,000	-	8,285,000
\$ 58,000	\$ 8,729,167	\$ 4,669,418	\$ 14,751,211
\$ 1,154,997	\$ 10,672	\$ 1,786,737	\$ 4,582,528
5,138,503	2,586,006	2,723,187	24,167,577
-	-	-	144,114
\$ 6,293,500	\$ 2,596,678	\$ 4,509,924	\$ 28,894,219

**WRIGHT COUNTY
BUFFALO, 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, 2004**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 4,582,528

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 revenue between the fund statements and the statement of activities is the increase (decrease) in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 1,981,646	
Deferred revenue - January 1	(2,918,102)	(936,456)

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. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the funds, the proceeds from the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the disposed assets.

Expenditures for general capital assets and infrastructure	\$ 9,843,480	
Net book value of assets disposed of	(174,120)	
Current year depreciation	(3,745,471)	5,923,889

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activity.

The net proceeds for debt issuance are:		
Bonds issued	\$ (12,770,000)	
Premium on bonds sold	(175,211)	
Bond issuance costs	80,944	(12,864,267)

Principal repayment:		
General obligation bonds		11,850,000
Contract for deed		100,000

Amortization of premiums and discounts and issuance costs		(20,867)
---	--	----------

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 funds.

Change in inventories	\$ 144,114	
Change in accrued interest payable	10,549	
Change in compensated absences	(48,195)	106,468

Change in net assets of governmental activities (Exhibit 2) \$ 8,741,295

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 17,020,562	\$ 17,020,562	\$ 15,848,695	\$ (1,171,867)
Special assessments	-	-	284	284
Licenses and permits	341,750	341,750	324,466	(17,284)
Intergovernmental	2,425,477	2,425,477	5,174,400	2,748,923
Charges for services	6,101,848	6,101,848	6,690,455	588,607
Fines and forfeits	433,700	433,700	694,597	260,897
Gifts and contributions	-	-	1,000	1,000
Investment earnings	850,000	850,000	906,169	56,169
Miscellaneous	3,829,067	3,829,067	1,569,839	(2,259,228)
Total Revenues	\$ 31,002,404	\$ 31,002,404	\$ 31,209,905	\$ 207,501
Expenditures				
Current				
General government				
Commissioners	\$ 275,458	\$ 275,458	\$ 252,165	\$ 23,293
Courts	1,754,710	1,754,710	1,281,855	472,855
Court services	2,273,003	2,273,003	2,006,796	266,207
Law library	132,576	132,576	109,834	22,742
County administration	638,355	638,355	570,693	67,662
County auditor	1,598,387	1,598,387	1,423,778	174,609
County assessor	854,925	854,925	800,455	54,470
Elections	97,750	97,750	72,112	25,638
Data processing	772,798	772,798	738,405	34,393
Attorney	1,761,087	1,761,087	1,700,123	60,964
Recorder	586,718	586,718	579,217	7,501
Surveyor	415,908	415,908	420,970	(5,062)
Planning and zoning	999,470	999,470	936,712	62,758
Buildings and plant	1,335,265	1,335,265	1,430,846	(95,581)
Veterans service officer	111,511	111,511	100,117	11,394
Other general government	942,986	942,986	1,177,958	(234,972)
Total general government	\$ 14,550,907	\$ 14,550,907	\$ 13,602,036	\$ 948,871
Public safety				
Sheriff	\$ 9,842,713	\$ 9,842,713	\$ 10,317,712	\$ (474,999)
Coroner	141,856	141,856	141,856	-
E-911 system	-	-	55,093	(55,093)
County jail	4,071,832	4,071,832	3,372,073	699,759
Community corrections	-	-	104,342	(104,342)
Civil defense	112,166	112,166	153,643	(41,477)
Other public safety	5,000	5,000	64,844	(59,844)
Total public safety	\$ 14,173,567	\$ 14,173,567	\$ 14,209,563	\$ (35,996)
Sanitation				
Solid waste	\$ -	\$ -	\$ 36,792	\$ (36,792)

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 166,396	\$ 166,396	\$ 162,166	\$ 4,230
Parks	790,699	790,699	778,881	11,818
Other	76,000	76,000	76,000	-
Total culture and recreation	\$ 1,033,095	\$ 1,033,095	\$ 1,017,047	\$ 16,048
Conservation of natural resources				
County extension	\$ 233,044	\$ 233,044	\$ 178,745	\$ 54,299
Soil and water conservation	223,500	223,500	223,500	-
Water planning	51,315	51,315	66,923	(15,608)
Total conservation of natural resources	\$ 507,859	\$ 507,859	\$ 469,168	\$ 38,691
Economic development				
Community development	\$ 38,000	\$ 38,000	\$ 38,289	\$ (289)
Intergovernmental				
Public safety	\$ -	\$ -	\$ 145,848	\$ (145,848)
Culture and recreation	1,282,924	1,282,924	1,282,924	-
Total intergovernmental	\$ 1,282,924	\$ 1,282,924	\$ 1,428,772	\$ (145,848)
Total Expenditures	\$ 31,586,352	\$ 31,586,352	\$ 30,801,667	\$ 784,685
Excess of Revenues Over (Under)				
Expenditures	\$ (583,948)	\$ (583,948)	\$ 408,238	\$ 992,186
Other Financing Sources (Uses)				
Transfers in	\$ 583,948	\$ 583,948	\$ 781,292	\$ 197,344
Transfers out	-	-	(21,466)	(21,466)
Total Other Financing Sources (Uses)	\$ 583,948	\$ 583,948	\$ 759,826	\$ 175,878
Net Change in Fund Balance	\$ -	\$ -	\$ 1,168,064	\$ 1,168,064
Fund Balance - January 1	13,768,794	13,768,794	13,768,794	-
Fund Balance - December 31	\$ 13,768,794	\$ 13,768,794	\$ 14,936,858	\$ 1,168,064

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,791,121	\$ 2,791,121	\$ 2,643,572	\$ (147,549)
Intergovernmental	14,119,570	14,119,570	10,500,583	(3,618,987)
Charges for services	475,000	475,000	601,237	126,237
Miscellaneous	103,254	103,254	216,583	113,329
Total Revenues	\$ 17,488,945	\$ 17,488,945	\$ 13,961,975	\$ (3,526,970)
Expenditures				
Current				
Highways and streets				
Administration	\$ 579,590	\$ 579,590	\$ 588,919	\$ (9,329)
Maintenance	2,916,961	2,916,961	2,993,344	(76,383)
Construction	12,965,297	12,965,297	8,829,055	4,136,242
Equipment maintenance and shop	1,401,531	1,401,531	1,284,405	117,126
Total highways and streets	\$ 17,863,379	\$ 17,863,379	\$ 13,695,723	\$ 4,167,656
Intergovernmental				
Highways and streets	638,946	638,946	338,994	299,952
Total Expenditures	\$ 18,502,325	\$ 18,502,325	\$ 14,034,717	\$ 4,467,608
Excess of Revenues Over (Under) Expenditures	\$ (1,013,380)	\$ (1,013,380)	\$ (72,742)	\$ 940,638
Other Financing Sources (Uses)				
Transfers in	-	-	534,800	534,800
Net Change in Fund Balance	\$ (1,013,380)	\$ (1,013,380)	\$ 462,058	\$ 1,475,438
Fund Balance - January 1	(48,913)	(48,913)	(48,913)	-
Increase (decrease) in reserved for inventories	-	-	144,114	144,114
Fund Balance - December 31	\$ (1,062,293)	\$ (1,062,293)	\$ 557,259	\$ 1,619,552

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,675,700	\$ 5,675,700	\$ 5,198,814	\$ (476,886)
Intergovernmental	11,643,600	11,643,600	12,901,080	1,257,480
Charges for services	1,108,300	1,108,300	1,073,674	(34,626)
Gifts and contributions	21,500	21,500	15,575	(5,925)
Miscellaneous	260,600	260,600	461,593	200,993
Total Revenues	\$ 18,709,700	\$ 18,709,700	\$ 19,650,736	\$ 941,036
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,440,300	\$ 3,440,300	\$ 3,571,639	\$ (131,339)
Social services	12,733,000	12,733,000	12,500,012	232,988
Total human services	\$ 16,173,300	\$ 16,173,300	\$ 16,071,651	\$ 101,649
Health				
Nursing service	2,536,400	2,536,400	2,482,088	54,312
Total Expenditures	\$ 18,709,700	\$ 18,709,700	\$ 18,553,739	\$ 155,961
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 1,096,997	\$ 1,096,997
Other Financing Sources (Uses)				
Transfers in	-	-	58,000	58,000
Net Change in Fund Balance	\$ -	\$ -	\$ 1,154,997	\$ 1,154,997
Fund Balance - January 1	5,138,503	5,138,503	5,138,503	-
Fund Balance - December 31	\$ 5,138,503	\$ 5,138,503	\$ 6,293,500	\$ 1,154,997

FIDUCIARY FUNDS

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WRIGHT COUNTY
BUFFALO, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 4,800,739</u>
<u>Liabilities</u>	
Accounts payable	\$ 38,435
Due to other governments	<u>4,762,304</u>
Total Liabilities	<u>\$ 4,800,739</u>

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

1. Summary of Significant Accounting Policies

Wright County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Wright County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures

The County participates in a joint venture which is described in Note 5.D. The County also participates in two jointly-governed organizations which are described in Note 5.E.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about Wright 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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

The County reports the following major governmental funds:

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

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The Debt Service Fund is used to account for payment of principal and interest on debt.

Additionally, the County reports the following fund type:

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 revenues in the year for which they are levied. 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. Wright County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt are reported as other financing sources.

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$913,077.

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

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

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

- (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.

2. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective properties and are classified in the financial statements as delinquent taxes receivable.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories are recorded as expenditures when purchased rather than when consumed.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Inventories and Prepaid Items (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	50
Furniture, equipment, and machinery	3 - 20

6. Compensated Absences

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

7. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

8. Long-Term Obligations (Continued)

method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

9. Fund Equity

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

10. 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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustment

Net assets of January 1, 2004, for the County's governmental activities, have been adjusted to reflect the overstatement of construction in progress previously reported, as follows:

Net Assets, January 1, 2004, previously reported	\$ 120,504,677
Less: amount of construction in progress overstated	<u>(1,770,551)</u>
Net Assets, January 1, 2004, restated	<u>\$ 118,734,126</u>

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, major special revenue funds, and some nonmajor governmental funds. All appropriations lapse at year-end.

On or before mid-August of each year, all departments submit requests for appropriations to the 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. Transfers of appropriations within a department and between departments require approval of the County Board. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriation--is the departmental level. The Board made some supplemental budgetary appropriations throughout the year; however, none were material.

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive balance of \$11,058 as of December 31, 2004, although 35 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. Following is a summary of the individual ditch systems:

9 ditches with positive balances	\$ 53,468
35 ditches with deficit balances	<u>(42,410)</u>
Net Fund Balance	<u>\$ 11,058</u>

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Cash and pooled investments	\$ 30,430,523
Petty cash	1,760
Departmental cash	2,443
Agency funds	<u>4,800,739</u>
Total Cash and Investments	<u>\$ 35,235,465</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Auditor/Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$16,861,859. The bank balance deposit amount was \$19,023,260. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 900,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	<u>18,123,260</u>
Total covered deposits	\$ 19,023,260
Uncollateralized	<u>-</u>
Total	<u>\$ 19,023,260</u>

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ -	\$ -	\$ 9,784,082	\$ 9,784,082
Negotiable certificates of deposit	-	-	6,936,120	6,936,120
Total Investments	\$ -	\$ -	\$ 16,720,202	\$ 16,720,202
Add				
Money market mutual funds				1,136,631
MAGIC Fund				512,570
Cash on hand				1,760
Departmental cash				2,443
Deposits				16,861,859
Total Cash and Investments				\$ 35,235,465

2. Receivables

Receivables as of December 31, 2004, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 942,724	\$ -
Special assessments	1,262,731	1,122,182
Accounts	614,920	-
Interest	305,581	-
Loans	87,035	68,307
Due from other governments	2,323,743	-
Total Governmental Activities	\$ 5,536,734	\$ 1,190,489

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 5,829,104	\$ 371,548	\$ -	\$ 6,200,652
Construction in progress	8,969,809	2,532,911	7,172,048	4,330,672
 Total capital assets not depreciated	 \$ 14,798,913	 \$ 2,904,459	 \$ 7,172,048	 \$ 10,531,324
Capital assets depreciated				
Buildings	\$ 45,438,300	\$ 2,558,688	\$ -	\$ 47,996,988
Machinery, furniture, and equipment	8,717,476	1,381,012	903,889	9,194,599
Infrastructure	90,625,825	10,171,369	-	100,797,194
 Total capital assets depreciated	 \$ 144,781,601	 \$ 14,111,069	 \$ 903,889	 \$ 157,988,781
Less: accumulated depreciation for				
Buildings	\$ 15,093,815	\$ 837,280	\$ -	\$ 15,931,095
Machinery, furniture, and equipment	5,225,016	931,513	729,769	5,426,760
Infrastructure	19,709,359	1,976,678	-	21,686,037
 Total accumulated depreciation	 \$ 40,028,190	 \$ 3,745,471	 \$ 729,769	 \$ 43,043,892
 Total capital assets depreciated, net	 \$ 104,753,411	 \$ 10,365,598	 \$ 174,120	 \$ 114,944,889
 Governmental Activities Capital Assets, Net	 \$ 119,552,324	 \$ 13,270,057	 \$ 7,346,168	 \$ 125,476,213

Not included in increases and decreases is the purchase and subsequent sale of certain real property during 2004.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	291,985
Public safety		537,222
Highways and streets, including depreciation of infrastructure assets		2,458,417
Human services		165,960
Culture and recreation		103,075
Conservation of natural resources		9,703
Sanitation		179,109
		<hr/>
Total Depreciation Expense - Governmental Activities	\$	<u>3,745,471</u>

4. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Human Services	\$ 13,492
	Other governmental funds - Ditch	4,169
		<hr/>
Total Due to General Fund		\$ 17,661
Road and Bridge	General	\$ 36,299
	Human Services	462
		<hr/>
Total Due to Road and Bridge Fund		\$ 36,761
Total Due To/From Other Funds		<u>\$ 54,422</u>

Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental funds	
	Ditch	\$ 12,800
	Clearwater River Watershed District	4,600
		<hr/>
Total Advances From/To Other Funds		<u>\$ 17,400</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to General Fund from other governmental funds - Capital Projects Fund	\$ 744,500	To provide funding for capital outlay
Transfers to General Fund from other governmental funds - Compost Fund	36,792	To combine similar activities
Transfers to Road and Bridge Fund from other governmental funds - Capital Projects Fund	534,800	To provide funding for capital outlay
Transfers to Human Services Fund from other governmental funds - Capital Projects Fund	58,000	To provide funding for capital outlay
Transfers to Debt Service Fund from other governmental funds - Compost Fund	309,745	To combine similar activities
Transfers to other governmental funds - Solid Waste Fund from General Fund	<u>21,466</u>	To provide funding
Total Interfund Transfers	<u>\$ 1,705,303</u>	

B. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

Accounts	\$ 1,427,187
Salaries	1,466,361
Contracts	2,109,489
Due to other governments	312,622
Interest	<u>182,838</u>
Total Payables	<u>\$ 5,498,497</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2004. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities Roads and bridges	\$ 16,593,386	\$ 703,243

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General obligation bonds and notes					
1998A G.O. Capital Improvement Bonds	2018	\$110,000 - \$260,000	3.80 - 4.80	\$ 3,270,000	\$ 2,660,000
2001A G.O. Sewer Revenue Bonds	2022	\$40,000 - \$175,000	3.625 - 4.75	2,295,000	2,175,000
2002B G.O. Capital Improvement Plan Refunding Bonds	2010	\$695,000 - \$895,000	2.50 - 3.50	6,470,000	5,010,000
2002A G.O. County Jail Refunding Bonds	2010	\$395,000 - \$480,000	1.60 - 3.55	3,105,000	2,710,000
2003A G.O. Capital Improvement Plan Bonds	2023	\$95,000 - \$180,000	2.00 - 4.20	2,515,000	2,420,000
2004A G.O. Capital Notes	2006	\$200,000	1.10 - 1.90	600,000	400,000
2004B G.O. Capital Notes	2006	\$1,010,000 - \$1,500,000	2.00	3,885,000	2,875,000
2004C G.O. Solid Waste Revenue Refunding Bonds	2012	\$840,000 - \$1,185,000	3.35	8,285,000	8,285,000
Total general obligation bonds and notes				\$ 30,425,000	\$ 26,535,000
Add: Unamortized premium					161,615
Less: unamortized discount					(32,166)
Total General Obligation					\$ 26,664,449

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		General Obligation Capital Notes	
	Principal	Interest	Principal	Interest
2005	\$ 2,375,000	\$ 867,659	\$ 1,575,000	\$ 64,300
2006	2,500,000	729,389	1,700,000	33,800
2007	2,600,000	654,611	-	-
2008	2,690,000	573,183	-	-
2009	2,745,000	483,430	-	-
2010 - 2014	6,855,000	1,281,681	-	-
2015 - 2019	2,325,000	520,479	-	-
2020 - 2023	1,170,000	108,125	-	-
Total	\$ 23,260,000	\$ 5,218,557	\$ 3,275,000	\$ 98,100

5. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2004, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 25,615,000	\$ 8,285,000	\$ 10,640,000	\$ 23,260,000	\$ 2,375,000
General obligation notes	-	4,485,000	1,210,000	3,275,000	1,575,000
Add: Amount of unamortized premiums	-	175,211	13,596	161,615	-
Less: deferred amounts for issuance discounts	(33,953)	-	(1,787)	(32,166)	-
Total bonds and notes payable	\$ 25,581,047	\$ 12,945,211	\$ 11,861,809	\$ 26,664,449	\$ 3,950,000
Contract for deed payable	100,000	-	100,000	-	-
Compensated absences	2,053,751	287,402	239,207	2,101,946	226,144
Governmental Activity Long-Term Liabilities	\$ 27,734,798	\$ 13,232,613	\$ 12,201,016	\$ 28,766,395	\$ 4,176,144

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities (Continued)

6. Current Refunding of Debt

In 2004, the County issued \$8,285,000 in General Obligation Solid Waste Revenue Refunding Bonds with an average interest rate of 3.35 percent to pay off the remaining balance of the 1994 General Obligation Solid Waste Revenue Refunding Bonds with interest rates of 3.6 to 5.8 percent.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$90,000. The County completed the refunding to reduce its total debt service payments over the next eight years by \$1,814,542 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$912,281.

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

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

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

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 932,063	\$ 501,209	\$ 93,748
2003	887,937	479,406	87,127
2002	836,050	443,547	81,740

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Landfill Closure and Postclosure Care Costs

The County is required by state and federal laws and regulations to provide offsetting financial assurances for the landfill in the County. The amount is derived by taking the Minnesota Pollution Control Agency's 20-year required financial assurance data as calculated for the facility and projecting that out to a 30-year need, as recommended by the Environmental Protection Agency. At December 31, 2004, this amount was calculated to be \$248,475 and is reserved in Other Governmental Funds - Solid Waste.

B. 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, 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 the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 and \$760,000 per claim in 2004 and 2005, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

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

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 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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

D. Joint Venture

Crow River Joint Powers Agreement

In April 1999, Wright County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Pope, Renville, Sibley, and Stearns Counties, creating the Crow River Joint Powers Agreement. The Agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Prairie County Resource Conservation and Development Council is the fiscal agent for this joint powers agreement.

The purpose of this agreement is the joint exercise of powers by counties to promote orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination and related support to member counties by assisting in the implementing and goal achievement of comprehensive water plans which counties may develop and implement. Current financial statements are not available.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

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

E. Jointly-Governed Organizations

Wright County, in conjunction with other governmental entities and various private organizations, has formed the following jointly-governed organizations:

Regional Library

The Great River Regional Library operates under a joint powers agreement and according to the authority granted by Minnesota statutes. The specific operating framework is set forth in a service agreement which has been entered into by each of the seven members. The membership consists of six counties including Wright County and the City of St. Cloud. The Board of Directors consists of 15 people. The Wright County Board of Commissioners is entitled to appoint three people to the Board. The County's 2004 contribution to the Great River Regional Library of \$1,282,924 is included in the expenditures of the General Fund.

Counties Computer Cooperative

The Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Wright County expended \$52,321 to the Cooperative.

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SUPPLEMENTARY INFORMATION

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes.

The Lake Improvement Districts Fund accounts for funds used to make improvements to and maintain the water level at Lake Pulaski and Lake Charlotte. Financing is to be provided by special assessments against parcels of property benefited by the lake improvements and from an annual property tax levy.

The Solid Waste Fund accounts for funds used to promote public education, waste reduction, landfill closure, and landfill postclosure care. Financing is provided by surcharges to waste haulers and the SCORE grant.

The Ditch Fund accounts for funds used to maintain the County's ditch system. Financing is provided by special assessments against parcels of property benefited by the ditch maintenance.

The Clearwater River Watershed District Fund accounts for funds used to maintain the Watershed District. Financing is provided by special assessments against parcels of property improved by the Watershed District.

The Compost Fund accounts for funds used to retire outstanding liabilities against the facility which ceased providing composting services in February 1997. Financing is provided by special assessments against all parcels of property within the County. This fund was closed in 2004.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for financial resources to be used for anticipated capital expenditures.

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	Special Revenue	Capital Projects	Total
<u>Assets</u>			
Cash and pooled investments	\$ 1,567,444	\$ 3,047,626	\$ 4,615,070
Taxes receivable			
Prior	2,205	-	2,205
Special assessments receivable			
Prior	2,707	-	2,707
Noncurrent	21,169	-	21,169
Total Assets	\$ 1,593,525	\$ 3,047,626	\$ 4,641,151
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 5,581	\$ 2,267	\$ 7,848
Contracts payable	-	26,200	26,200
Due to other funds	4,169	-	4,169
Due to other governments	51,407	-	51,407
Deferred revenue - unavailable	24,203	-	24,203
Advance from other funds	17,400	-	17,400
Total Liabilities	\$ 102,760	\$ 28,467	\$ 131,227
Fund Balances			
Reserved for landfill closure/postclosure	\$ 248,475	\$ -	\$ 248,475
Unreserved			
Undesignated	1,242,290	3,019,159	4,261,449
Total Fund Balances	\$ 1,490,765	\$ 3,019,159	\$ 4,509,924
Total Liabilities and Fund Balances	\$ 1,593,525	\$ 3,047,626	\$ 4,641,151

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue	Capital Projects	Total
Revenues			
Taxes	\$ 47,380	\$ -	\$ 47,380
Special assessments	62,605	-	62,605
Intergovernmental	238,808	-	238,808
Charges for services	66,620	-	66,620
Investment earnings	-	1,511	1,511
Miscellaneous	603	-	603
	\$ 416,016	\$ 1,511	\$ 417,527
Expenditures			
Current			
Sanitation	\$ 470,319	\$ -	\$ 470,319
Conservation of natural resources	12,254	-	12,254
Intergovernmental			
Conservation of natural resources	14,283	-	14,283
Capital outlay	-	2,660,864	2,660,864
Debt service			
Principal retirement	-	100,000	100,000
Interest	-	6,518	6,518
Bond issuance costs	-	35,970	35,970
	\$ 496,856	\$ 2,803,352	\$ 3,300,208
Excess of Revenues Over (Under)			
Expenditures	\$ (80,840)	\$ (2,801,841)	\$ (2,882,681)
Other Financing Sources (Uses)			
Transfers in	\$ 21,466	\$ -	\$ 21,466
Transfers out	(346,537)	(1,337,300)	(1,683,837)
Notes issued	-	4,485,000	4,485,000
Premium on notes issued	-	40,789	40,789
Proceeds from sale of capital assets	-	1,806,000	1,806,000
	\$ (325,071)	\$ 4,994,489	\$ 4,669,418
Net Change in Fund Balance	\$ (405,911)	\$ 2,192,648	\$ 1,786,737
Fund Balance - January 1	1,896,676	826,511	2,723,187
Fund Balance - December 31	\$ 1,490,765	\$ 3,019,159	\$ 4,509,924

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Statement 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2004**

	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	Total
<u>Assets</u>					
Cash and pooled investments	\$ 131,995	\$ 1,400,119	\$ 28,012	\$ 7,318	\$ 1,567,444
Taxes receivable					
Prior	2,205	-	-	-	2,205
Special assessments receivable					
Prior	-	-	686	2,021	2,707
Noncurrent	601	-	20,568	-	21,169
Total Assets	\$ 134,801	\$ 1,400,119	\$ 49,266	\$ 9,339	\$ 1,593,525
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 891	\$ 4,690	\$ -	\$ -	\$ 5,581
Due to other funds	-	-	4,169	-	4,169
Due to other governments	9	51,398	-	-	51,407
Deferred revenue - unavailable	2,293	-	21,239	671	24,203
Advance from other funds	-	-	12,800	4,600	17,400
Total Liabilities	\$ 3,193	\$ 56,088	\$ 38,208	\$ 5,271	\$ 102,760
Fund Balances					
Reserved for landfill closure/postclosure	\$ -	\$ 248,475	\$ -	\$ -	\$ 248,475
Unreserved					
Undesignated	131,608	1,095,556	11,058	4,068	1,242,290
Total Fund Balances	\$ 131,608	\$ 1,344,031	\$ 11,058	\$ 4,068	\$ 1,490,765
Total Liabilities and Fund Balances	\$ 134,801	\$ 1,400,119	\$ 49,266	\$ 9,339	\$ 1,593,525

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Statement 4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	Compost	Total
Revenues						
Taxes	\$ 47,380	\$ -	\$ -	\$ -	\$ -	\$ 47,380
Special assessments	13,670	-	33,272	15,663	-	62,605
Intergovernmental	-	238,808	-	-	-	238,808
Charges for services	-	66,620	-	-	-	66,620
Miscellaneous	603	-	-	-	-	603
Total Revenues	\$ 61,653	\$ 305,428	\$ 33,272	\$ 15,663	\$ -	\$ 416,016
Expenditures						
Current						
Sanitation	\$ -	\$ 470,319	\$ -	\$ -	\$ -	\$ 470,319
Conservation of natural resources	10,165	-	2,089	-	-	12,254
Intergovernmental						
Conservation of natural resources	-	-	-	14,283	-	14,283
Total Expenditures	\$ 10,165	\$ 470,319	\$ 2,089	\$ 14,283	\$ -	\$ 496,856
Excess of Revenues Over (Under) Expenditures	\$ 51,488	\$ (164,891)	\$ 31,183	\$ 1,380	\$ -	\$ (80,840)
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ 21,466	\$ -	\$ -	\$ -	\$ 21,466
Transfers out	-	-	-	-	(346,537)	(346,537)
Total Other Financing Sources (Uses)	\$ -	\$ 21,466	\$ -	\$ -	\$ (346,537)	\$ (325,071)
Net Change in Fund Balance	\$ 51,488	\$ (143,425)	\$ 31,183	\$ 1,380	\$ (346,537)	\$ (405,911)
Fund Balance - January 1	80,120	1,487,456	(20,125)	2,688	346,537	1,896,676
Fund Balance - December 31	\$ 131,608	\$ 1,344,031	\$ 11,058	\$ 4,068	\$ -	\$ 1,490,765

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
LAKE IMPROVEMENT DISTRICTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 48,700	\$ 34,800	\$ 47,380	\$ 12,580
Special assessments	-	-	13,670	13,670
Miscellaneous	-	-	603	603
Total Revenues	\$ 48,700	\$ 34,800	\$ 61,653	\$ 26,853
Expenditures				
Current				
Conservation of natural resources	48,700	34,800	10,165	24,635
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 51,488	\$ 51,488
Fund Balance - January 1	80,120	80,120	80,120	-
Fund Balance - December 31	\$ 80,120	\$ 80,120	\$ 131,608	\$ 51,488

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
COMPOST SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 1,297,110	\$ 1,297,110	\$ -	\$ (1,297,110)
Expenditures				
Debt service				
Principal retirement	\$ 710,000	\$ 710,000	\$ -	\$ 710,000
Interest	587,110	587,110	-	587,110
Total Expenditures	\$ 1,297,110	\$ 1,297,110	\$ -	\$ 1,297,110
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses)				
Transfers out	-	-	(346,537)	(346,537)
Net Change in Fund Balance	\$ -	\$ -	\$ (346,537)	\$ (346,537)
Fund Balance - January 1	346,537	346,537	346,537	-
Fund Balance - December 31	\$ 346,537	\$ 346,537	\$ -	\$ (346,537)

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

The Prepaid Taxes Fund accounts for the collection and payment of taxes paid in advance.

The State Revenue Fund accounts for the collection and distribution of funds for the State of Minnesota.

The Taxes and Penalties Fund accounts for the collection of taxes and penalties and their payment to the various taxing districts.

The Towns, Cities, Schools, and Special Districts Fund accounts for the collection and payment of taxes due to towns, cities, schools, and special districts.

The Family Services Collaborative Fund counts for funds collected from a collaborative of the County, school districts, and other member agencies. These resources are used primarily for family service purposes.

The Mental Health Initiative Fund accounts for grant dollars received from the State of Minnesota. These resources are used to provide support to persons experiencing serious mental health problems.

The Highway 55 Corridor Fund accounts for donations and membership fees from private landowners, cities, townships, and business owners. These resources are used primarily for consulting fees relating to the improvement of Highway 55 for expanded economic growth.

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Statement 5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>PREPAID TAXES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 428,837	\$ 110,165	\$ 20,107	\$ 518,895
<u>Liabilities</u>				
Due to other governments	\$ 428,837	\$ 110,165	\$ 20,107	\$ 518,895
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 62,836	\$ 7,374,154	\$ 7,381,023	\$ 55,967
Accounts receivable	48,908	-	48,908	-
Total Assets	\$ 111,744	\$ 7,374,154	\$ 7,429,931	\$ 55,967
<u>Liabilities</u>				
Due to other governments	\$ 111,744	\$ 7,374,154	\$ 7,429,931	\$ 55,967
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,345,619	\$ 102,497,591	\$ 100,511,815	\$ 3,331,395
Accounts receivable	368	-	368	-
Total Assets	\$ 1,345,987	\$ 102,497,591	\$ 100,512,183	\$ 3,331,395
<u>Liabilities</u>				
Due to other governments	\$ 1,345,987	\$ 102,497,591	\$ 100,512,183	\$ 3,331,395

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWNS, CITIES, SCHOOLS, AND SPECIAL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 20,858	\$ 77,059,847	\$ 77,060,307	\$ 20,398
Accounts receivable	6,818	-	6,818	-
Total Assets	\$ 27,676	\$ 77,059,847	\$ 77,067,125	\$ 20,398
<u>Liabilities</u>				
Due to other governments	\$ 27,676	\$ 77,059,847	\$ 77,067,125	\$ 20,398
<u>FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,132,121	\$ 1,522,189	\$ 1,825,251	\$ 829,059
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 30,162	\$ -	\$ 30,162
Due to other governments	1,132,121	1,492,027	1,825,251	798,897
Total Liabilities	\$ 1,132,121	\$ 1,522,189	\$ 1,825,251	\$ 829,059
<u>MENTAL HEALTH INITIATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 495,987	\$ 455,686	\$ 40,301
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 4,853	\$ -	\$ 4,853
Due to other governments	-	491,134	455,686	35,448
Total Liabilities	\$ -	\$ 495,987	\$ 455,686	\$ 40,301

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>HIGHWAY 55 CORRIDOR</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 16,181	\$ 11,457	\$ 4,724
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 3,420	\$ -	\$ 3,420
Due to other governments	-	12,761	11,457	1,304
Total Liabilities	\$ -	\$ 16,181	\$ 11,457	\$ 4,724
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,990,271	\$ 189,076,114	\$ 187,265,646	\$ 4,800,739
Accounts receivable	56,094	-	56,094	-
Total Assets	\$ 3,046,365	\$ 189,076,114	\$ 187,321,740	\$ 4,800,739
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 38,435	\$ -	\$ 38,435
Due to other governments	3,046,365	189,037,679	187,321,740	4,762,304
Total Liabilities	\$ 3,046,365	\$ 189,076,114	\$ 187,321,740	\$ 4,800,739

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OTHER SCHEDULE

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Shared Revenue

State

Highway users tax	\$	9,331,257
HACA		1,992,275
Market value credit		2,739,033
PERA rate reimbursement		81,912
Disparity reduction aid		4,695
Police aid		479,406
Enhanced 911		110,202
		110,202

Total Shared Revenue **\$ 14,738,780**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	6,759,572
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Payments

Local

Local contributions	\$	251,755
Payments in lieu of taxes		114,000
		114,000

Total Payments **\$ 365,755**

Grants

State

Minnesota Department/Board of		
Education	\$	59,804
Corrections		557,937
Public Safety		26,609
Health		815,896
Natural Resources		25,164
Human Services		2,983,366
Water and Soil Resources		101,170
Office of Environmental Assistance		230,055
Peace Officers Board		34,736
		34,736

Total State **\$ 4,834,737**

Federal

Department of		
Agriculture	\$	17,083
Justice		67,124
Transportation		680,795
Homeland Security		66,877
Health and Human Services		1,284,148
		1,284,148

Total Federal **\$ 2,116,027**

Total State and Federal Grants **\$ 6,950,764**

Total Intergovernmental Revenue **\$ 28,814,871**

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 4

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Wright County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Wright County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The reportable condition is not a material weakness.
- C. No instances of noncompliance material to the financial statements of Wright County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Wright County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Temporary Assistance for Needy Families	CFDA #93.558
Social Services Block Grant Title XX	CFDA #93.667
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Wright County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-2 Segregation of Duties

Due to the limited number of office personnel within the Planning and Zoning Office, Sheriff's Office, and License Bureau, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Wright 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 accounting point of view.

We understand that the County's management has acknowledged this condition and is taking steps to address this condition when possible. We encourage the County to continue with these efforts.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Cash Deficits in Ditch System

Previous reports have noted deficit cash balances in the County's ditch system. At December 31, 2004, 35 of 44 individual drainage systems had deficit cash balances totaling \$42,410.

Minn. Stat. § 385.31 permits the payment of expenditures provided there is money in that fund for that purpose. Minn. Stat. § 103E.655, subd. 2, allows for loans to be made from ditch systems with surplus funds or from the General Fund to a ditch system with insufficient cash to pay its bills. Allowing ditch systems to incur deficit cash flows, in effect, constitutes an interest-free loan from other funds and, as such, is in noncompliance with Minnesota statutes.

We recommend that the cash deficits be eliminated either through loans from other eligible funds of the County or through improved cash management of the ditch systems.

97-2 Security Interest in Pledged Collateral

Previous reports have stated that the County was not complying with federal and state regulations relative to documenting it had a perfected security interest in pledged collateral. Our current year's review found no change in this condition.

We again recommend that the County take steps to acquire the required documentation that demonstrates compliance with state and federal regulations. Documentation should include a copy of the depository's Board of Directors or loan committee resolution authorizing the assignment of collateral and a list of securities pledged at the time of the resolution.

01-2 Broker Acknowledgment Forms

Our previous reports have indicated that the County lacked documentation relating to broker acknowledgment forms. These forms provide evidence that the County has presented any investment restrictions to brokers. The forms also provide acknowledgment by brokers of the restrictions and are to be returned to the County before handling County business, according to Minn. Stat. § 118A.04, subd. 9. Our current review found that, of the eight broker acknowledgment forms sent out, forms were not returned from Wachovia, Edward D. Jones, Dougherty-Theis, and Washington Square Securities.

We again recommend that the County ensure all forms are returned from brokers prior to allowing any investment business to occur to comply with Minnesota statutes.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-3 Ditch Special Revenue Fund - Deficits in Equity Balances

Thirty-five of 44 individual drainage systems had deficit unreserved, undesignated fund balances as of December 31, 2004, totaling \$42,410. Minn. Stat. § 103E.735, subd. 1, provides that a repair fund may be established for any ditch system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We again recommend the County levy assessments sufficient to eliminate these deficits.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

00-1 Capital Asset Accounting System

Previous reports have discussed the need for improvement to the County's capital asset accounting system. Our current review found improvements being made to the accounting system. We recommend that the County's efforts in this area include the following:

- update policies previously approved by the County Board to incorporate useful lives for assets and to determine the adequacy of capitalization thresholds;
- establish procedures to help identify transactions affecting capital assets;
- establish procedures that will identify items to be deleted from capital assets; and
- perform physical counts of capital asset items once a year.

The County's progress to date, together with the above recommendations, should help ensure consistency and accuracy in reporting throughout the year.

OTHER REQUIRED REPORTS

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PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Wright County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County as of and for the year ended December 31, 2004, and have issued our report thereon dated October 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wright County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Wright County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1, 97-2, and 01-2.

This report is intended solely for the information and use of the Board of County Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 25, 2005



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PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Wright County

Compliance

We have audited the compliance of Wright County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Wright County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Wright County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Wright County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Wright County as of and for the year ended December 31, 2004, and have issued our report thereon dated October 25, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 25, 2005

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 5

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Matching Grants for Food Stamp Program	10.561	\$ <u>17,083</u>
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Grant	16.523	\$ 26,393
Bryne Formula Grant Program	16.579	<u>40,731</u>
Total U.S. Department of Justice		\$ <u>67,124</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	20.005	\$ 7,500
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	647,194
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>26,101</u>
Total U.S. Department of Transportation		\$ <u>680,795</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	\$ 32,954
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	134,625
Maternal and Child Health Services Block Grant	93.994	85,048
Passed Through Minnesota Department of Human Services/Central Minnesota Council on Aging Title III-B Aging Grant for Supportive Services and Senior Centers	93.044	23,869

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 5
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families - Title IV-B	93.556	63,552
Temporary Assistance for Needy Families	93.558	264,865
Child Welfare Services - State Grants	93.645	16,936
Foster Care Title IV-E	93.658	201,751
Social Services Block Grant Title XX	93.667	435,515
Chafee Foster Care Independent Living	93.674	12,896
Block Grants for Community Mental Health Service	93.958	12,137
Total U.S. Department of Health and Human Services		\$ 1,284,148
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Grant	97.004	\$ 8,708
Emergency Management Performance Grant	97.042	36,470
Emergency Management Planning Grant	97.051	21,699
Total U.S. Department of Homeland Security		\$ 66,877
Total Federal Awards		\$ 2,116,027

Notes to Schedule of Expenditures of Federal Awards

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