

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

WRIGHT COUNTY
BUFFALO, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005



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

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

ORGANIZATION
2005

Office	Name	Term	
		From	To
Commissioners			
1st District	Karla Heeter	January 2003	January 2009
2nd District	Pat Sawatzke	January 1991	January 2007
3rd District	John D. Russek	January 1993	January 2009
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 2003	January 2007
Sheriff	Gary Miller	June 2000	January 2007
Appointed			
Coordinator	Richard W. Norman		Indefinite
Assessor	Greg Kramber	February 2002	December 2008
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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STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

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, 2005, 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, 2005, 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 November 14, 2006, 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

/s/Greg Hierlinger

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: November 14, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005
(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, 2005. 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 \$145,647,928 at the close of 2005. Of this amount, \$27,240,094 (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 \$18,172,507 in 2005. This is attributable primarily to the capitalization of additional capital assets and improved cash flows from operations.
- At the close of 2005, Wright County's governmental funds reported combined ending fund balances of \$31,465,609, an increase of \$2,571,390 in comparison with the prior year. Of the total fund balance, \$13,405,166 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.
- At the close of 2005, unreserved, undesignated fund balance for the General Fund was \$10,101,087, or 30 percent of total General Fund expenditures.
- Wright County's total debt decreased by \$3,950,000, or 15 percent, during 2005. The key factor in the decrease was the scheduled debt service payments and the absence of new debt issues.

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 are comprised of 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, are 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 only in 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 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Wright County reports nine 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 balances 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 five 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 \$145,647,928 at the close of 2005. The largest portion of Wright County's net assets (78 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

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 39,511,799	\$ 36,866,914
Capital assets	<u>137,333,004</u>	<u>125,476,213</u>
Total Assets	\$ <u>176,844,803</u>	\$ <u>162,343,127</u>
Long-term liabilities outstanding	\$ 25,638,832	\$ 28,766,395
Other liabilities	<u>5,558,043</u>	<u>6,101,311</u>
Total Liabilities	\$ <u>31,196,875</u>	\$ <u>34,867,706</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 113,961,899	\$ 100,941,213
Restricted	4,445,935	3,951,347
Unrestricted	<u>27,240,094</u>	<u>22,582,861</u>
Total Net Assets	\$ <u><u>145,647,928</u></u>	\$ <u><u>127,475,421</u></u>

The unrestricted net asset amount of \$27,240,094 as of December 31, 2005, may be used to meet the County's ongoing obligations to citizens and creditors.

Wright County's activities increased net assets by \$18,172,507, or 14 percent over the 2004 net assets. Revenues increased by \$8,550,424; the key element of the increase was additional property tax revenue and charges for services. Expenses decreased by \$880,788, with the largest decrease in highways and streets.

Changes in Net Assets

	<u>2005</u>	<u>2004</u>
Revenues		
Program revenues		
Charges for services	\$ 14,293,466	\$ 10,626,531
Operating grants and contributions	22,063,149	22,325,656
Capital grants and contributions	1,323,259	2,098,165
General revenues		
Property taxes	29,745,260	26,141,048
Other	<u>8,935,071</u>	<u>6,618,381</u>
Total Revenues	\$ <u>76,360,205</u>	\$ <u>67,809,781</u>

	2005	2004
Expenses		
General government	\$ 15,727,527	\$ 14,143,405
Public safety	15,848,462	14,277,686
Highways and streets	3,958,245	8,252,177
Sanitation	559,543	686,220
Human services	15,833,947	15,500,177
Health	2,677,859	2,472,101
Culture and recreation	2,384,921	2,047,174
Conservation of natural resources	297,441	503,953
Economic development	-	38,289
Interest	899,753	1,147,304
	<u>58,187,698</u>	<u>59,068,486</u>
Total Expenses	\$ 58,187,698	\$ 59,068,486
Increase In Net Assets	\$ 18,172,507	\$ 8,741,295
Net Assets - January 1	<u>127,475,421</u>	<u>118,734,126</u>
Net Assets - December 31	<u>\$ 145,647,928</u>	<u>\$ 127,475,421</u>

The decrease in highways and streets expenses is due to the capitalization of assets, specifically construction in progress.

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 \$31,465,609, an increase of \$2,571,390 in comparison with the prior year. The majority of this amount (\$29,981,571) 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 \$19,818,025, while total fund balance was \$20,171,812. 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 58 percent of total General Fund expenditures. In 2005, fund balance in the General Fund increased by \$5,234,954. This increase was due primarily to the increase of tax revenue and transfers from other funds.

The Road and Bridge Fund’s fund balance decreased by \$1,735,789 in 2005. The main reason for this decrease was project costs for road construction and maintenance.

The Human Services Fund’s fund balance increased \$488,665 from the prior year due to an increase in taxes in 2005.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$40,000 (no change in revenue and zero percent increase in expenditures). The actual revenues exceeded budgeted revenues by \$5,672,242. The largest variance was in intergovernmental revenue, where the County received more grants than was budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County’s investment in capital assets for its governmental activities as of December 31, 2005, was \$137,333,004 (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 nine percent. The increases were attributed primarily in the areas of infrastructure and construction in progress.

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

	2005	2004
Land	\$ 8,492,910	\$ 6,200,652
Construction in progress	8,492,933	4,330,672
Building	31,228,611	32,065,893
Furniture, equipment and machinery	4,493,787	3,767,839
Infrastructure	84,624,763	79,111,157
Total	<u>\$ 137,333,004</u>	<u>\$ 125,476,213</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 \$22,585,000, which is backed by the full faith and credit of the government.

	Outstanding Debt	
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 20,885,000	\$ 23,260,000
General obligation capital notes	<u>1,700,000</u>	<u>3,275,000</u>
Total	<u>\$ 22,585,000</u>	<u>\$ 26,535,000</u>

The County's debt related to general obligation bonds and notes decreased by \$3,950,000 (15 percent) during the fiscal year, due primarily to scheduled debt service payments and the absence of new debt issues.

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 2005, 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 4.1 percent at the end of 2005. This was above the statewide rate of 4.0 percent.
- Mortgage interest rates have been extremely low, causing many people to refinance their mortgages.
- At the end of 2005, the Wright County Board set its 2006 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, 2005**

Assets

Cash and pooled investments	\$ 33,054,158
Petty cash and change funds	1,760
Taxes receivable	
Prior - net	992,940
Special assessments receivable	
Prior - net	135,494
Noncurrent - net	959,626
Accounts receivable - net	270,865
Accrued interest receivable	430,839
Loans receivable	57,392
Due from other governments	2,826,471
Inventories	724,106
Deferred charges	58,148
Capital assets	
Non-depreciable	16,985,843
Depreciable - net of accumulated depreciation	<u>120,347,161</u>
Total Assets	<u>\$ 176,844,803</u>

Liabilities

Accounts payable	\$ 909,650
Salaries payable	1,202,773
Contracts payable	1,425,905
Due to other governments	1,861,032
Accrued interest payable	158,683
Long-term liabilities	
Due within one year	4,922,905
Due in more than one year	<u>20,715,927</u>
Total Liabilities	<u>\$ 31,196,875</u>

Net Assets

Invested in capital assets - net of related debt	\$ 113,961,899
Restricted for	
Capital projects	1,451,015
Debt service	2,639,850
Equipment replacement	27,392
Postclosure	327,678
Unrestricted	<u>27,240,094</u>
Total Net Assets	<u>\$ 145,647,928</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Revenues			Net (Expenses)	
	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets	
Expenses					
Functions/Programs					
Governmental activities					
General government	\$ 15,727,527	\$ 6,565,040	\$ 266,849	\$ -	\$ (8,895,638)
Public safety	15,848,462	4,926,743	1,409,917	-	(9,511,802)
Highways and streets	3,958,245	1,164,495	8,485,881	34,817	5,726,948
Sanitation	559,543	147,729	-	-	(411,814)
Human services	15,833,947	1,356,278	10,029,826	-	(4,447,843)
Health	2,677,859	-	1,144,868	-	(1,532,991)
Culture and recreation	2,384,921	120,079	38,540	-	(2,226,302)
Conservation of natural resources	297,441	13,102	687,268	1,288,442	1,691,371
Interest	899,753	-	-	-	(899,753)
Total governmental activities	<u>\$ 58,187,699</u>	<u>\$ 14,293,466</u>	<u>\$ 22,063,149</u>	<u>\$ 1,323,259</u>	<u>\$ (20,507,825)</u>
General Revenues					
Property taxes				\$ 29,745,260	
Gravel taxes				131,024	
Mortgage registry and deed tax				307,981	
Grants and contributions not restricted to specific programs				6,911,795	
Investment income				1,257,918	
Miscellaneous				326,353	
Total general revenues				<u>\$ 38,680,331</u>	
Change in net assets				\$ 18,172,506	
Net Assets - January 1				<u>127,475,421</u>	
Net Assets - December 31				<u>\$ 145,647,927</u>	

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 20,396,086	\$ 455,007
Petty cash and change funds	1,700	-
Taxes receivable		
Prior	582,232	95,407
Special assessments receivable		
Prior	1,093	-
Noncurrent	8,829	-
Accounts receivable	33,840	74,560
Accrued interest receivable	430,839	-
Loans receivable	57,392	-
Due from other funds	14,508	1,279
Due from other governments	475,274	1,295,598
Inventories	-	724,106
Advances to other funds	17,400	-
	\$ 22,019,193	\$ 2,645,957
Total Assets	\$ 22,019,193	\$ 2,645,957

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,523,391 60	\$ 2,583,403 -	\$ 3,096,271 -	\$ 33,054,158 1,760
206,275	108,797	229	992,940
-	131,088	3,313	135,494
-	937,792	13,005	959,626
156,657	-	5,808	270,865
-	-	-	430,839
-	-	-	57,392
-	-	-	15,787
943,817	-	111,782	2,826,471
-	-	-	724,106
-	-	-	17,400
<u>\$ 7,830,200</u>	<u>\$ 3,761,080</u>	<u>\$ 3,230,408</u>	<u>\$ 39,486,838</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 243,448	\$ 92,473
Salaries payable	780,140	94,836
Contracts payable	35,085	1,265,333
Due to other funds	250	-
Due to other governments	330,651	1,518,308
Deferred revenue - unavailable	457,807	853,537
Advance from other funds	-	-
Total Liabilities	\$ 1,847,381	\$ 3,824,487
Fund Balances		
Reserved for		
Encumbrances	\$ -	\$ -
Inventories	-	724,106
Advances to other funds	17,400	-
Changed funds	2,210	-
Jail canteen	5,094	-
D.A.R.E.	601	-
Turn off the violence	663	-
Missing heir	2,618	-
General revenue	200	-
County DWI	1,000	-
Sheriff mounted patrol	3,131	-
Gun permits	51,386	-
Explorer scouts	21	-
Sheriff's contingency	100	-
Reserve units	1,359	-
DWI forfeiture funds	21,098	-
Fleeing forfeiture funds	7	-
Richard Ahlers	2,795	-
Park dedication fee	195,951	-
Gravel tax	48,153	-
Landfill closure/postclosure	-	-
Unreserved		
Designated for cash flows	8,200,253	-
Designated for debt service	-	-
Designated for compensated absences	1,516,685	-
Undesignated	10,101,087	(1,902,636)
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Capital projects fund	-	-
Total Fund Balances	\$ 20,171,812	\$ (1,178,530)
Total Liabilities and Fund Balances	\$ 22,019,193	\$ 2,645,957

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 556,682	\$ 28	\$ 17,019	\$ 909,650
327,797	-	-	1,202,773
-	-	125,487	1,425,905
11,368	-	4,169	15,787
12,073	-	-	1,861,032
140,115	1,121,202	16,021	2,588,682
-	-	17,400	17,400
\$ 1,048,035	\$ 1,121,230	\$ 180,096	\$ 8,021,229
\$ -	\$ -	\$ 78,467	\$ 78,467
-	-	-	724,106
-	-	-	17,400
-	-	-	2,210
-	-	-	5,094
-	-	-	601
-	-	-	663
-	-	-	2,618
-	-	-	200
-	-	-	1,000
-	-	-	3,131
-	-	-	51,386
-	-	-	21
-	-	-	100
-	-	-	1,359
-	-	-	21,098
-	-	-	7
-	-	-	2,795
-	-	-	195,951
-	-	-	48,153
-	-	327,678	327,678
3,816,700	-	-	12,016,953
-	2,639,850	-	2,639,850
402,917	-	-	1,919,602
2,562,548	-	-	10,760,999
-	-	1,193,152	1,193,152
-	-	1,451,015	1,451,015
\$ 6,782,165	\$ 2,639,850	\$ 3,050,312	\$ 31,465,609
\$ 7,830,200	\$ 3,761,080	\$ 3,230,408	\$ 39,486,838

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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, 2005**

Fund balances - total governmental funds (Exhibit 3)	\$	31,465,609
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.		137,333,004
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,588,682
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	\$ (22,685,837)	
Contract for deed	(785,105)	
Deferred debt issuance costs	58,148	
Compensated absences	(2,167,890)	
Accrued interest payable	(158,683)	(25,739,367)
Net assets of governmental activities (Exhibit 1)		<u>\$ 145,647,928</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Road and Bridge
Revenues		
Taxes	\$ 18,100,090	\$ 2,720,602
Special assessments	-	-
Licenses and permits	161,990	-
Intergovernmental	7,378,149	8,135,228
Charges for services	7,605,358	927,936
Fines and forfeits	276,891	-
Gifts and contributions	19,737	-
Interest on investments	1,257,918	-
Miscellaneous	3,865,554	842,554
Total Revenues	\$ 38,665,687	\$ 12,626,320
Expenditures		
Current		
General government	\$ 15,686,109	\$ -
Public safety	15,511,150	-
Highways and streets	-	14,520,014
Sanitation	-	-
Human services	-	-
Health	-	-
Culture and recreation	913,336	-
Conservation of natural resources	235,570	-
Intergovernmental		
Public safety	164,101	-
Highways and streets	-	328,202
Culture and recreation	1,417,869	-
Conservation of natural resources	-	-
Capital outlay	-	-
Debt service		
Principal	-	-
Interest	-	-
Bond issuance costs	-	-
Fiscal charges	-	-
Total Expenditures	\$ 33,928,135	\$ 14,848,216
Excess of Revenues Over (Under) Expenditures	\$ 4,737,552	\$ (2,221,896)
Other Financing Sources (Uses)		
Transfers in	\$ 823,500	\$ 581,030
Transfers out	(326,098)	-
Contract for deed	-	-
Total Other Financing Sources (Uses)	\$ 497,402	\$ 581,030
Net Change in Fund Balance	\$ 5,234,954	\$ (1,640,866)
Fund Balance - January 1	14,936,858	557,259
Increase (decrease) in reserved for inventories	-	(94,923)
Fund Balance - December 31	\$ 20,171,812	\$ (1,178,530)

EXHIBIT 5

Human Services	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 5,755,566	\$ 3,554,172	\$ 14,352	\$ 30,144,782
-	1,422,114	24,124	1,446,238
-	-	-	161,990
12,357,027	-	349,956	28,220,360
912,026	-	414,424	9,859,744
-	-	-	276,891
13,897	-	-	33,634
-	-	-	1,257,918
444,252	-	1,516	5,153,876
\$ 19,482,768	\$ 4,976,286	\$ 804,372	\$ 76,555,433
\$ -	\$ 45,022	\$ -	\$ 15,731,131
-	-	-	15,511,150
-	-	-	14,520,014
-	-	380,434	380,434
16,262,216	-	-	16,262,216
2,634,351	-	-	2,634,351
-	-	-	913,336
-	-	47,501	283,071
-	-	-	164,101
-	-	-	328,202
-	-	-	1,417,869
-	-	7,690	7,690
155,536	-	1,477,032	1,632,568
-	3,950,000	186,403	4,136,403
-	931,959	-	931,959
-	3,231	-	3,231
-	2,902	-	2,902
\$ 19,052,103	\$ 4,933,114	\$ 2,099,060	\$ 74,860,628
\$ 430,665	\$ 43,172	\$ (1,294,688)	\$ 1,694,805
\$ 58,000	\$ -	\$ 326,098	\$ 1,788,628
-	-	(1,462,530)	(1,788,628)
-	-	971,508	971,508
\$ 58,000	\$ -	\$ (164,924)	\$ 971,508
\$ 488,665	\$ 43,172	\$ (1,459,612)	\$ 2,666,313
6,293,500	2,596,678	4,509,924	28,894,219
-	-	-	(94,923)
\$ 6,782,165	\$ 2,639,850	\$ 3,050,312	\$ 31,465,609

**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, 2005**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 2,666,313

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	\$ 2,588,682	
Deferred revenue - January 1	(1,981,646)	607,036

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	\$ 16,087,728	
Net book value of assets disposed of	(116,159)	
Current year depreciation	(4,114,778)	11,856,791

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.

Debt issued - contract for deed		(971,508)
Principal repayment		
General obligation bonds		3,950,000
Contract for deed		186,403
Amortization of premiums and discounts and issuance costs		14,184

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	\$ (94,923)	
Change in accrued interest payable	24,155	
Change in compensated absences	(65,944)	(136,712)

Change in net assets of governmental activities (Exhibit 2) \$ 18,172,507

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 17,130,515	\$ 17,130,515	\$ 18,100,090	\$ 969,575
Licenses and permits	174,550	174,550	161,990	(12,560)
Intergovernmental	4,528,247	4,528,247	7,378,149	2,849,902
Charges for services	6,534,278	6,534,278	7,605,358	1,071,080
Fines and forfeits	220,000	220,000	276,891	56,891
Gifts and contributions	-	-	19,737	19,737
Investment earnings	850,000	850,000	1,257,918	407,918
Miscellaneous	3,555,855	3,555,855	3,865,554	309,699
Total Revenues	\$ 32,993,445	\$ 32,993,445	\$ 38,665,687	\$ 5,672,242
Expenditures				
Current				
General government				
Commissioners	\$ 276,708	\$ 284,131	\$ 278,903	\$ 5,228
Courts	1,123,901	1,151,016	1,038,185	112,831
Court services	2,335,365	2,411,344	2,235,564	175,780
Law library	132,576	133,891	136,036	(2,145)
County administration	659,078	683,311	644,308	39,003
County auditor	1,609,077	1,628,937	1,558,892	70,045
County assessor	902,083	946,875	898,642	48,233
Elections	204,100	204,100	23,187	180,913
Data processing	818,730	858,373	822,176	36,197
Attorney	1,857,976	1,865,237	1,812,518	52,719
Recorder	593,973	603,990	594,150	9,840
Surveyor	486,904	503,536	501,523	2,013
Planning and zoning	1,008,551	1,043,550	1,004,606	38,944
Buildings and plant	1,360,266	1,375,310	1,463,852	(88,542)
Veterans service officer	111,211	114,225	106,623	7,602
Other general government	3,068,712	2,089,678	2,566,944	(477,266)
Total general government	\$ 16,549,211	\$ 15,897,504	\$ 15,686,109	\$ 211,395
Public safety				
Sheriff	\$ 10,289,633	\$ 10,883,814	\$ 10,750,060	\$ 133,754
Coroner	147,530	147,530	147,530	-
E-911 system	-	-	86,490	(86,490)
County jail	4,252,319	4,347,341	4,186,008	161,333
Civil defense	112,166	115,834	158,071	(42,237)
Other public safety	-	-	182,991	(182,991)
Total public safety	\$ 14,801,648	\$ 15,494,519	\$ 15,511,150	\$ (16,631)
Culture and recreation				
Parks	\$ 809,640	\$ 828,010	\$ 913,336	\$ (85,326)

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

**EXHIBIT 7
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Conservation of natural resources				
County extension	\$ 273,578	\$ 254,044	\$ 230,270	\$ 23,774
Soil and water conservation	-	-	5,300	(5,300)
Total conservation of natural resources	\$ 273,578	\$ 254,044	\$ 235,570	\$ 18,474
Intergovernmental				
Public safety	-	-	164,101	(164,101)
Culture and recreation	1,417,869	1,417,869	1,417,869	-
Total intergovernmental	\$ 1,417,869	\$ 1,417,869	\$ 1,581,970	\$ (164,101)
Total Expenditures	\$ 33,851,946	\$ 33,891,946	\$ 33,928,135	\$ (36,189)
Excess of Revenues Over (Under) Expenditures	\$ (858,501)	\$ (898,501)	\$ 4,737,552	\$ 5,636,053
Other Financing Sources (Uses)				
Transfers in	823,500	823,500	823,500	-
Transfers out	-	-	(326,098)	(326,098)
Total Other Financing Sources (Uses)	\$ 823,500	\$ 823,500	\$ 497,402	\$ (326,098)
Net Change in Fund Balance	\$ (35,001)	\$ (75,001)	\$ 5,234,954	\$ 5,309,955
Fund Balance - January 1	14,936,858	14,936,858	14,936,858	-
Fund Balance - December 31	\$ 14,901,857	\$ 14,861,857	\$ 20,171,812	\$ 5,309,955

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 8

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,912,683	\$ 2,912,683	\$ 2,720,602	\$ (192,081)
Intergovernmental	13,720,870	13,720,870	8,135,228	(5,585,642)
Charges for services	558,000	558,000	927,936	369,936
Miscellaneous	103,754	103,754	842,554	738,800
Total Revenues	\$ 17,295,307	\$ 17,295,307	\$ 12,626,320	\$ (4,668,987)
Expenditures				
Current				
Highways and streets				
Administration	\$ 505,899	\$ 505,899	\$ 507,496	\$ (1,597)
Maintenance	2,920,505	2,920,505	2,737,738	182,767
Construction	14,421,325	14,421,325	9,918,193	4,503,132
Equipment maintenance and shop	1,515,656	1,515,656	1,356,587	159,069
Total highways and streets	\$ 19,363,385	\$ 19,363,385	\$ 14,520,014	\$ 4,843,371
Intergovernmental				
Highways and streets	-	-	328,202	(328,202)
Total Expenditures	\$ 19,363,385	\$ 19,363,385	\$ 14,848,216	\$ 4,515,169
Excess of Revenues Over (Under) Expenditures	\$ (2,068,078)	\$ (2,068,078)	\$ (2,221,896)	\$ (153,818)
Other Financing Sources (Uses)				
Transfers in	576,222	576,222	581,030	4,808
Net Change in Fund Balance	\$ (1,491,856)	\$ (1,491,856)	\$ (1,640,866)	\$ (149,010)
Fund Balance - January 1	557,259	557,259	557,259	-
Increase (decrease) in reserved for inventories	-	-	(94,923)	(94,923)
Fund Balance - December 31	\$ (934,597)	\$ (934,597)	\$ (1,178,530)	\$ (243,933)

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

EXHIBIT 9

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,103,900	\$ 6,103,900	\$ 5,755,566	\$ (348,334)
Intergovernmental	12,964,800	12,964,800	12,357,027	(607,773)
Charges for services	980,900	980,900	912,026	(68,874)
Gifts and contributions	15,000	15,000	13,897	(1,103)
Miscellaneous	372,000	372,000	444,252	72,252
Total Revenues	\$ 20,436,600	\$ 20,436,600	\$ 19,482,768	\$ (953,832)
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,710,300	\$ 3,710,300	\$ 3,556,585	\$ 153,715
Social services	13,963,700	13,963,700	12,705,631	1,258,069
Total human services	\$ 17,674,000	\$ 17,674,000	\$ 16,262,216	\$ 1,411,784
Health				
Nursing service	\$ 2,732,200	\$ 2,732,200	\$ 2,634,351	\$ 97,849
Capital outlay				
Human services	\$ -	\$ -	\$ 115,602	\$ (115,602)
Health	-	-	39,934	(39,934)
Total capital outlay	\$ -	\$ -	\$ 155,536	\$ (155,536)
Total Expenditures	\$ 20,406,200	\$ 20,406,200	\$ 19,052,103	\$ 1,354,097
Excess of Revenues Over (Under) Expenditures	\$ 30,400	\$ 30,400	\$ 430,665	\$ 400,265
Other Financing Sources (Uses)				
Transfers in	-	-	58,000	58,000
Net Change in Fund Balance	\$ 30,400	\$ 30,400	\$ 488,665	\$ 458,265
Fund Balance - January 1	6,293,500	6,293,500	6,293,500	-
Fund Balance - December 31	\$ 6,323,900	\$ 6,323,900	\$ 6,782,165	\$ 458,265

FIDUCIARY FUNDS

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WRIGHT COUNTY
BUFFALO, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 4,859,292</u>
<u>Liabilities</u>	
Accounts payable	\$ 977
Due to other governments	<u>4,858,315</u>
Total Liabilities	<u>\$ 4,859,292</u>

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

1. Summary of Significant Accounting Policies

Wright County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2005. 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 described in Note 5.D. The County also participates in two jointly-governed organizations 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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

The 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 as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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, 2005, 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 2005 were \$1,257,918.

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.

2. Receivables and Payables

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the 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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

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.

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 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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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 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**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major and most 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.

B. Deficit Fund Equity

The Road and Bridge Special Revenue Fund had a deficit fund balance of \$1,178,530 as of December 31, 2005. This deficit will be eliminated by transferring other County resources.

The Ditch Special Revenue Fund had a positive balance of \$11,213 as of December 31, 2005, although 34 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:

10 ditches with positive balances	\$ 57,623
34 ditches with deficit balances	<u>(46,410)</u>
Net Fund Balance	<u>\$ 11,213</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

C. Excess of Expenditures Over Budget

The General Fund had expenditures in excess of budget for the year ended December 31, 2005:

Major Governmental Fund	Expenditures	Budget	Excess
General Fund	\$ 33,928,135	\$ 33,891,946	\$ 36,189

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliations of the County's total deposits, cash on hand, and investments to the basic financial statements follows:

Government-wide statement of net assets	
Government activities	
Cash and pooled investments	\$ 33,054,158
Petty cash and change funds	1,760
Statement of fiduciary net assets	
Cash and pooled investments	4,859,292
Total Cash and Investments	\$ 37,915,210
Deposits	\$ 5,136,373
Petty cash and change funds	1,760
Investments	32,777,077
Total Deposits, Cash on Hand, and Investments	\$ 37,915,210

a. Deposits

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk; however, the County complies with Minnesota statutes in establishing authorized collateral for its deposits. As of December 31, 2005, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its 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;

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's investment policy is to invest in both short-term and long-term investments to limit exposure to interest rate risk.

At December 31, 2005, the County had the following investments:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
U.S. government securities	\$ 11,251,735	\$ 401,560	\$ 8,239,804	\$ 2,610,371
Treasury notes/Bonds	421,013	-	-	421,013
Investment pool/ MAGIC Fund	1,779,600	914,646	864,954	-
Negotiable certificates of deposit	19,250,379	7,475,006	4,781,997	6,993,376
Money markets	74,350	74,350	-	-
Total Investments	\$ 32,777,077	\$ 8,865,562	\$ 13,886,755	\$ 10,024,760

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

The County's exposure to credit risk as of December 31, 2005, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
U.S. government securities	AAA	\$ 11,251,735
Treasury notes/bonds	N/A	421,013
Investment pool/MAGIC Fund	N/R	1,779,600
Negotiable certificates of deposit	N/R	19,250,379
Money markets	AAA	74,350
		<u>\$ 32,777,077</u>

N/R – Not rated
N/A – Not applicable

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2005, the County's deposits were not exposed to custodial credit risk.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

Investments in any one issuer that represent five percent or more of the County's investments are:

Issuer	Reported Amount
Federal Home Loan Bank	\$ 7,212,487
Federal Home Loan Mortgage Corporation	2,558,674

2. Receivables

Receivables as of December 31, 2005, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 992,940	\$ -
Special assessments	1,095,120	959,626
Accounts	270,865	-
Interest	430,839	-
Loans	57,392	-
Due from other governments	2,826,471	-
Total Governmental Activities	\$ 5,673,627	\$ 959,626

**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, 2005, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 6,200,652	\$ 2,292,258	\$ -	\$ 8,492,910
Construction in progress	4,330,672	7,218,440	3,056,179	8,492,933
Total capital assets not depreciated	\$ 10,531,324	\$ 9,510,698	\$ 3,056,179	\$ 16,985,843
Capital assets depreciated				
Buildings	\$ 47,996,988	\$ -	\$ -	\$ 47,996,988
Machinery, furniture, and equipment	9,194,599	1,993,120	654,505	10,533,214
Infrastructure	100,797,194	7,640,089	-	108,437,283
Total capital assets depreciated	\$ 157,988,781	\$ 9,633,209	\$ 654,505	\$ 166,967,485
Less: accumulated depreciation for				
Buildings	\$ 15,931,095	\$ 837,282	\$ -	\$ 16,768,377
Machinery, furniture, and equipment	5,426,760	1,151,013	538,346	6,039,427
Infrastructure	21,686,037	2,126,483	-	23,812,520
Total accumulated depreciation	\$ 43,043,892	\$ 4,114,778	\$ 538,346	\$ 46,620,324
Total capital assets depreciated, net	\$ 114,944,889	\$ 5,518,431	\$ 116,159	\$ 120,347,161
Governmental Activities Capital Assets, Net	<u>\$ 125,476,213</u>	<u>\$ 15,029,129</u>	<u>\$ 3,172,338</u>	<u>\$ 137,333,004</u>

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

Governmental Activities	
General government	\$ 311,238
Public safety	614,795
Highways and streets, including depreciation of infrastructure assets	2,746,784
Human services	146,331
Culture and recreation	106,818
Conservation	9,703
Sanitation	179,109
Total Depreciation Expense - Governmental Activities	<u>\$ 4,114,778</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

4. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 10,339
	Other governmental funds – Ditch	4,169
Total Due to General Fund		\$ 14,508
Road and Bridge	General	\$ 250
	Human Services	1,029
Total Due to Road and Bridge Fund		\$ 1,279
Total Due To/From Other Funds		\$ 15,787

The due to and from other funds are for interfund services not paid at year-end.

Advances From/To Other Funds

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

The advances to and from other funds are for cash flow purposes and are not expected to be repaid within the next year.

**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, 2005, consisted of the following:

Transfers to General Fund from other governmental funds - Capital Projects Fund	\$ 823,500	To provide funding for capital outlay
Transfers to Road and Bridge Fund from other governmental funds - Capital Projects Fund	581,030	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 other governmental funds - Capital Projects Fund from General Fund	186,303	To provide funding for park construction
	100,000	To provide funding for capital outlay
Transfers to other governmental funds - Solid Waste Fund from General Fund	39,795	To allocate investment income
Total Interfund Transfers	<u>\$ 1,788,628</u>	

B. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 909,650
Salaries	1,202,773
Contracts	1,425,905
Due to other governments	1,861,032
Interest	158,683
Total Payables	<u>\$ 5,558,043</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, 2005. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities Roads and bridges	\$ 7,899,055	\$ 5,297,215

3. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
General obligation bonds and notes					
1998A G.O. Capital Improvement Bonds	2018	\$110,000 - \$260,000	3.80 - 4.80	\$ 3,270,000	\$ 2,520,000
2001A G.O. Sewer Revenue Bonds	2022	\$40,000 - \$175,000	3.625 - 4.75	2,295,000	2,095,000
2002B G.O. Capital Improvement Plan Refunding Bonds	2010	\$695,000 - \$895,000	2.50 - 3.50	6,470,000	4,220,000
2002A G.O. County Jail Refunding Bonds	2010	\$395,000 - \$480,000	1.60 - 3.55	3,105,000	2,280,000
2003A G.O. Capital Improvement Plan Bonds	2023	\$95,000 - \$180,000	2.00 - 4.20	2,515,000	2,325,000
2004A G.O. Capital Notes	2006	\$200,000	1.10 - 1.90	600,000	200,000
2004B G.O. Capital Notes	2006	\$1,010,000 - \$1,500,000	2.00	3,885,000	1,500,000
2004C G.O. Solid Waste Revenue Refunding Bonds	2012	\$840,000 - \$1,185,000	3.35	8,285,000	7,445,000
Total general obligation bonds and notes				\$ 30,425,000	\$ 22,585,000
Add: Unamortized premium					131,215
Less: Unamortized discount					(30,379)
Total General Obligation					\$ 22,685,836

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Capital Notes	
	Principal	Interest	Principal	Interest
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	2,850,000	389,080	-	-
2011 - 2015	4,475,000	1,040,034	-	-
2016 - 2020	2,170,000	420,976	-	-
2021 - 2023	855,000	60,195	-	-
Total	<u>\$ 20,885,000</u>	<u>\$ 4,350,898</u>	<u>\$ 1,700,000</u>	<u>\$ 33,800</u>

5. Contract for Deed

In 2005, the County purchased 137.64 acres of land to be used for the Robert Ney Regional Park. The purchase was made under a contract for deed. Terms of the purchase call for three annual installments, commencing in 2005, at an interest rate of five percent. In 2005, the County paid \$186,403, with the remainder of the first installment being paid in January 2006.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2005, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable					
General obligation bonds	\$ 23,260,000	\$ -	\$ 2,375,000	\$ 20,885,000	\$ 2,500,000
General obligation notes	3,275,000	-	1,575,000	1,700,000	1,700,000
Add: Amount of unamortized premiums	161,615	-	30,399	131,216	-
Less: deferred amounts for issuance discounts	(32,166)	-	(1,787)	(30,379)	-
Total bonds and notes payable	\$ 26,664,449	\$ -	\$ 3,978,612	\$ 22,685,837	\$ 4,200,000
Contract for deed payable	-	971,508	186,403	785,105	461,602
Compensated absences	2,101,946	77,725	11,781	2,167,890	261,303
Governmental Activities Long-Term Liabilities	<u>\$ 28,766,395</u>	<u>\$ 1,049,233</u>	<u>\$ 4,176,796</u>	<u>\$ 25,638,832</u>	<u>\$ 4,922,905</u>

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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is three 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 internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**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 were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	2005	2006
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2005, 2004, and 2003, 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
2005	\$ 955,505	\$ 568,485	\$ 98,555
2004	932,063	501,209	93,748
2003	887,937	479,406	87,127

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, 2005, this amount was calculated to be \$327,678 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 MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$760,000 per claim in 2005 and \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

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

C. Contingent Liabilities

Amounts received or receivable from grantor 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, the 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.

Great River 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 2005 contribution to the Great River Regional Library of \$1,417,869 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 \$78,122 to the Cooperative.

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.

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, 2005**

	Special Revenue	Capital Projects	Total
<u>Assets</u>			
Cash and pooled investments	\$ 1,558,759	\$ 1,537,512	\$ 3,096,271
Taxes receivable			
Prior	229	-	229
Special assessments receivable			
Prior	3,313	-	3,313
Noncurrent	13,005	-	13,005
Accounts receivable	-	5,808	5,808
Due from other governments	-	111,782	111,782
	\$ 1,575,306	\$ 1,655,102	\$ 3,230,408
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 16,886	\$ 133	\$ 17,019
Contracts payable	-	125,487	125,487
Due to other funds	4,169	-	4,169
Deferred revenue - unavailable	16,021	-	16,021
Advance from other funds	17,400	-	17,400
	\$ 54,476	\$ 125,620	\$ 180,096
Fund Balances			
Reserved for encumbrances	\$ -	\$ 78,467	\$ 78,467
Reserved for landfill closure/postclosure	327,678	-	327,678
Unreserved/undesignated	1,193,152	1,451,015	2,644,167
	\$ 1,520,830	\$ 1,529,482	\$ 3,050,312
	\$ 1,575,306	\$ 1,655,102	\$ 3,230,408

**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, 2005**

	Special Revenue	Capital Projects	Total
Revenues			
Taxes	\$ 14,352	\$ -	\$ 14,352
Special assessments	24,124	-	24,124
Intergovernmental	238,174	111,782	349,956
Charges for services	147,729	266,695	414,424
Miscellaneous	1,516	-	1,516
	\$ 425,895	\$ 378,477	\$ 804,372
Expenditures			
Current			
Sanitation	\$ 380,434	\$ -	\$ 380,434
Conservation of natural resources	47,501	-	47,501
Intergovernmental			
Conservation of natural resources	7,690	-	7,690
Capital outlay	-	1,477,032	1,477,032
Debt service			
Principal	-	186,403	186,403
	\$ 435,625	\$ 1,663,435	\$ 2,099,060
Excess of Revenues Over (Under) Expenditures	\$ (9,730)	\$ (1,284,958)	\$ (1,294,688)
Other Financing Sources (Uses)			
Transfers in	\$ 39,795	\$ 286,303	\$ 326,098
Transfers out	-	(1,462,530)	(1,462,530)
Contract for deed	-	971,508	971,508
	\$ 39,795	\$ (204,719)	\$ (164,924)
Net Change in Fund Balances	\$ 30,065	\$ (1,489,677)	\$ (1,459,612)
Fund Balances - January 1	1,490,765	3,019,159	4,509,924
Fund Balances - December 31	\$ 1,520,830	\$ 1,529,482	\$ 3,050,312

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Statement 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005**

	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	Total
<u>Assets</u>					
Cash and pooled investments	\$ 117,693	\$ 1,403,781	\$ 28,270	\$ 9,015	\$ 1,558,759
Taxes receivable					
Prior	229	-	-	-	229
Special assessments receivable					
Prior	-	-	238	3,075	3,313
Noncurrent	-	-	13,005	-	13,005
	\$ 117,922	\$ 1,403,781	\$ 41,513	\$ 12,090	\$ 1,575,306
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 2,400	\$ 14,486	\$ -	\$ -	\$ 16,886
Due to other funds	-	-	4,169	-	4,169
Deferred revenue - unavailable	179	-	13,331	2,511	16,021
Advance from other funds	-	-	12,800	4,600	17,400
	\$ 2,579	\$ 14,486	\$ 30,300	\$ 7,111	\$ 54,476
Fund Balances					
Reserved for landfill closure/postclosure	\$ -	\$ 327,678	\$ -	\$ -	\$ 327,678
Unreserved					
Undesignated	115,343	1,061,617	11,213	4,979	1,193,152
	\$ 115,343	\$ 1,389,295	\$ 11,213	\$ 4,979	\$ 1,520,830
Total Liabilities and Fund Balances	\$ 117,922	\$ 1,403,781	\$ 41,513	\$ 12,090	\$ 1,575,306

**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, 2005**

	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	Total
Revenues					
Taxes	\$ 14,331	\$ -	\$ -	\$ 21	\$ 14,352
Special assessments	6,659	-	8,885	8,580	24,124
Intergovernmental	-	238,174	-	-	238,174
Charges for services	-	147,729	-	-	147,729
Miscellaneous	1,516	-	-	-	1,516
Total Revenues	\$ 22,506	\$ 385,903	\$ 8,885	\$ 8,601	\$ 425,895
Expenditures					
Current					
Sanitation	\$ -	\$ 380,434	\$ -	\$ -	\$ 380,434
Conservation of natural resources	38,771	-	8,730	-	47,501
Intergovernmental					
Conservation of natural resources	-	-	-	7,690	7,690
Total Expenditures	\$ 38,771	\$ 380,434	\$ 8,730	\$ 7,690	\$ 435,625
Excess of Revenues Over (Under) Expenditures	\$ (16,265)	\$ 5,469	\$ 155	\$ 911	\$ (9,730)
Other Financing Sources (Uses)					
Transfers in	-	39,795	-	-	39,795
Net Change in Fund Balances	\$ (16,265)	\$ 45,264	\$ 155	\$ 911	\$ 30,065
Fund Balances - January 1	131,608	1,344,031	11,058	4,068	1,490,765
Fund Balances - December 31	\$ 115,343	\$ 1,389,295	\$ 11,213	\$ 4,979	\$ 1,520,830

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
LAKE IMPROVEMENT DISTRICTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 49,350	\$ 49,350	\$ 14,331	\$ (35,019)
Special assessments	-	-	6,659	6,659
Miscellaneous	-	-	1,516	1,516
Total Revenues	\$ 49,350	\$ 49,350	\$ 22,506	\$ (26,844)
Expenditures				
Current				
Conservation of natural resources	49,350	49,350	38,771	10,579
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (16,265)	\$ (16,265)
Fund Balance - January 1	131,608	131,608	131,608	-
Fund Balance - December 31	\$ 131,608	\$ 131,608	\$ 115,343	\$ (16,265)

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**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 accounts 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 land owners, 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, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>PREPAID TAXES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 518,895	\$ 312,717	\$ 23,252	\$ 808,360
<u>Liabilities</u>				
Due to other governments	\$ 518,895	\$ 312,717	\$ 23,252	\$ 808,360
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 55,967	\$ 7,972,271	\$ 7,030,216	\$ 998,022
<u>Liabilities</u>				
Due to other governments	\$ 55,967	\$ 7,972,271	\$ 7,030,216	\$ 998,022
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 3,331,395	\$ 111,213,816	\$ 112,355,987	\$ 2,189,224
<u>Liabilities</u>				
Due to other governments	\$ 3,331,395	\$ 111,213,816	\$ 112,355,987	\$ 2,189,224

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOWNS, CITIES, SCHOOLS, AND SPECIAL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 20,398	\$ 66,496,417	\$ 66,497,931	\$ 18,884
<u>Liabilities</u>				
Due to other governments	\$ 20,398	\$ 66,496,417	\$ 66,497,931	\$ 18,884
 <u>FAMILY SERVICES COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 829,059	\$ 1,634,228	\$ 1,625,744	\$ 837,543
<u>Liabilities</u>				
Accounts payable	\$ 30,162	\$ -	\$ 30,162	\$ -
Due to other governments	798,897	1,634,228	1,595,582	837,543
Total Liabilities	\$ 829,059	\$ 1,634,228	\$ 1,625,744	\$ 837,543
 <u>MENTAL HEALTH INITIATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 40,301	\$ 63,256	\$ 103,557	\$ -
<u>Liabilities</u>				
Accounts payable	\$ 4,853	\$ -	\$ 4,853	\$ -
Due to other governments	35,448	63,256	98,704	-
Total Liabilities	\$ 40,301	\$ 63,256	\$ 103,557	\$ -

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>HIGHWAY 55 CORRIDOR</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 4,724	\$ 47,134	\$ 44,599	\$ 7,259
<u>Liabilities</u>				
Accounts payable	\$ 3,420	\$ 977	\$ 3,420	\$ 977
Due to other governments	1,304	46,157	41,179	6,282
Total Liabilities	\$ 4,724	\$ 47,134	\$ 44,599	\$ 7,259
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 4,800,739	\$ 187,739,839	\$ 187,681,286	\$ 4,859,292
<u>Liabilities</u>				
Accounts payable	\$ 38,435	\$ 977	\$ 38,435	\$ 977
Due to other governments	4,762,304	187,738,862	187,642,851	4,858,315
Total Liabilities	\$ 4,800,739	\$ 187,739,839	\$ 187,681,286	\$ 4,859,292

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OTHER SCHEDULE

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Shared Revenue

State

Highway users tax	\$	7,147,444
HACA		3,966,645
Market value credit		2,617,218
PERA rate reimbursement		81,912
Disparity reduction aid		4,695
Police aid		501,209
Enhanced 911		145,569
		145,569

Total Shared Revenue **\$ 14,464,692**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	6,282,813
		6,282,813

Payments

Local

Local contributions	\$	241,325
		241,325

Grants

State

Minnesota Department of		
Education	\$	48,996
Corrections		615,923
Public Safety		44,196
Health		803,465
Natural Resources		449,094
Human Services		2,776,940
Veterans Services		4,200
Office of Environmental Assistance		238,174
Water and Soil Resources Board		38,540
Peace Officer Standards and Training Board		35,249
		35,249

Total State **\$ 5,054,777**

Federal

Department of		
Agriculture	\$	20,565
Justice		117,902
Transportation		567,356
Homeland Security		26,138
Health and Human Services		1,444,792
		1,444,792

Total Federal **\$ 2,176,753**

Total State and Federal Grants **\$ 7,231,530**

Total Intergovernmental Revenue **\$ 28,220,360**

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**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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, Recorder's Office, and the 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, 2005, 33 of 44 individual drainage systems had deficit cash balances totaling \$42,715.

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.

PREVIOUSLY REPORTED ITEM RESOLVED

Broker Acknowledgment Forms (01-2)

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.

Resolution

In our current review, we found that substantially all broker acknowledgment forms had been returned to the County.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

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

Thirty-four of 44 individual drainage systems had deficit unreserved, undesignated fund balances at December 31, 2005, totaling \$46,410. 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.

00-1 Capital Asset Accounting System

Previous reports have discussed the need for improvements to the County's capital asset accounting system. Our current review found some improvement in this condition, but work still remains to ensure accurate accounting and reporting of capital asset activities. We recommend 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
- establish procedures for performing physical counts of capital asset items.

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

ITEMS ARISING THIS YEAR

05-1 Credit Card Policy

The County Board has authorized purchases made with credit cards. Presently, however, there is no County policy governing the use of credit cards. Minn. Stat. § 375.171 authorizes and restricts the use of credit cards by counties. The use of credit cards by the County would also require the County Board to act in compliance with Minn. Stat. ch. 475, concerning the creation and payment of debt. In addition to complying with statutory requirements, we recommend that a credit card policy be developed to control its usage. The policy should:

- identify those who are authorized to make purchases on behalf of the County and are eligible to use the card;
- restrict the total amount of charges that can be made on credit cards, as well as the amount for any one transaction;
- establish a review process for all purchases made with the credit card;
- prohibit the use of County credit cards for personal use; and
- require supporting documentation.

We recommend that the County Board adopt a credit card policy that includes the above elements.

05-2 Financial Statement Preparation

In previous years, we have discussed with County management the need for them to prepare the County's financial statements and other related report information. There have been efforts by management to do this, but nothing significant has occurred yet. Recent changes to *Government Auditing Standards*, issued by the Comptroller General of the United States, limit the amount of nonaudit services that can be provided by the independent auditor in preparing financial statements of the County. The effect of these changes on the County is that County management needs to prepare the Management's Discussion and Analysis, financial statements, notes to the financial statements, and other schedules. The independent auditor is responsible only for attesting to the fairness of the information presented in the financial statements to be included in the County's

annual financial report. The draft financial report should be completed under a time frame coordinated with the auditor, that allows for a timely audit process and issuance of the auditor's report.

We recommend that the County Board provide the necessary directives to other County officials to prepare the annual financial statements. To complete this work, County staff may require additional guidance on accounting and reporting principles. Also, management must be committed to a specific timetable for preparing the financial statements and related information.

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

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

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

Schedule 3
(Continued)

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

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

If applicable for Wright County, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2007 and 2008, respectively.

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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, 2005, and have issued our report thereon dated November 14, 2006. 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 a 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 of 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 and 97-2.

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: November 14, 2006



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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, 2005. 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, 2005.

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 grant agreements 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 grant agreements 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 the governmental activities, each major fund, and the aggregate remaining fund information of Wright County as of and for the year ended December 31, 2005, and have issued our report thereon dated November 14, 2006. 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: November 14, 2006

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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>20,565</u>
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Grant	16.523	\$ 19,294
Bryne Formula Grant Program	16.579	23,608
Local Law Enforcement Block Grant	16.592	<u>75,000</u>
Total U.S. Department of Justice		\$ <u>117,902</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	20.005	\$ 3,471
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	558,385
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>5,500</u>
Total U.S. Department of Transportation		\$ <u>567,356</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	\$ 58,867
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	129,659
Maternal and Child Health Services Block Grant	93.994	91,727
Immunization	93.268	7,421
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	27,774

**WRIGHT COUNTY
BUFFALO, MINNESOTA**

Schedule 4
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	66,752
Temporary Assistance for Needy Families	93.558	445,526
Children's Justice Grants to States	93.643	715
Foster Care Title IV-E	93.658	184,743
Social Services Block Grant Title XX	93.667	396,975
Chafee Foster Care Independent Living	93.674	19,372
State Children's Insurance Program	93.767	291
Block Grants for Community Mental Health Service	93.958	14,970
Total U.S. Department of Health and Human Services		\$ 1,444,792
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.067	\$ 26,138
Total Federal Awards		\$ 2,176,753

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.