

**WRIGHT COUNTY, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2007**





WRIGHT COUNTY, MINNESOTA  
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## INTRODUCTORY SECTION



**WRIGHT COUNTY, MINNESOTA**  
**PRINCIPAL COUNTY OFFICIALS**  
**DECEMBER 31, 2007**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Karla Heeter	January 2009
2nd District	Pat Sawatzke	January 2011
3rd District	John D. Russek	January 2009
4th District	Elmer Eichelberg	January 2011
5th District	Richard Mattson	January 2011
<b>Officers</b>		
<b>Elected</b>		
Attorney	Tom Kelly	January 2011
Auditor-Treasurer	Robert J. Hiivala	January 2011
Sheriff	Gary Miller	January 2011
<b>Appointed</b>		
Coordinator	Richard Norman	Indefinite
Assessor	Greg Kramber	December 2008
Court Administrator	LaVonn Nordeen	Indefinite
Highway Engineer	Wayne Fingalson	May 2010
Human Services Director	Don Mleziva	Indefinite
Recorder/Registrar of Titles	Larry Unger	Indefinite

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## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Wright County  
Buffalo, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County (the County), Minnesota, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wright 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2008, on our consideration of Wright County's internal control over financial reporting and 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.

Board of County Commissioners  
Wright County

The management's discussion and analysis and budgetary comparison information on pages 4 to 14 and 46 to 50, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* and is also not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**LarsonAllen LLP**

Brainerd, Minnesota  
August 15, 2008

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## REQUIRED SUPPLEMENTARY INFORMATION



**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

This section of the Wright County (the County)'s annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended December 31, 2007. The Management's Discussion and Analysis (MD&A) is a new element of the Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year, 2007, and the prior year, 2006, is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- County-wide net assets increased 13.5 percent in 2007 over the prior year due primarily to increased intergovernmental revenues and capital grants and contributions invested in capital assets.
- Overall governmental fund-level revenues totaled \$87,004,316 and were \$6,990,891 less than expenditures in 2007, this deficit was primarily funded by other financing sources and use of existing fund balance.
- The General Fund's fund balance increased \$682,636 from the prior year as a result of an increase in charges for services and due to various departments coming in under budget on expenses.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short term as well as what remains for future spending.
  - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

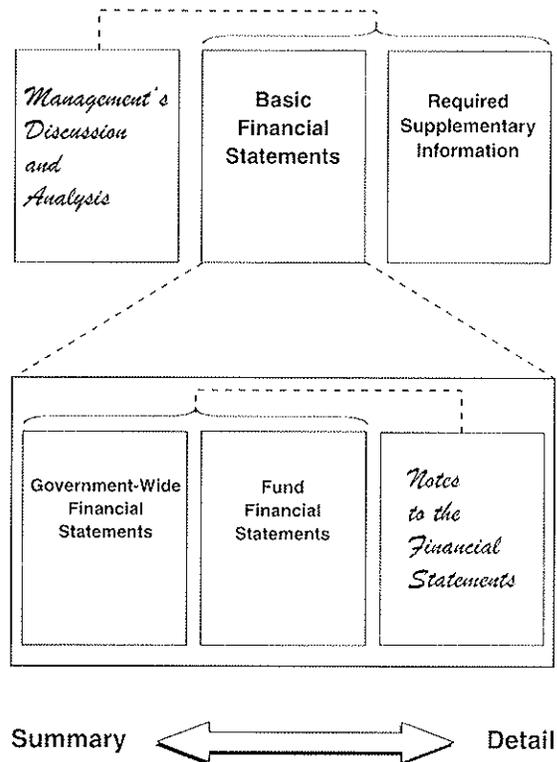
WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Annual Report Format**



**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net assets. Statement of activities.	Balance sheet. Statement of revenues, expenditures and changes in fund balance.	Statement of fiduciary net assets. Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short-term and long-term, Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

**Government-Wide Statements**

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Statements (Continued)**

The two government-wide statements report the County's net assets and how they have changed. Net assets – the difference between the County's assets and liabilities – are one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of county buildings and other facilities.

In the government-wide financial statements the County's activities are shown in a single category:

- Governmental activities – The County's basic services are included here. Property taxes and state aids finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The County has two kinds of funds:

- Governmental Funds – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary Funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the government-wide financial statements because the County cannot use these assets to finance its operations.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**Net Assets**

The County's total net assets were \$183,024,382 on December 31, 2007, an increase of \$21,799,940 from the prior year. The main reason for this increase is the County's investment in capital assets (see Table A-1).

Table A-1  
The County's Net Assets

	Governmental Activities	
	2007	2006
Current and Other Assets	\$ 92,200,816	\$ 41,776,003
Capital Assets	174,918,958	148,867,919
Total Assets	<u>267,119,774</u>	<u>190,643,922</u>
Current Liabilities	9,632,988	5,753,400
Long-Term Liabilities	74,462,404	23,666,080
Total Liabilities	<u>84,095,392</u>	<u>29,419,480</u>
Net Assets		
Invested in Capital Assets		
Net of Related Debt	148,148,699	130,044,967
Restricted	3,513,673	5,050,784
Unrestricted	31,362,010	26,128,691
Total Net Assets	<u>\$ 183,024,382</u>	<u>\$ 161,224,442</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**CHANGE IN NET ASSETS**

The government-wide total revenues were \$93,486,680 for the year ended December 31, 2007 (an increase of \$11,793,116). This increase is primarily attributable to increased property tax revenue in 2007. Property taxes and intergovernmental revenues accounted for 71% of total revenue for the year (see Table A-2).

Table A-2  
Change in Net Assets

	Governmental Activities		Total % Change
	2007	2006	
<b>REVENUES</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 11,910,459	\$ 11,406,280	4.4 %
Operating Grants and Contributions	14,897,675	16,753,898	(11.1)
Capital Grants and Contributions	16,308,612	5,686,737	186.8
<u>General Revenues</u>			
Property Taxes	35,572,233	32,665,941	8.9
Other	14,797,701	15,180,708	(2.5)
Total Revenues	<u>93,486,680</u>	<u>81,693,564</u>	14.4
<b>EXPENSES</b>			
General Government	18,765,778	18,057,741	3.9
Public Safety	18,785,432	16,067,582	16.9
Highways and Streets	9,920,610	8,939,599	11.0
Sanitation	789,498	677,512	16.5
Human Services	17,954,292	17,123,327	4.9
Health	3,024,083	3,045,378	(0.7)
Culture and Recreation	1,169,471	870,368	34.4
Conservation of Natural Resources	358,176	359,932	(0.5)
Interest	919,400	975,611	(5.8)
Total Expenses	<u>71,686,740</u>	<u>66,117,050</u>	8.4
<b>CHANGE IN NET ASSETS</b>	21,799,940	15,576,514	40.0
Net Assets - Beginning of Year	<u>161,224,442</u>	<u>145,647,928</u>	10.7
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 183,024,382</u>	<u>\$ 161,224,442</u>	13.5

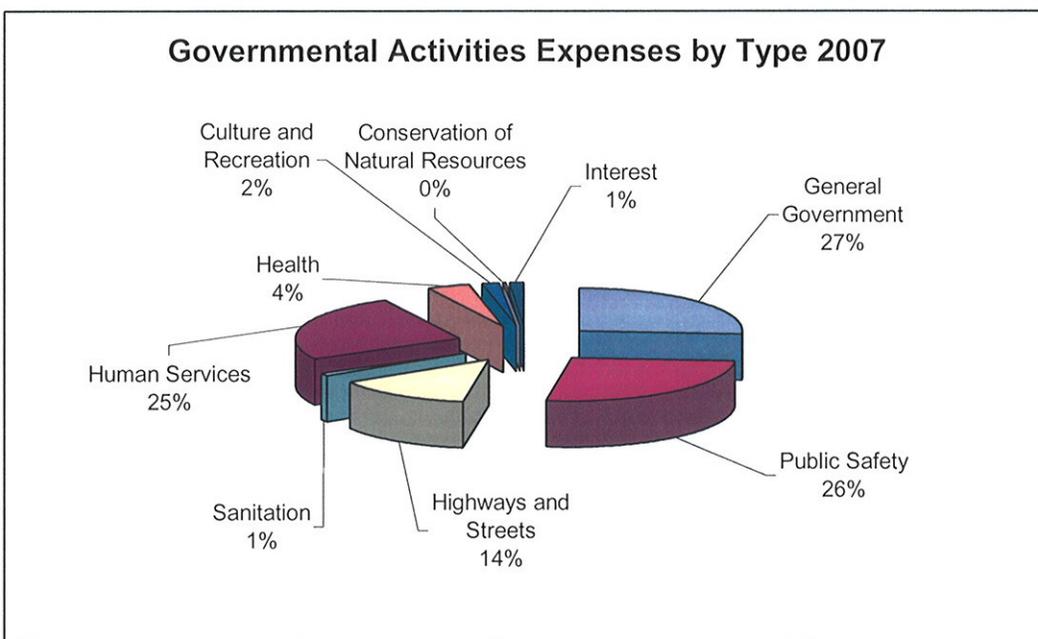
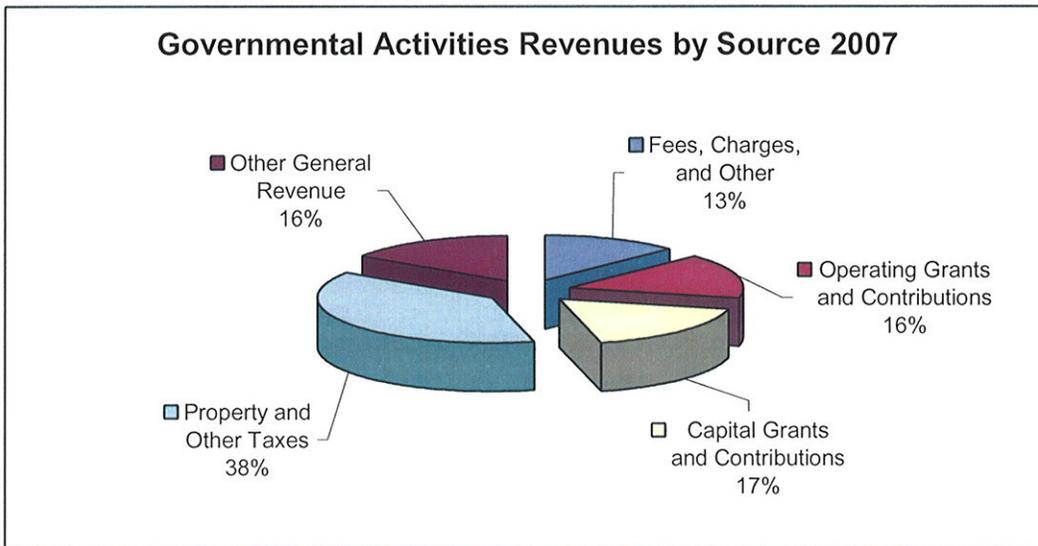
Total revenues surpassed expenses, increasing net assets \$21,799,940 over last year.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**CHANGE IN NET ASSETS (CONTINUED)**

The government-wide cost of all governmental activities this year was \$71,686,740.

- Some of the cost was paid by the users of the County's programs (\$11,910,459).
- The federal and state governments subsidized certain programs with grants and contributions (\$31,206,287).
- The remainder of the County's governmental activities costs (\$28,569,994) however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities and the increase in net assets was covered by \$35,572,233 in property taxes, \$6,308,607 of state aid, and with \$8,489,094 investment earnings and other general revenues.



**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**CHANGE IN NET ASSETS (CONTINUED)**

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

Table A-3  
Expenses and Net (Revenue) Cost of Services

	Total Cost of Services		Percentage Change	Net (Revenue) Cost of Services		Percentage Change
	2007	2006		2007	2006	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$18,765,778	\$18,057,741	3.9 %	\$12,776,243	\$ 12,088,076	5.7 %
Public Safety	18,785,432	16,067,582	16.9	12,710,066	10,643,653	19.4
Highways and Streets	9,920,610	8,939,599	11.0	(7,144,429)	(375,274)	1803.8
Sanitation	789,498	677,512	16.5	714,487	256,102	179.0
Human Services	17,954,292	17,123,327	4.9	7,256,970	7,175,173	1.1
Health	3,024,083	3,045,378	(0.7)	1,205,661	1,726,638	(30.2)
Culture and Recreation	1,169,471	870,368	34.4	981,023	721,355	36.0
Conservation of Natural Resources	358,176	359,932	(0.5)	(849,427)	(941,199)	(9.8)
Interest	919,400	975,611	(5.8)	919,400	975,611	(5.8)
Total	<u>\$71,686,740</u>	<u>\$66,117,050</u>	8.4	<u>\$28,569,994</u>	<u>\$32,270,135</u>	(11.5)

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL**

The financial performance of the County, as a whole, is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$79,337,930. Revenues for the County's governmental funds were \$87,004,316, while total expenditures were \$93,995,207 – both exceeding the 2006 amounts.

The General Fund includes the primary operations of the County in providing services to citizens. Fund balance increased by \$682,636 during 2007. This increase was primarily due to various departments coming in under budget on expenses and charges for services exceeding budgeted amounts.

The Road and Bridge Fund has a total fund balance of \$3,112,855. The fund balance increased in 2007 primarily due to the receipt of construction funds from the City of Albertville on a 2005 road project.

The Human Services Fund has a total fund balance of \$4,841,597. It decreased \$379,120 from 2006 due to higher than anticipated out of home placement costs.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)**

The following schedule presents a summary of General Fund Revenues:

Table A-4  
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2007	December 31, 2006	Increase (Decrease)	Percent
Taxes	\$ 20,969,318	\$ 18,681,265	\$ 2,288,053	12.2 %
Intergovernmental	6,120,083	6,050,797	69,286	1.1
Charges for Services	8,060,748	8,088,963	(28,215)	(0.3)
Gifts and Contributions	-	40,507	(40,507)	(100.0)
Interest	1,355,272	2,790,988	(1,435,716)	(51.4)
Miscellaneous and Other	4,398,835	3,871,132	527,703	13.6
<b>Total General Fund Revenues</b>	<b>\$ 40,904,256</b>	<b>\$ 39,523,652</b>	<b>\$ 1,380,604</b>	<b>3.5</b>

Total General Fund revenues increased by \$1,380,604, or 3.5%, from the previous year due primarily to increased tax levy and better than expected rate of return on investments.

The following schedule presents a summary of General Fund Expenditures:

Table A-5  
General Fund Expenditures

Fund	Year Ended		Change	
	December 31, 2007	December 31, 2006	Increase (Decrease)	Percent
General Government	\$ 16,767,116	\$ 16,585,086	\$ 182,030	1.1 %
Public Safety	18,591,801	17,222,314	1,369,487	8.0
Culture and Recreation	1,126,130	930,873	195,257	21.0
Conservation	307,576	284,161	23,415	8.2
Intergovernmental	1,731,128	1,569,772	161,356	10.3
<b>Total Expenditures</b>	<b>\$ 38,523,751</b>	<b>\$ 36,592,206</b>	<b>\$ 1,931,545</b>	<b>5.3</b>

The increase in General Fund expenditures is due primarily to an increase in salary expenditures and capital project initiatives in 2007.

**General Fund Budgetary Highlights**

Over the course of the year, the County revised the annual operating budget for the General Fund for the allocation of cost of living adjustments and step increases. The adjustment increased the departmental budgets, and reduced the Other General Government budget. The total budget did not change. In general, the County does not make a significant amount of budget amendments during the year.

- Actual revenues were \$2,344,352 more than expected; this is primarily due to an increased tax levy.
- The actual expenditures were \$683,153 less than budget. Departments like E911 and Other Public Safety departments and the Recorder's use of the technology fund are not budgeted. If they were, the amount of actual expenditures would be significantly less than budget.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**CONSTRUCTION PROJECTS AND DEBT SERVICE**

In addition to a number of road projects, the County began the design phase of constructing a Jail/Law Enforcement Center. The County estimates the total cost of this project to approach \$50 million dollars, and the project should be completed by 2009.

The County did issue \$53,235,000 of general obligation bonds in 2007.

An annual levy is made to fund the bond payments for all previous bond issues.

**CAPITAL ASSETS**

By the end of 2007, the County had invested over \$174,900,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.2 to the financial statements). Total depreciation expense for the year was \$5,061,792.

Table A-6  
The County's Capital Assets

	Governmental Activities		Percent Change
	2007	2006	
Land	\$ 15,220,191	\$ 11,570,544	31.5 %
Construction in Progress	13,277,892	7,797,511	70.3
Buildings	49,070,124	48,473,920	1.2
Machinery, Furniture, and Equipment	11,863,696	11,455,601	3.6
Infrastructure	140,035,438	119,770,622	16.9
Less: Accumulated Depreciation	(54,548,383)	(50,200,279)	8.7
Total	\$ 174,918,958	\$ 148,867,919	17.5

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2007**

**LONG-TERM LIABILITIES**

At year-end, the County had \$74,462,404 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt increased \$50,796,324 due primarily to issuance of new debt.

Table A-7  
The County's Long-Term Liabilities

	2007	2006	Percentage Change
<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds - Net of Discount	\$ 69,141,393	\$ 18,470,821	274.3 %
Contract for Deed	278,000	483,503	(42.5)
Loans Payable	2,350,000	2,400,000	(2.1)
Compensated Absences Payable	2,693,011	2,311,756	16.5
Total	\$ 74,462,404	\$ 23,666,080	214.6

**FACTORS BEARING ON THE COUNTY'S FUTURE**

The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the legislature may decrease revenues again.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bob Hiivala, County Auditor-Treasurer at (763) 682-7579.

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## **BASIC FINANCIAL STATEMENTS**



**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2007**

<b>ASSETS</b>		
Cash and Pooled Investments	\$	84,750,966
Petty Cash and Change Funds		2,110
Taxes Receivable - Delinquent		1,722,624
Special Assessments Receivable		
Delinquent		140,071
Noncurrent		847,981
Accounts Receivable - Net		372,130
Accrued Interest Receivable		764,512
Loans Receivable		44,646
Due from Other Funds		9,594
Due from Other Governments		2,521,882
Inventory		761,578
Deferred Charges		262,722
Non-Depreciable Capital Assets		
Land		15,220,191
Construction in Progress		13,277,892
Depreciable Capital Assets - Net of Accumulated Depreciation		
Buildings		30,737,360
Machinery, Furniture, and Equipment		4,498,028
Infrastructure		111,185,487
Total Assets		267,119,774
<b>LIABILITIES</b>		
Accounts Payable		1,690,292
Salaries Payable		1,510,620
Contracts Payable		5,642,898
Other Accrued Liabilities		20,831
Due to Other Funds		9,594
Due to Other Governments		563,352
Accrued Interest Payable		195,401
General Obligation Bonds Payable - Due Within One Year		2,745,000
Contract for Deed - Due Within One Year		182,000
Loans Payable - Due Within One Year		250,000
Compensated Absences Payable - Due Within One Year		216,022
General Obligation Bonds Payable - Due in More Than One Year		66,396,393
Contract for Deed - Due in More Than One Year		96,000
Loans Payable - Due in More Than One Year		2,100,000
Compensated Absences Payable - Due in More Than One Year		2,476,989
Total Liabilities		84,095,392
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt		148,148,699
Restricted For:		
General Government		163,560
Public Safety		357,712
Debt Service		2,712,064
Postclosure		280,337
Unrestricted		31,362,010
Total Net Assets	\$	183,024,382

See accompanying Notes to the Financial Statements.

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**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2007**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 18,765,778	\$ 4,389,274	\$ 1,600,261	\$ -	\$ (12,776,243)
Public Safety	18,785,432	5,072,950	1,002,416	-	(12,710,066)
Highways and Streets	9,920,610	964,294	984,006	15,116,739	7,144,429
Sanitation	789,498	75,011	-	-	(714,487)
Human Services	17,954,292	946,060	9,751,262	-	(7,256,970)
Health	3,024,083	397,775	1,420,647	-	(1,205,661)
Culture and Recreation	1,169,471	49,365	139,083	-	(981,023)
Conservation of Natural Resources	358,176	15,730	-	1,191,873	849,427
Interest	919,400	-	-	-	(919,400)
Total Governmental Activities	<u>\$ 71,686,740</u>	<u>\$ 11,910,459</u>	<u>\$ 14,897,675</u>	<u>\$ 16,308,612</u>	(28,569,994)
<b>GENERAL REVENUES</b>					
Property Taxes					35,572,233
Gravel Taxes					57,773
Mortgage Registry and Deed Tax					229,774
Grants and Contributions not Restricted for a Particular Purpose					6,308,607
Investment Earnings					1,620,342
Miscellaneous					6,550,355
Gifts and Contributions					30,850
Total General Revenues					<u>50,369,934</u>
<b>CHANGE IN NET ASSETS</b>					
Net Assets - Beginning of Year					<u>161,224,442</u>
<b>NET ASSETS - END OF YEAR</b>					<u>\$ 183,024,382</u>

See accompanying Notes to the Financial Statements.

**WRIGHT COUNTY**  
**BUFFALO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2007**

<b>ASSETS</b>	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Cash and Pooled Investments	\$ 21,771,737	\$ 3,578,216	\$ 4,649,856
Petty Cash and Change Funds	2,050	-	60
Taxes Receivable			
Delinquent	997,882	285,157	323,874
Special Assessments Receivable			
Delinquent	887	-	-
Deferred	-	-	-
Accounts Receivable	52,159	21,776	296,545
Accrued Interest Receivable	650,377	-	-
Loans Receivable	44,646	-	-
Due from Other Funds	14,751	44,523	35
Due from Other Governments	248,807	1,064,000	1,207,905
Inventories	-	761,578	-
Advances to Other Funds	17,400	-	-
Total Assets	<u>\$ 23,800,696</u>	<u>\$ 5,755,250</u>	<u>\$ 6,478,275</u>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 6,306,501	\$ 47,056,419	\$ 1,388,237	\$ 84,750,966
-	-	-	2,110
114,583	-	1,128	1,722,624
113,611	-	25,573	140,071
706,887	-	141,094	847,981
-	1,650	-	372,130
-	114,135	-	764,512
-	-	-	44,646
-	-	-	59,309
-	1,170	-	2,521,882
-	-	-	761,578
-	-	-	17,400
<u>\$ 7,241,582</u>	<u>\$ 47,173,374</u>	<u>\$ 1,556,032</u>	<u>\$ 92,005,209</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 357,264	\$ 558,978	\$ 617,440
Salaries Payable	992,102	113,633	404,885
Contracts Payable	-	858,723	-
Other Accrued Liabilities	-	-	20,831
Due to Other Funds	43,872	-	1,674
Due to Other Governments	154,929	4,228	356,842
Deferred Revenue - Unavailable	765,661	1,106,833	235,006
Advance from Other Funds	-	-	-
Total Liabilities	<u>2,313,828</u>	<u>2,642,395</u>	<u>1,636,678</u>
<b>FUND BALANCES</b>			
Reserved for			
Encumbrances	-	-	-
Inventories	-	761,578	-
Advance to Other Funds	17,400	-	-
Change Funds	2,050	-	-
Jail Canteen	23,725	-	-
Landfill Closure/Postclosure E911	357,712	-	-
Law Library	163,560	-	-
Unreserved			
Designated for Cash Flows	13,729,256	2,088,318	4,094,500
Designated for Debt Service	-	-	-
Designated for Compensated Absences	1,918,012	262,959	512,040
Designated for Construction	-	-	-
Undesignated	5,275,153	-	235,057
Unreserved, Reported in Nonmajor Funds	-	-	-
Total Fund Balances	<u>21,486,868</u>	<u>3,112,855</u>	<u>4,841,597</u>
Total Liabilities and Fund Balances	<u>\$ 23,800,696</u>	<u>\$ 5,755,250</u>	<u>\$ 6,478,275</u>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 148,787	\$ 7,823	\$ 1,690,292
-	-	-	1,510,620
-	4,784,175	-	5,642,898
-	-	-	20,831
-	-	13,763	59,309
-	-	47,353	563,352
889,518	-	165,559	3,162,577
-	-	17,400	17,400
889,518	4,932,962	251,898	12,667,279
-	39,597,353	-	39,597,353
-	-	-	761,578
-	-	-	17,400
-	-	-	2,050
-	-	-	23,725
-	-	280,337	280,337
-	-	-	357,712
-	-	-	163,560
-	-	-	19,912,074
6,352,064	-	-	6,352,064
-	-	-	2,693,011
-	2,643,059	-	2,643,059
-	-	-	5,510,210
-	-	1,023,797	1,023,797
6,352,064	42,240,412	1,304,134	79,337,930
\$ 7,241,582	\$ 47,173,374	\$ 1,556,032	\$ 92,005,209

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**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

<b>TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS</b>	<b>\$ 79,337,930</b>
Total net assets reported for governmental activities in the statement of net assets is 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.	174,918,958
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	3,162,577
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	\$ (69,141,393)
Deferred Debt Issuance Charges	262,722
Accrued Interest Payable	(195,401)
Contract for Deed	(278,000)
Loans Payable	(2,350,000)
Compensated Absences	(2,693,011)
	(74,395,083)
<b>TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$183,024,382</u></u></b>

See accompanying Notes to Financial Statements.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	General	Road and Bridge	Human Services
<b>REVENUES</b>			
Taxes	\$ 20,969,318	\$ 6,297,697	\$ 6,437,362
Special Assessments	-	-	-
Licenses and Permits	209,959	-	-
Intergovernmental	6,120,083	11,155,603	12,334,100
Charges for Services	8,060,748	964,294	1,343,835
Fines and Forfeits	371,903	-	-
Gifts and Contributions	-	-	38,791
Interest on Investments	1,355,272	-	11,894
Miscellaneous	3,816,973	2,422,221	334,658
Total Revenues	40,904,256	20,839,815	20,500,640
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government	16,767,116	-	-
Public Safety	18,591,801	-	-
Highways and Streets	-	18,110,540	-
Sanitation	-	-	-
Human Services	-	-	17,859,897
Health	-	-	3,019,863
Culture and Recreation	1,126,130	-	-
Conservation of Natural Resources	307,576	-	-
<b>INTERGOVERNMENTAL</b>			
Culture and Recreation	1,731,128	-	-
Conservation of Natural Resources	-	-	-
<b>CAPITAL OUTLAY</b>	-	-	-
<b>DEBT SERVICE</b>			
Principal	-	361,682	-
Interest	-	-	-
Bond Issue Costs	-	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	38,523,751	18,472,222	20,879,760
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,380,505	2,367,593	(379,120)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	259,725	457,279	-
Transfers Out	(2,000,000)	(212,949)	-
Proceeds from Debt	-	-	-
Premium on Bonds Issued	-	-	-
Proceeds from Sale of Assets	42,406	39,757	-
Total Other Financing Sources (Uses)	(1,697,869)	284,087	-
<b>NET CHANGE IN FUND BALANCES</b>	682,636	2,651,680	(379,120)
Fund Balances - Beginning of Year	20,804,232	453,215	5,220,717
<b>INCREASE IN RESERVED FOR INVENTORIES</b>	-	7,960	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 21,486,868</u>	<u>\$ 3,112,855</u>	<u>\$ 4,841,597</u>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,091,727	\$ -	\$ 36,493	\$ 35,832,597
1,191,873	-	15,730	1,207,603
-	-	-	209,959
113,449	550,000	-	30,273,235
-	405,229	75,011	10,849,117
-	-	-	371,903
-	-	-	38,791
-	187,021	66,155	1,620,342
-	11,060	15,857	6,600,769
<u>3,397,049</u>	<u>1,153,310</u>	<u>209,246</u>	<u>87,004,316</u>
50,852	-	-	16,817,968
-	-	-	18,591,801
-	-	-	18,110,540
-	-	452,057	452,057
-	-	-	17,859,897
-	-	-	3,019,863
-	-	-	1,126,130
-	-	44,844	352,420
-	-	-	-
-	-	-	1,731,128
-	-	5,953	5,953
-	11,085,217	-	11,085,217
2,600,000	1,205,503	-	4,167,185
658,011	16,175	-	674,186
431	-	-	431
431	-	-	431
<u>3,309,725</u>	<u>12,306,895</u>	<u>502,854</u>	<u>93,995,207</u>
87,324	(11,153,585)	(293,608)	(6,990,891)
-	2,125,000	-	2,842,004
-	(629,055)	-	(2,842,004)
3,640,000	49,595,000	-	53,235,000
-	1,064,185	-	1,064,185
-	4,096	-	86,259
<u>3,640,000</u>	<u>52,159,226</u>	<u>-</u>	<u>54,385,444</u>
3,727,324	41,005,641	(293,608)	47,394,553
2,624,740	1,234,771	1,597,742	31,935,417
-	-	-	7,960
<u>\$ 6,352,064</u>	<u>\$ 42,240,412</u>	<u>\$ 1,304,134</u>	<u>\$ 79,337,930</u>

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**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2007**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 47,394,553</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays 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.</p>		
Expenditures for General Capital Assets and Infrastructure	\$ 31,254,702	
Net book Value of Disposed Assets	(141,871)	
Current Year Depreciation	<u>(5,061,792)</u>	26,051,039
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		(1,134,166)
<p>Long-Term Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The new proceeds for debt issuance are:</p>		
Contracts for Deed	(1,000,000)	
General Obligation Bonds	(52,235,000)	
Premium on Bond Issued	(1,064,185)	
Deferred Issuance Charges	<u>130,426</u>	(54,168,759)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal Repayments		
General Obligation Bonds	2,600,000	
Contract for Deed	1,205,503	
Loans Payable	<u>50,000</u>	3,855,503
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in Accrued Interest Payable	54,426	
Amortization of Premiums and Deferred Issuance Charges	120,639	
Change in Compensated Absences	(381,255)	
Change in Inventories	<u>7,960</u>	(198,230)
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 21,799,940</u></b>

See accompanying Notes to Financial Statements.

WRIGHT COUNTY  
BUFFALO, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2007

**ASSETS**

Cash and Pooled Investments	<u>\$ 4,341,567</u>
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**LIABILITIES**

Due to Other Governments	<u>\$ 4,341,567</u>
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**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Wright County (the County)'s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Wright County was established February 20, 1855, and is an organized county having the powers, duties, and privileges granted counties by *Minnesota Statutes* ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Wright County (primary government) and its component units for which the County is financially accountable. There is financial accountability if the primary government appoints a voting majority of an organization's governing body and had the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the primary government. Based on the criteria for determining component units, the County is not required to include any component units. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Joint Ventures

The County participates in joint ventures which are described in Note 5.C. The County also participates in jointly-governed organizations which are described in Note 5.D.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

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

In the government-wide statement of net assets are presented on a consolidated basis by column and 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.

WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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 that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are 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 the governmental fund financial statements are on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the 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.

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

Additionally, the County reports the following fiduciary 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 agency capacity.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus and Basis of Accounting

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

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

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 year end, based on market prices. Pursuant to *Minnesota Statute* § 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.

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 *Minnesota Statute* § 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.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

2. Receivables and Payables

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

All receivables are shown net of an allowance for uncollectibles which is calculated on a case-by-case basis.

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.

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

Unpaid taxes at December 31 become liens on the respective property 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 in governmental funds 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 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.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government 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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are 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**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, major special revenue funds, and one nonmajor governmental fund. 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 department 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 Balance

The Ditch Special Revenue Fund had a negative balance of \$27,199. This deficit will be with future special assessment levies against the benefited properties.

C. Excess of Expenditures Over Budget

The following special revenue fund had expenditures in excess of budget for the year ended December 31, 2007:

	<u>Expenditures</u>	<u>Budgets</u>	<u>Excess</u>
Human Services Fund	\$ 20,879,760	\$ 19,933,300	\$ 946,460

This over expenditure was funded with existing fund balance and greater than anticipated revenues.

**WRIGHT COUNTY**  
**BUFFALO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to *Minnesota Statute* § 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 2007 were \$1,620,342.

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 *Minnesota Statute* §471.59. The MAGIC Fund is not registered with the Securities 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 of shares.

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

Government-Wide Statement of Net Assets	
Cash and Pooled Investments	\$ 84,750,966
Petty Cash and Change Funds	2,110
Statement of Fiduciary Net Assets	
Cash and Pooled Investments	<u>4,341,567</u>
Total Cash and Investments	<u>\$ 89,094,643</u>
Deposits	\$ 75,146,958
Change Funds	2,110
Investments	<u>13,945,575</u>
Total Deposits, Cash and Investments	<u>\$ 89,094,643</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk and follows *Minnesota Statutes* for deposits.

*Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank, at 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.

The County's deposits in banks at December 31, 2007 totaled \$73,174,666. All deposits as of December 31, 2007 were fully insured with FDIC insurance.

*Minnesota Statutes* §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statute* § 118a.04, Subd. 6;
- (b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) 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;
- (d) Bankers' acceptances of United States banks;
- (e) 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
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk

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

As of December 31, 2007, the County had the following investments:

Type	Fair Value	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Securities	\$ 11,130,689	\$ 2,047,747	\$ 1,000,820	\$ 2,202,590	\$ 5,879,532
Treasury Notes/Bonds	616,594	-	-	-	616,594
Investment pool/MAGIC Fund	1,713,337	1,713,337	-	-	-
Negotiable Certificates of Deposit	484,955	198,000	-	95,000	191,955
Total	<u>\$ 13,945,575</u>	<u>\$ 3,959,084</u>	<u>\$ 1,000,820</u>	<u>\$ 2,297,590</u>	<u>\$ 6,688,081</u>

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. The County's investment policy is to invest in securities that meet the ratings requirements set by state statute.

The County's exposure to credit risk as of December 31, 2007, is as follows:

Type	Credit Quality Rating	Fair Value
U.S. Government Securities	AAA	\$ 11,130,689
Treasury Notes/Bonds	N/A	616,594
Investment Pool/MAGIC Fund	Not Rated	1,713,337
Negotiable Certificates of Deposit	Not Rated	484,955
Total		<u>\$ 13,945,575</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration 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 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.

As of December 31, 2007 investments in any one issuer that represent five percent or more of the County's investments are as follows:

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Federal Home Loan Bank	\$ 5,780,705	41.5 %
Federal Home Mortgage Corporation	2,381,404	17.1
Federal National Mortgage Association	2,718,893	19.5
Franklin Customer US Gov't Mutual Fund	1,033,346	7.4

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of failure by the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2007, the County's investments were not exposed to custodial credit risk.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 11,570,544	\$ 3,653,547	\$ 3,900	\$ 15,220,191
Construction in Progress	7,797,511	28,369,505	22,889,124	13,277,892
Total Capital Assets, No Being Depreciated	19,368,055	32,023,052	22,893,024	28,498,083
Capital Assets, Being Depreciated				
Buildings	48,473,920	596,204	-	49,070,124
Machinery and Equipment	11,455,601	1,259,754	851,659	11,863,696
Infrastructure	119,770,622	20,264,816	-	140,035,438
Total Capital Assets, Being Depreciated	179,700,143	22,120,774	851,659	200,969,258
Less Accumulated Depreciation for				
Buildings	17,349,236	983,528	-	18,332,764
Machinery, Furniture, and Equipment	6,744,567	1,334,789	713,688	7,365,668
Infrastructure	26,106,476	2,743,475	-	28,849,951
Total Accumulated Depreciation	50,200,279	5,061,792	713,688	54,548,383
Total Capital Assets, Being Depreciated, Net	129,499,864	17,058,982	137,971	146,420,875
Governmental Activities Capital Assets, Net	<u>\$ 148,867,919</u>	<u>\$ 49,082,034</u>	<u>\$ 23,030,995</u>	<u>\$ 174,918,958</u>

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

Governmental Activities	
General Government	\$ 728,706
Public Safety	412,007
Highways and Streets, Including Depreciation of Infrastructure Assets	3,463,408
Human Services	57,091
Culture and Recreation	63,139
Sanitation	337,441
Total Depreciation Expense - Governmental Activities	<u>\$ 5,061,792</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

1. Due To/From Other Funds

<b>Due To/From Other Funds</b>	Receivable Fund	Payable Fund	Amount
General		Human Services	\$ 988
		Other Governmental Funds - Ditch	13,763
Total Due to General Fund			<u>14,751</u>
Road and Bridge		General	43,837
		Human Services	686
Total Due to Road and Bridge			<u>44,523</u>
Human Services		General Fund	35
Total Due To/From Other Funds			<u>\$ 59,309</u>

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

2. Advances From/To Other Funds

The following are for cash flow purposes and are not expected to be repaid within one year:

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

<b>Transfers In/Out</b>	Amount	Description
Transfers to General Fund from Capital Projects Fund	\$ 171,776	To Provide Funding for Capital Outlay
Transfer to General Fund from Road & Bridge Fund	87,949	Refund of Prior Year Transfer, Error in Original Amount of Transfer
Transfer to Capital Projects Fund from General Fund	2,000,000	To Provide Funding for Capital Outlay
Road & Bridge Fund	125,000	Refund of Prior Year Transfer, Error in Original Amount of Transfer
Transfers to Road & Bridge Fund from Capital Projects Fund	<u>457,279</u>	To Provide Funding for Capital Outlay
Total Interfund Transfers	<u>\$ 2,842,004</u>	

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2007. The projects include the following:

Governmental Activities	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Roads and Bridges	\$ 324,885	\$ 370,901
Jail/Law Enforcement Center	10,101,613	39,597,353

2. Long-Term Debt

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issues Amount</u>	<u>Outstanding Balance December 31, 2007</u>
General Obligation Bonds					
1998A G.O. Capital Improvement Bonds	2018	\$ 110,000 - 260,000	3.800 - 4.800	\$ 3,270,000	\$ 2,230,000
2001A G.O. Sewer Revenue Bonds	2022	40,000 - 175,000	3.625 - 4.750	2,295,000	1,920,000
2002B G.O. Capital Improvement Plan Refunding Bonds	2010	695,000 - 895,000	2.500 - 3.500	6,470,000	2,600,000
2002A G.O. County Jail Refunding Bonds	2010	395,000 - 480,000	1.600 - 3.550	3,105,000	1,400,000
2003A G.O. Capital Improvement Bonds	2023	95,000 - 180,000	2.000 - 4.200	2,515,000	2,130,000
2004C G.O. Solid Waste Revenue Refunding Bonds	2012	840,000 - 1,185,000	3.350	8,285,000	5,505,000
2007A GO Jail Bond	2029	1,665,000 - 4,205,000	4.000 - 5.000	<u>52,235,000</u>	<u>52,235,000</u>
Total General Obligation Bonds and Notes				<u>\$78,175,000</u>	<u>\$68,020,000</u>
Add: Unamortized Premium					1,148,198
Less: Unamortized Discount					<u>(26,805)</u>
Total General Obligation Bonds, Net					<u>\$ 69,141,393</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Bonds		Contract for Deed	
	Principal	Interest	Principal	Interest
2008	\$ 2,690,000	\$ 2,958,558	\$ 182,000	\$ -
2009	2,745,000	2,868,805	32,000	-
2010	2,850,000	2,774,455	32,000	-
2011	3,190,000	2,682,454	32,000	-
2012	3,335,000	2,561,604	-	-
2013-2017	12,180,000	11,224,407	-	-
2018-2022	15,090,000	8,395,055	-	-
2023-2027	17,710,000	4,556,948	-	-
2028-2029	8,230,000	590,663	-	-
<b>Total</b>	<b>\$68,020,000</b>	<b>\$38,612,948</b>	<b>\$ 278,000</b>	<b>\$ -</b>

4. Contract for Deed

The County has purchased land under contract for deeds. The payment schedule is identified above. In 2007, the County paid \$1,205,503.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$18,385,000	\$52,235,000	\$ 2,600,000	\$68,020,000	\$ 2,745,000
Add: Amount of Unamortized Premiums	114,413	1,064,185	30,400	1,148,198	-
Less: Deferred Amounts for Discounts	(28,592)	-	(1,787)	(26,805)	-
Total Bonds Payable	18,470,821	53,299,185	2,628,613	69,141,393	2,745,000
Contract for Deed	483,503	1,000,000	1,205,503	278,000	182,000
Loans Payable	2,400,000	-	50,000	2,350,000	250,000
Compensated Absences	2,311,756	2,936,137	2,554,882	2,693,011	216,022
Governmental Activity Long-Term Liabilities	<u>\$23,666,080</u>	<u>\$57,235,322</u>	<u>\$ 6,438,998</u>	<u>\$74,462,404</u>	<u>\$ 3,393,022</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

A. Defined Benefit Plan

1. Plan Description

All full-time and certain part-time employees of Wright County are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF 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, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

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 defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's 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 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree - no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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 receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF, PEPFF, and PECF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

*Minnesota Statutes* Chapter 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. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.0%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. PECF members are required to contribute 5.83% of their annual covered salary. Wright County is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members, 11.7% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5% and 12.9%, respectively, effective January 1, 2008.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

A. Defined Benefit Plan (Continued)

2. Funding Policy (Continued)

The County's contributions to the Public Employees Retirement Fund, Public Employees Police & Fire Fund, and Public Employees Correctional Fund, for the years ending December 31, 2007, 2006, and 2005 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2007	\$ 1,284,171	\$ 831,325	\$ 168,160	\$ 5,959
2006	1,166,684	671,396	153,680	5,798
2005	955,505	568,485	98,555	-

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

Commissioners of the County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary, which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees, employer contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and four-tenths of one percent of assets in each member's account annually.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS**

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). For other risks, 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 \$390,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)**

C. Joint Ventures

Crow River Joint Powers Agreement

In 1999, Wright County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Pope, Renville, Sibley, and Stearns Counties, creating the Crow River Joint Powers Agreement. The Agreement is authorized by *Minnesota Statutes* §§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.

D. 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 2007 contribution to the Great River Regional Library of \$1,731,128 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 \$188,107 to the Cooperative.

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A**

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 21,369,940	\$ 21,369,940	\$ 20,969,318	\$ (400,622)
Licenses and Permits	86,850	86,850	209,959	123,109
Intergovernmental	5,025,093	5,025,093	6,120,083	1,094,990
Charges for Services	7,382,414	7,382,414	8,060,748	678,334
Fines and Forfeits	372,300	372,300	371,903	(397)
Investment Earnings	850,000	850,000	1,355,272	505,272
Miscellaneous	3,473,307	3,473,307	3,816,973	343,666
Total Revenues	38,559,904	38,559,904	40,904,256	2,344,352
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	296,574	305,257	290,872	14,385
Courts	491,840	491,840	506,934	(15,094)
Court Services	2,579,788	2,689,424	2,609,164	80,260
Law Library	135,054	142,871	140,821	2,050
County Administration	745,115	772,592	751,340	21,252
County Auditor-Treasurer	1,883,597	1,966,113	1,802,814	163,299
County Assessor	1,065,006	1,098,974	1,059,691	39,283
Elections	105,300	105,300	98,181	7,119
Data Processing	1,175,439	1,206,836	960,624	246,212
Attorney	2,047,980	2,174,770	2,119,537	55,233
Recorder	610,958	628,787	746,562	(117,775)
Surveyor	894,848	924,242	583,774	340,468
Planning and Zoning	1,130,192	1,173,027	1,121,440	51,587
Buildings and Plant	1,656,880	1,671,027	1,753,493	(82,466)
Veterans Service Officer	116,645	120,028	119,227	801
Other General Government	3,736,139	2,165,719	2,102,642	63,077
Total General Government	18,671,355	17,636,807	16,767,116	869,691
<b>PUBLIC SAFETY</b>				
Sheriff	12,459,394	13,363,806	13,225,254	138,552
Coroner	301,823	301,823	298,971	2,852
E-911 System	-	-	63,759	(63,759)
County Jail	4,649,020	4,739,854	4,513,565	226,289
Civil Defense	118,691	122,066	114,708	7,358
Other Public Safety	-	-	375,544	(375,544)
Total Public Safety	17,528,928	18,527,549	18,591,801	(64,252)

*The Notes to the Required Supplementary Information are an Integral Part of this Schedule.*

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>CULTURE AND RECREATION</b>				
Parks	\$ 961,119	\$ 995,611	\$ 1,126,130	\$ (130,519)
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	314,374	315,809	307,467	8,342
Soil and Water Conservation	-	-	109	(109)
Total Conservation of Natural Resources	314,374	315,809	307,576	8,233
<b>INTERGOVERNMENTAL</b>				
Culture and Recreation	1,731,128	1,731,128	1,731,128	-
Total Expenditures	39,206,904	39,206,904	38,523,751	683,153
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(647,000)	(647,000)	2,380,505	3,027,505
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	607,000	607,000	259,725	(347,275)
Transfers Out	-	-	(2,000,000)	(2,000,000)
Proceeds from Sale of Assets	40,000	40,000	42,406	2,406
Total Other Financing Sources (Uses)	647,000	647,000	(1,697,869)	(2,344,869)
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ -	682,636	\$ 682,636
Fund Balance - Beginning of Year			20,804,232	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 21,486,868</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,509,326	\$ 6,509,326	\$ 6,297,697	\$ (211,629)
Intergovernmental	11,169,916	11,169,916	11,155,603	(14,313)
Charges for Services	656,000	656,000	964,294	308,294
Miscellaneous	587,172	587,172	2,422,221	1,835,049
Total Revenues	18,922,414	18,922,414	20,839,815	1,917,401
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Administration	524,499	524,499	516,169	8,330
Maintenance	3,026,595	3,026,595	3,028,567	(1,972)
Construction	14,449,400	14,449,400	12,969,617	1,479,783
Equipment and Maintenance Shops	1,500,633	1,500,633	1,596,187	(95,554)
Total Highways and Streets	19,501,127	19,501,127	18,110,540	1,390,587
<b>DEBT SERVICE</b>				
Principal	280,000	280,000	361,682	(81,682)
Total Expenditures	19,781,127	19,781,127	18,472,222	1,308,905
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(858,713)	(858,713)	2,367,593	3,226,306
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	457,279	457,279
Transfers Out	-	-	(212,949)	(212,949)
Proceeds from Sale of Assets	600,000	600,000	39,757	(560,243)
Total Other Financing Sources (Uses)	600,000	600,000	284,087	(315,913)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (258,713)</u>	<u>\$ (258,713)</u>	2,651,680	<u>\$ 2,910,393</u>
Fund Balance - Beginning of Year			453,215	
Increase in Reserved for Inventory			7,960	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 3,112,855</u>	

*The Notes to the Required Supplementary Information are an Integral Part of this Schedule.*

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,693,931	\$ 6,693,931	\$ 6,437,362	\$ (256,569)
Intergovernmental	11,399,369	11,399,369	12,334,100	934,731
Charges for Services	1,255,600	1,255,600	1,343,835	88,235
Gifts and Contributions	14,500	14,500	38,791	24,291
Investment Earnings	10,000	10,000	11,894	1,894
Miscellaneous	259,900	259,900	334,658	74,758
Total Revenues	19,633,300	19,633,300	20,500,640	867,340
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	4,171,500	4,171,500	4,134,130	37,370
Social Services	12,762,500	12,762,500	13,725,767	(963,267)
Total Human Services	16,934,000	16,934,000	17,859,897	(925,897)
<b>HEALTH</b>				
Nursing Services	2,999,300	2,999,300	3,019,863	(20,563)
Total Expenditures	19,933,300	19,933,300	20,879,760	(946,460)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(300,000)	(300,000)	(379,120)	(79,120)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	(379,120)	<u>\$ (79,120)</u>
Fund Balance - Beginning of Year			5,220,717	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 4,841,597</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2007**

**I. BUDGETARY INFORMATION**

Wright County (the County) board adopts an annual budget for the following major funds: The General Fund, Road and Bridge Special Revenue Fund, Human Services Fund, and Lake Improvement Districts Special Revenue Fund. These budgets are prepared on the modified accrual basis of accounting. Annual budgets are not adopted for the Debt Service Fund, Capital Projects Fund, Solid Waste Fund, Ditch Fund, and Clear River Watershed District Fund.

Based on a process established by the County board, all departments of the County submit requests for appropriations to the County Coordinator each year. After review, analysis and discussions with the departments, the County Coordinator's proposed budget is presented to the County board for review. The County board holds public hearings and a final budget must be prepared and adopted no later than December 31.

The overall budget is prepared by fund, function, and department. The legal level of budgetary control – the level at which expenditures may not legally exceed appropriations – is the fund level. Budgets may be amended during the year with proper approval.

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-apportioned and honored during the subsequent year.

**II. EXCESS OF EXPENDITURES OVER BUDGET**

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2007:

	<u>Expenditures</u>	<u>Budgets</u>	<u>Excess</u>
Human Services Fund	\$ 20,879,760	\$ 19,933,300	\$ 946,460

This over-expenditure was funded with existing fund balance and greater than anticipated revenues.

## SUPPLEMENTARY INFORMATION



**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	Nonmajor Special Revenue Funds				Total Nonmajor Funds
	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	
<b>ASSETS</b>					
Cash and Pooled Investments	\$ 123,585	\$ 1,253,661	\$ -	\$ 10,991	\$ 1,388,237
Taxes Receivable - Delinquent	1,128	-	-	-	1,128
Special Assessments Receivable					
Delinquent	-	-	197	25,376	25,573
Deferred	-	-	2,817	138,277	141,094
Total Assets	<u>\$ 124,713</u>	<u>\$ 1,253,661</u>	<u>\$ 3,014</u>	<u>\$ 174,644</u>	<u>\$ 1,556,032</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ 7,823	\$ -	\$ -	\$ 7,823
Due to Other Funds	-	-	13,763	-	13,763
Due to Other Governments	18	46,651	684	-	47,353
Deferred Revenue - Unavailable	285	-	2,966	162,308	165,559
Advances from Other Funds	-	-	12,800	4,600	17,400
Total Liabilities	303	54,474	30,213	166,908	251,898
<b>FUND BALANCES</b>					
Reserved for					
Landfill Closure/Postclosure	-	280,337	-	-	280,337
Unreserved					
Undesignated	<u>124,410</u>	<u>918,850</u>	<u>(27,199)</u>	<u>7,736</u>	<u>1,023,797</u>
Total Fund Balances	<u>124,410</u>	<u>1,199,187</u>	<u>(27,199)</u>	<u>7,736</u>	<u>1,304,134</u>
Total Liabilities and Fund Balances	<u>\$ 124,713</u>	<u>\$ 1,253,661</u>	<u>\$ 3,014</u>	<u>\$ 174,644</u>	<u>\$ 1,556,032</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	Nonmajor Special Revenue Funds				Total Nonmajor Funds
	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	
<b>REVENUES</b>					
Taxes	\$ 36,493	\$ -	\$ -	\$ -	\$ 36,493
Special Assessments	3,746	-	4,006	7,978	15,730
Charges for Services	-	75,011	-	-	75,011
Investment Earnings	-	66,155	-	-	66,155
Miscellaneous	711	9,546	5,600	-	15,857
Total Revenues	40,950	150,712	9,606	7,978	209,246
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
Sanitation	-	452,057	-	-	452,057
Conservation of Natural Resources	8,446	-	36,398	-	44,844
<b>INTERGOVERNMENTAL</b>					
Conservation of Natural Resources	-	-	-	5,953	5,953
Total Expenditures	8,446	452,057	36,398	5,953	502,854
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	32,504	(301,345)	(26,792)	2,025	(293,608)
Fund Balance - Beginning of Year	91,906	1,500,532	(407)	5,711	1,597,742
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 124,410</u>	<u>\$ 1,199,187</u>	<u>\$ (27,199)</u>	<u>\$ 7,736</u>	<u>\$ 1,304,134</u>

**WRIGHT COUNTY**  
**BUFFALO, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE**  
**LAKE IMPROVEMENT DISTRICTS SPECIAL REVENUE FUND**  
**YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 15,600	\$ 15,600	\$ 36,493	\$ 20,893
Special Assessments	-	-	3,746	3,746
Miscellaneous	-	-	711	711
Total Revenues	15,600	15,600	40,950	25,350
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
Conservation of Natural Resources	36,900	36,900	8,446	28,454
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (21,300)</u>	<u>\$ (21,300)</u>	32,504	<u>\$ 53,804</u>
Fund Balance - Beginning of Year			91,906	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 124,410</u>	

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>PREPAID TAXES</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 1,182,803	\$ 696,628	\$ 625,431	\$ 1,254,000
<b>LIABILITIES</b>				
Due to Other Governments	\$ 1,182,803	\$ 696,628	\$ 625,431	\$ 1,254,000
<b>STATE REVENUE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 604,315	\$ 12,780,607	\$ 13,016,452	\$ 368,470
<b>LIABILITIES</b>				
Due to Other Governments	\$ 604,315	\$ 12,780,607	\$ 13,016,452	\$ 368,470
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 1,260,776	\$ 143,219,882	\$ 141,982,171	\$ 2,498,487
<b>LIABILITIES</b>				
Due to Other Governments	\$ 1,260,776	\$ 143,219,882	\$ 141,982,171	\$ 2,498,487
<b>TOWNS, CITIES, SCHOOLS, AND SPECIAL DISTRICTS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ (110,772)	\$ 59,947,180	\$ 59,836,408	\$ -
<b>LIABILITIES</b>				
Due to Other Governments	\$ (110,772)	\$ 59,947,180	\$ 59,836,408	\$ -

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>FAMILY SERVICES COLLABORATIVE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	<u>\$ 535,666</u>	<u>\$ 529,529</u>	<u>\$ 1,010,678</u>	<u>\$ 54,517</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 535,666</u>	<u>\$ 529,529</u>	<u>\$ 1,010,678</u>	<u>\$ 54,517</u>
<b>SOCIAL WELFARE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	<u>\$ 166,069</u>	<u>\$ 1,509,127</u>	<u>\$ 1,528,094</u>	<u>\$ 147,102</u>
<b>LIABILITIES</b>				
Accounts Payable	<u>\$ 166,069</u>	<u>\$ 1,509,127</u>	<u>\$ 1,528,094</u>	<u>\$ 147,102</u>
<b>HIGHWAY 55 CORRIDOR</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	<u>\$ 15,845</u>	<u>\$ 52,740</u>	<u>\$ 49,594</u>	<u>\$ 18,991</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 15,845</u>	<u>\$ 52,740</u>	<u>\$ 49,594</u>	<u>\$ 18,991</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	<u>\$ 3,654,702</u>	<u>\$ 218,735,693</u>	<u>\$ 218,048,828</u>	<u>\$ 4,341,567</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 3,654,702</u>	<u>\$ 218,735,693</u>	<u>\$ 218,048,828</u>	<u>\$ 4,341,567</u>
Total Liabilities	<u>\$ 3,654,702</u>	<u>\$ 218,735,693</u>	<u>\$ 218,048,828</u>	<u>\$ 4,341,567</u>

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
YEAR ENDED DECEMBER 31, 2007**

**SHARED REVENUE**

**STATE**

Highway Users Tax	\$ 9,366,932
HACA	3,672,910
Market Value Credit	2,405,453
PERA Rate Reimbursement	81,912
Disparity Reduction Aid	5,250
Police Aid	671,396
Enhanced 911	193,289
	<hr/>
Total Shared Revenue	16,397,142

**REIMBURSEMENT FOR SERVICES**

**STATE**

Minnesota Department of Human Services	5,326,511
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**PAYMENTS**

Local	
Local Contributions	165,509

**GRANTS**

**STATE**

Minnesota Department of	
Corrections	679,856
Public Safety	172,311
Health	251,360
Natural Resources	724,066
Human Services	3,637,190
Transportation	327,258
Water and Soil Resources Board	123,220
Peace Officer Standards and Training Board	50,247
	<hr/>
Total State	5,965,508

**FEDERAL**

Department of	
Agriculture	20,329
Justice	15,811
Transportation	392,457
Environmental Protection Agency	12,378
Health and Human Services	1,924,141
Homeland Security	53,449
	<hr/>
Total Federal	2,418,565

Total State and Federal Grants	<hr/> 8,384,073
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Total Intergovernmental Revenue	<hr/> \$ 30,273,235
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**REPORTS RELATED TO  
GOVERNMENT AUDITING STANDARDS  
AND SINGLE AUDIT (A-133)**

## 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  
Buffalo, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County (the County), Minnesota, as of and for the year ended December 31, 2007, which collectively comprise Wright County's basic financial statements and have issued our report thereon dated August 15, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 but not for the purpose of expressing an opinion on the effectiveness of Wright County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wright County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 2006-1 to 2006-4 and 2007-1, described in the accompanying schedule of findings and questioned costs, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the deficiencies 2006-1 to 2006-4, described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2006-8 and 2006-9.

We also noted other internal control matters we reported to the management of Wright County in the attached Schedule of Findings and Questioned Costs.

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



**LarsonAllen LLP**

Brainerd, Minnesota  
August 15, 2008

## 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  
Buffalo, Minnesota

### Compliance

We have audited the compliance of Wright County (the County), Minnesota 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 its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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 U.S. generally accepted auditing standards; 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2007.

### Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likely that noncompliance with a type of compliance requirement of a major program that is more than inconsequential will not be prevented or detected.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of major program will not be prevented or detected.

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

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



LarsonAllen LLP

Brainerd, Minnesota  
August 15, 2008

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2007**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Wright County (the County), Minnesota.
2. Deficiencies in internal control were disclosed during the audit of the basic financial statements for the County and reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*". Control deficiencies 06-1 to 06-4 are considered material weaknesses.
3. No instances of noncompliance material to the basic financial statements of the County were disclosed during the audit.
4. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control of compliance with OMB Circular A-133".
5. The auditors' report on compliance for the major federal award programs for the County expresses an unqualified opinion on all major federal programs.
6. No findings relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:
  - Temporary Assistance for Needy Families                      CFDA No 93.558
  - Social Services Block Grant Title XX                              CFDA No. 93.667
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The County does not qualify, under federal guidelines, as a low-risk auditee.

WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007

**MATERIAL WEAKNESSES (FINANCIAL REPORTING)**

06-1 SEGREGATION OF DUTIES

**Criteria:** Wright County (the County) management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

**Condition:** Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place in a number of departments throughout the County.

**Cause:** The County has a limited number of personnel within several departments.

**Effect:** The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and failure to adhere to County's procedures.

**Recommendation:** We recommend County management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

06-2 AUDIT ADJUSTMENTS

**Criteria:** County management is responsible for establishing and maintaining internal controls for the proper recording of all County's receipts and disbursements, including reclassifications between funds and activity of all investing and savings accounts.

**Condition:** As part of the audit, we proposed adjusting entries relating to the coding of accruals, capital asset adjustments, and reclassification of revenues. These entries indicate a lack of controls over the year-end financial reporting process. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control.

**Cause:** Not known.

**Effect:** The design of the internal controls over recording transactions and year-end accruals limits the ability of the County to provide accurate accrual basis financial information.

**Recommendation:** We recommend County management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007

**MATERIAL WEAKNESSES (FINANCIAL REPORTING) CONTINUED**

06-3 FINANCIAL REPORTING PROCESS

**Criteria:** County management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with applicable accounting and reporting standards.

**Condition:** As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements.

**Cause:** The County has a limited number of personnel.

**Effect:** The design of the controls over the financial reporting process would affect the ability of the County to report their financial data consistently with the assertions of management in the financial statements.

**Recommendation:** We recommend that County management be aware of the responsibilities regarding financial reporting and continue to evaluate the cost/benefit of outsourcing this function. If management chooses to undertake these financial reporting responsibilities, a number of policies, procedures, and reviews will need to be developed and implemented.

06-4 TIMELY DEPOSITS

**Criteria:** Standard internal control procedures recommend that deposits should be made on a daily basis.

**Condition:** Various departments in the County do not deposit collections on a timely basis.

**Cause:** Past practice.

**Effect:** Internal control frameworks recommend that collections be deposited on a daily basis to improve internal controls over cash.

**Recommendation:** We recommend the departments deposit their collections with the County Auditor-Treasurer office on a daily basis in order to minimize the risk of misappropriation of assets.

WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007

**SIGNIFICANT DEFICIENCY**

07-1 BANK RECONCILIATION REVIEW

**Criteria:** According to standard internal control practices, bank reconciliations should be prepared on a timely basis and reviewed by personnel other than the preparer.

**Condition:** During testing, we were not provided with documentation of review of the County's main deposit and investment accounts and the social welfare checking account. In addition, during bank reconciliation testing, it was noted that not all interest payments were recorded in the general ledger on a timely basis.

**Cause:** Unknown.

**Effect:** The County is at increased risk that errors or misstatements in these accounts.

**Recommendation:** We recommend that bank reconciliations and the recording of interest receipts be performed on a timely basis and reviewers of bank reconciliations sign and date for reviews performed.

**CONTROL DEFICIENCY**

07-2 UNAUTHORIZED BANK SIGNERS

**Criteria:** Previously authorized account signors who leave County employment should be removed as authorized signors from all bank accounts.

**Condition:** As of December 31, 2007 the County had a non-current employee on accounts at Premier Bank.

**Cause:** Unknown.

**Effect:** The risk of misappropriation or fraud on those accounts is increased by allowing non-County employees continued access to County funds.

**Recommendation:** We recommend the County periodically review the banks' authorized signors list.

**PREVIOUSLY REPORTED ITEMS RESOLVED**

06-5 JOURNAL ENTRY APPROVAL

During the prior year testing of journal entries, supporting documentation relating to approval was not provided.

RESOLUTION

No similar instances noted during current year testing.

06-6 CONTRACTING AND PROCUREMENT PROCEDURES

County does not have a formal written policy relating to contracting and procurement procedures.

RESOLUTION

County adopted a contracting policy in December 2007.

WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE**

06-8 CASH DEFICITS IN DITCH SYSTEM

**Criteria:** *Minnesota Statutes* ch. 385.31 permits the payment of expenditures provided there is money in that fund for that purpose. *Minnesota Statutes* ch. 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.

**Condition:** The County carries deficit cash balances in the County's ditch system.

**Cause:** Past practice.

**Effect:** The practice of allowing ditch systems to incur deficit cash flows, in effect, constitutes an interest-free loan from other funds and, as such, is in non compliance with *Minnesota Statutes*.

**Recommendation:** 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.

06-9 DITCH SPECIAL REVENUE FUND – DEFICITS IN EQUITY BALANCES

**Criteria:** *Minnesota Statutes* ch. 103E.735, subd 1, provides that a fund balance to be used for ditch repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

**Condition:** Thirty-four of forty-four individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2007.

**Cause:** Past practice.

**Effect:** The County is not in compliance with *Minnesota Statutes*.

**Recommendation:** We recommend the County eliminate the individual ditch fund balance deficits by levying assessments pursuant to *Minnesota Statutes* ch. 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

**PREVIOUSLY REPORTED ITEMS RESOLVED – MINNESOTA LEGAL COMPLIANCE**

06-7 APPROVAL OF CHANGE FUNDS

We were not provided with documentation that changes funds used in the County were approved by the board.

RESOLUTION

County Board approved the change funds per review of the County minutes.

06-10 CREDIT CARDS

The County does not have a policy relating to credit card usage within the County.

RESOLUTION

County adopted a credit card policy.

WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2007

**PREVIOUSLY REPORTED ITEMS RESOLVED – MINNESOTA LEGAL COMPLIANCE (CONTINUED)**

06-11 ELECTRONIC WIRE TRANSFERS

The County does not have a formal written policy relating to electronic wire transfers.

RESOLUTION

County adopted a transfer policy in December 2007.

06-12 PUBLISHING OF FINANCIAL STATEMENTS

The County did not publish the 2005 financial statements in accordance with state statutes.

RESOLUTION

Viewed the County's publishing of the 2005 and 2006 financial statements during 2007.

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	\$ 20,329
U.S. Department of Justice Pass Through Minnesota Department of Public Safety Juvenile Accountability Incentive Grant	16.523	15,811
U.S. Department of Transportation Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	20.005	11,936
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	332,547
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	27,319
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	<u>20,655</u>
Total Department of Transportation		392,457
Environmental Protection Agency Passed Through Minnesota Department of Health State Indoor Radon Grant	66.032	12,378

**WRIGHT COUNTY  
BUFFALO, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Immunization	93.268	\$ 1,100
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	173,529
Maternal and Child Health Services Block Grant	93.994	79,093
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families - Title IV-B	93.556	113,763
Temporary Assistance for Needy Families	93.558	837,433
Child Care and Development Block Grant	93.575	21,150
Child Welfare Services State Grants	93.645	289
Foster Care Title IV-E	93.658	203,569
Social Services Block Grant Title XX	93.667	396,783
Chafee Foster Care Independent Living	93.674	6,132
State Children's Insurance Program	93.767	419
Block Grant for Community Mental Health Service	93.958	68,701
Total Department of Health and Human Services		<u>1,901,961</u>
U.S. Department of Homeland Security		
Pass Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.042	31,501
Homeland Security Grant Program	97.067	21,948
Total Department of Homeland Security		<u>53,449</u>
Total Cash Type Federal Awards		<u>\$ 2,396,385</u>

**Notes to the Schedule 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 Financial Statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. During 2007, the County did not pass on any Federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

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## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners  
Wright County  
Buffalo, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County (the County), Minnesota, as of and for the year ended December 31, 2007, and have issued our report thereon dated August 15, 2008.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Audit Guide for Local Government*, promulgated by the State Auditor pursuant to *Minnesota Statute § 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 *Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, county and city miscellaneous provisions and tax increment financing. Our study included all of the listed categories, except we did not test for tax increment financing because the County does not have any tax increment financing districts.

The results of our tests indicate that for the items tested, the County complied with the material terms and conditions of applicable legal provisions except for the items described in detail in the attached schedule of findings and questioned costs.

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

*LarsonAllen LLP*

LarsonAllen LLP

Brainerd, Minnesota  
August 15, 2008