

WRIGHT COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2008

**WRIGHT COUNTY, MINNESOTA
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DECEMBER 31, 2008**

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INTRODUCTORY SECTION

**WRIGHT COUNTY, MINNESOTA
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2008**

Office	Name	Term Expires
Commissioners		
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
Officers		
Elected		
Attorney	Tom Kelly	January 2011
Auditor-Treasurer	Robert J. Hiivala	January 2011
Sheriff	Gary Miller	January 2011
Appointed		
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

* Chairperson

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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, 2008, 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, 2008, 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.

As discussed in the notes to the basic financial statements, Wright County adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of and for the year ended December 31, 2008. This statement results in the County reporting a liability for postemployment benefits other than pensions that the County provides to its employees.

Board of County Commissioners
Wright County

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2009, 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

The management's discussion and analysis, schedule of funding progress – other postemployment benefit plan, and budgetary comparison information on pages 4 to 14 and 50 to 55, 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 12, 2009

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REQUIRED SUPPLEMENTARY INFORMATION

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

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, 2008. 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, 2008, and the prior year, 2007, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- County-wide net assets increased 9.1 percent in 2008 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 \$93,441,167 and were \$36,527,479 less than expenditures in 2008. This deficit was primarily funded by other financing sources and use of existing fund balance.
- The General Fund's fund balance decreased \$1,265,535 from the prior year as a result of an unbudgeted, but Board approved, \$2,000,000 transfer to the Capital Projects Fund, in addition to the transfer of existing fund balances to the newly created Miscellaneous Special Revenue Fund.

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.

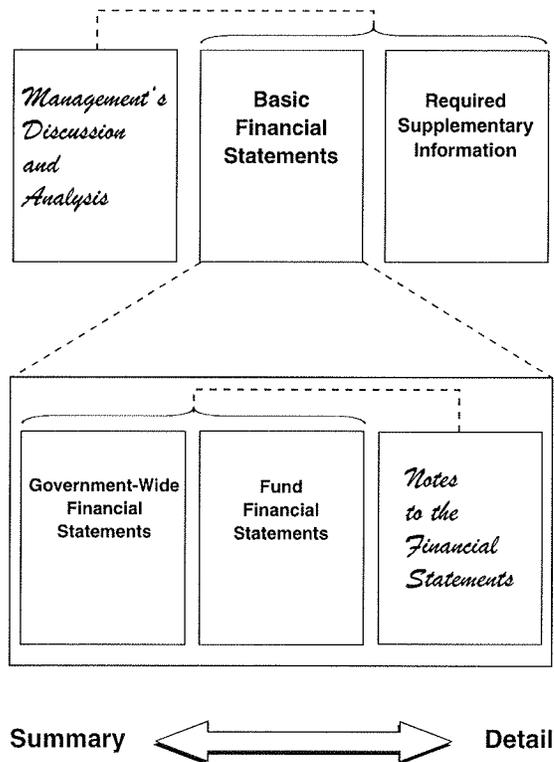
WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008

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, 2008**

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.	Balance sheet.	Statement of fiduciary net assets.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	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, 2008**

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, 2008**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's total net assets were \$199,741,242 on December 31, 2008, an increase of \$16,716,860 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	
	2008	2007
Current and Other Assets	\$ 64,724,735	\$ 92,200,816
Capital Assets	225,031,502	174,918,958
Total Assets	<u>289,756,237</u>	<u>267,119,774</u>
Current Liabilities	13,965,388	9,632,988
Long-Term Liabilities	76,049,607	74,462,404
Total Liabilities	<u>90,014,995</u>	<u>84,095,392</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	159,513,580	148,148,699
Restricted	6,603,040	3,513,673
Unrestricted	33,624,622	31,362,010
Total Net Assets	<u>\$ 199,741,242</u>	<u>\$ 183,024,382</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

CHANGE IN NET ASSETS

The government-wide total revenues were \$93,083,286 for the year ended December 31, 2008 (a decrease of \$403,394). This decrease is primarily attributable to decreased capital grants and contributions. Property taxes and intergovernmental revenues accounted for 72% of total revenue for the year (see Table A-2).

Table A-2
Change in Net Assets

	Governmental Activities		Total % Change
	2008	2007	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 16,469,113	\$ 11,910,459	38.3 %
Operating Grants and Contributions	16,576,327	14,897,675	11.3
Capital Grants and Contributions	9,985,829	16,308,612	(38.8)
<u>General Revenues</u>			
Property Taxes	40,731,165	35,572,233	14.5
Other	9,320,852	14,797,701	(37.0)
Total Revenues	<u>93,083,286</u>	<u>93,486,680</u>	(0.4)
EXPENSES			
General Government	20,484,594	18,765,778	9.2
Public Safety	19,229,037	18,785,432	2.4
Highways and Streets	8,527,963	9,920,610	(14.0)
Sanitation	816,173	789,498	3.4
Human Services	19,056,299	17,954,292	6.1
Health	3,105,525	3,024,083	2.7
Culture and Recreation	1,557,146	1,169,471	33.1
Conservation of Natural Resources	394,190	358,176	10.1
Interest	3,195,499	919,400	247.6
Total Expenses	<u>76,366,426</u>	<u>71,686,740</u>	6.5
CHANGE IN NET ASSETS	16,716,860	21,799,940	(23.3)
Net Assets - Beginning of Year	<u>183,024,382</u>	<u>161,224,442</u>	13.5
NET ASSETS - END OF YEAR	<u>\$ 199,741,242</u>	<u>\$ 183,024,382</u>	9.1

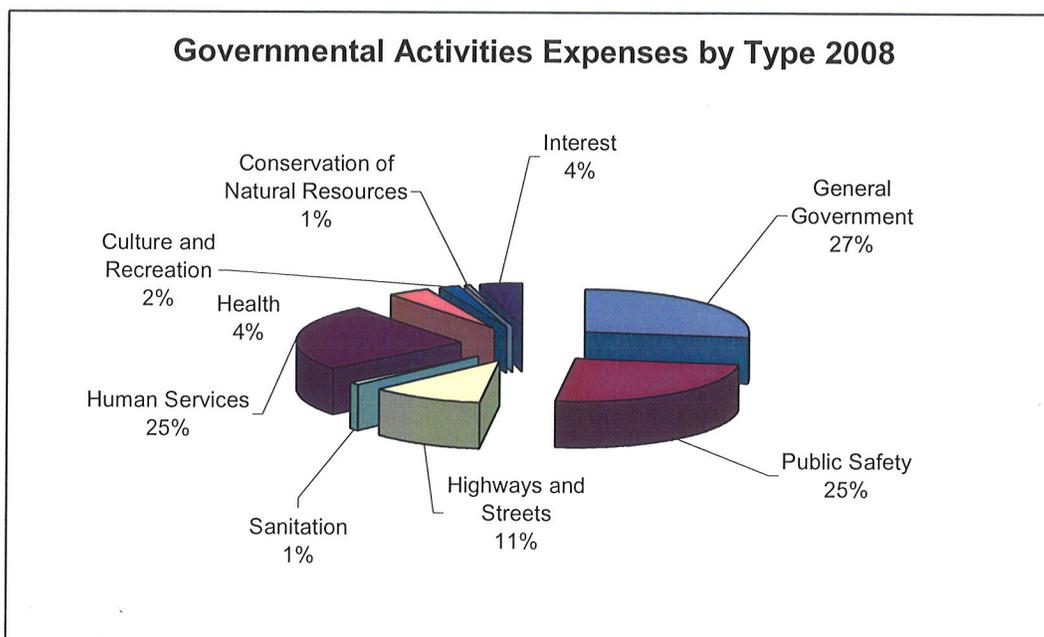
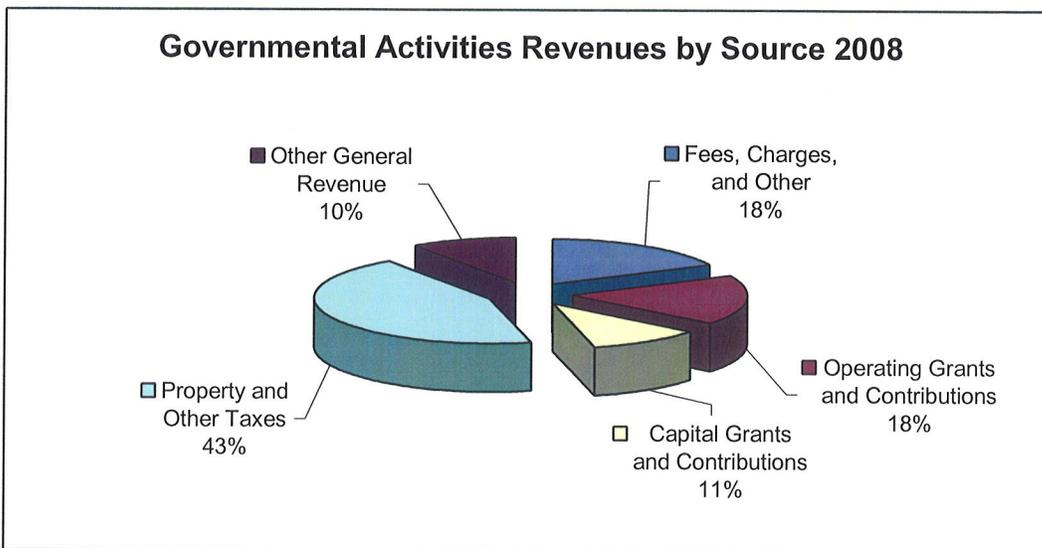
Total revenues surpassed expenses, increasing net assets \$16,716,860 over last year.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

CHANGE IN NET ASSETS (CONTINUED)

The government-wide cost of all governmental activities this year was \$76,366,426.

- Some of the cost was paid by the users of the County's programs (\$16,469,113).
- The federal and state governments subsidized certain programs with grants and contributions (\$26,562,156).
- The remainder of the County's governmental activities costs (\$33,335,157) 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 \$40,731,165 in property taxes, \$5,330,495 of state aid, and with \$3,121,788 investment earnings and other general revenues.



**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

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
	2008	2007		2008	2007	
	GOVERNMENTAL ACTIVITIES					
General Government	\$20,484,594	\$18,765,778	9.2 %	\$12,890,726	\$12,776,243	0.9 %
Public Safety	19,229,037	18,785,432	2.4	12,798,588	12,710,066	0.7
Highways and Streets	8,527,963	9,920,610	(14.0)	(3,580,127)	(7,144,429)	(49.9)
Sanitation	816,173	789,498	3.4	(1,074,273)	714,487	(250.4)
Human Services	19,056,299	17,954,292	6.1	7,446,722	7,256,970	2.6
Health	3,105,525	3,024,083	2.7	1,545,597	1,205,661	28.2
Culture and Recreation	1,557,146	1,169,471	33.1	(274,613)	981,023	(128.0)
Conservation of Natural Resources	394,190	358,176	10.1	387,038	(849,427)	(145.6)
Interest	3,195,499	919,400	247.6	3,195,499	919,400	247.6
Total	<u>\$76,366,426</u>	<u>\$71,686,740</u>	6.5	<u>\$33,335,157</u>	<u>\$28,569,994</u>	16.7

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 \$52,934,161. Revenues for the County's governmental funds were \$93,441,167, while total expenditures were \$129,968,646 – both exceeding the 2007 amounts.

The General Fund includes the primary operations of the County in providing services to citizens. Fund balance decreased by \$1,265,535 during 2008. This decrease was primarily due to the unbudgeted by Board approved \$2,000,000 transfer to the Capital Projects Fund, in addition to the transfer of existing fund balances to the newly created Miscellaneous Special Revenue Fund.

The Road and Bridge Fund has a total fund balance of \$5,059,388. The fund balance increased in 2008 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 \$3,550,897. It decreased \$1,290,700 from 2007 due to higher than anticipated out of home placement costs.

The Debt Service Fund has a total fund balance of \$4,217,179. It decreased \$2,134,885 from 2007 due to payment of principal and interest payments according to debt repayment schedules.

The Capital Project Fund has a total fund balance of \$15,673,261. It decreased \$26,567,151 from 2007 due to construction of the jail/law enforcement center in 2008.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

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, 2008	December 31, 2007	Increase (Decrease)	Percent
Taxes	\$ 24,614,844	\$ 20,969,318	\$ 3,645,526	17.4 %
Intergovernmental	5,217,226	6,120,083	(902,857)	(14.8)
Charges for Services	8,168,387	8,060,748	107,639	1.3
Gifts and Contributions	3,664	-	3,664	-
Interest	1,808,730	1,355,272	453,458	33.5
Miscellaneous and Other	3,777,977	4,398,835	(620,858)	(14.1)
Total General Fund Revenues	\$ 43,590,828	\$ 40,904,256	\$ 2,686,572	6.6

Total General Fund revenues increased by \$2,686,572, or 6.6%, from the previous year due primarily to increased tax levy.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2008	December 31, 2007	Increase (Decrease)	Percent
General Government	\$ 17,608,206	\$ 16,767,116	\$ 841,090	5.0 %
Public Safety	19,903,030	18,591,801	1,311,229	7.1
Culture and Recreation	1,201,376	1,126,130	75,246	6.7
Conservation	342,803	307,576	35,227	11.5
Intergovernmental	1,898,893	1,731,128	167,765	9.7
Total Expenditures	\$ 40,954,308	\$ 38,523,751	\$ 2,430,557	6.3

The increase in General Fund expenditures is due primarily to an increase in salary expenditures and capital project initiatives in 2008.

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 \$1,546,780 more than expected; this is primarily due to an increased tax levy, charges for services, and interest revenue.
- The actual expenditures were \$1,828,440 less than budget due primarily to position vacancies.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

CONSTRUCTION PROJECTS AND DEBT SERVICE

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

The County did issue \$8,050,000 of general obligation capital notes in 2008.

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

CAPITAL ASSETS

By the end of 2008, the County had invested over \$284,000,000 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 \$5,228,127.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2008	2007	
Land	\$ 18,517,552	\$ 15,220,191	21.7 %
Construction in Progress	58,018,155	13,277,892	337.0
Buildings	49,177,692	49,070,124	0.2
Machinery, Furniture, and Equipment	13,411,694	11,863,696	13.0
Infrastructure	145,179,647	140,035,438	3.7
Less: Accumulated Depreciation	(59,273,238)	(54,548,383)	8.7
Total	<u>\$ 225,031,502</u>	<u>\$ 174,918,958</u>	28.6

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

LONG-TERM LIABILITIES

At year-end, the County had \$81,525,154 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt increased \$7,062,750 during the fiscal year, due primarily to the issuance of the 2008A GO Capital Notes.

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

	2008	2007	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds - Net of Discounts	\$ 66,348,157	\$ 69,141,393	(4.0)%
General Obligation Capital Notes	8,050,000	-	100.0
Contract for Deed	96,000	278,000	(65.5)
Loans Payable	4,100,000	2,350,000	74.5
Compensated Absences Payable	2,741,315	2,693,011	1.8
Other Postemployment Benefit Plan	189,682	-	100.0
Total	<u>\$ 81,525,154</u>	<u>\$ 74,462,404</u>	9.5

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
YEAR ENDED DECEMBER 31, 2008**

ASSETS

Cash and Pooled Investments	\$	56,354,685
Petty Cash and Change Funds		2,460
Taxes Receivable - Delinquent		1,939,779
Special Assessments Receivable		
Delinquent		146,039
Noncurrent		618,146
Accounts Receivable - Net		190,897
Accrued Interest Receivable		765,253
Loans Receivable		38,963
Due from Other Governments		3,592,825
Inventory		803,363
Deferred Charges		272,325
Non-Depreciable Capital Assets		
Land		18,517,552
Construction in Progress		58,018,155
Depreciable Capital Assets - Net of Accumulated Depreciation		
Buildings		29,859,361
Machinery, Furniture, and Equipment		5,153,099
Infrastructure		113,483,335
		289,756,237
Total Assets		289,756,237

LIABILITIES

Accounts Payable		1,232,178
Salaries Payable		1,908,653
Contracts Payable		4,123,334
Other Accrued Liabilities		22,206
Due to Other Governments		652,234
Deferred Revenue - Unearned		147,277
Accrued Interest Payable		403,959
General Obligation Bonds Payable - Due Within One Year		2,745,000
General Obligation Notes Payable - Due Within One Year		725,000
Contract for Deed - Due Within One Year		32,000
Loans Payable - Due Within One Year		450,000
Compensated Absences Payable - Due Within One Year		1,523,547
General Obligation Bonds Payable - Due in More Than One Year		63,603,157
General Obligation Notes Payable - Due in More Than One Year		7,325,000
Contract for Deed - Due in More Than One Year		64,000
Loans Payable - Due in More Than One Year		3,650,000
Other Postemployment Benefits Payable - Due in More Than One Year		189,682
Compensated Absences Payable - Due in More Than One Year		1,217,768
		90,014,995
Total Liabilities		90,014,995

NET ASSETS

Invested in Capital Assets, Net of Related Debt		159,513,580
Restricted For:		
General Government		1,228,383
Public Safety		724,420
Culture and Recreation		42,161
Debt Service		4,321,906
Compost Facility		286,170
Unrestricted		33,624,622
		33,624,622
Total Net Assets		\$ 199,741,242

See accompanying Notes to Financial Statements.

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**WRIGHT COUNTY
BUFFALO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General Government	\$ 20,484,594	\$ 6,759,512	\$ 834,356	\$ -	\$ (12,890,726)
Public Safety	19,229,037	5,485,827	944,622	-	(12,798,588)
Highways and Streets	8,527,963	1,068,736	2,611,331	8,428,023	3,580,127
Sanitation	816,173	1,240,968	649,478	-	1,074,273
Human Services	19,056,299	1,348,734	10,260,843	-	(7,446,722)
Health	3,105,525	372,067	1,187,861	-	(1,545,597)
Culture and Recreation	1,557,146	186,117	87,836	1,557,806	274,613
Conservation of Natural Resources	394,190	7,152	-	-	(387,038)
Interest	3,195,499	-	-	-	(3,195,499)
Total Governmental Activities	<u>\$ 76,366,426</u>	<u>\$ 16,469,113</u>	<u>\$ 16,576,327</u>	<u>\$ 9,985,829</u>	<u>(33,335,157)</u>
GENERAL REVENUES					
Property Taxes					40,731,165
Gravel Taxes					120,736
Mortgage Registry and Deed Tax					142,508
Grants and Contributions not Restricted for a Particular Purpose					5,330,495
Investment Earnings					3,121,788
Miscellaneous					582,996
Gain on Sale of Capital Assets					22,329
Total General Revenues					<u>50,052,017</u>
CHANGE IN NET ASSETS					16,716,860
Net Assets - Beginning of Year					<u>183,024,382</u>
NET ASSETS - END OF YEAR					<u>\$ 199,741,242</u>

See accompanying Notes to Financial Statements.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

ASSETS	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Cash and Pooled Investments	\$ 20,936,222	\$ 5,221,285	\$ 3,885,270
Petty Cash and Change Funds	2,250	150	60
Taxes Receivable			
Delinquent	1,140,030	322,638	350,982
Special Assessments Receivable			
Delinquent	35,671	-	-
Deferred	-	-	-
Accounts Receivable	1,506	696	187,069
Accrued Interest Receivable	687,325	-	-
Loans Receivable	-	-	-
Due from Other Funds	33,589	299,272	-
Due from Other Governments	238,900	255,574	1,193,568
Inventories	-	803,363	-
Advances to Other Funds	17,400	-	-
Total Assets	<u>\$ 23,092,893</u>	<u>\$ 6,902,978</u>	<u>\$ 5,616,949</u>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 4,175,796	\$ 17,851,049	\$ 4,285,063	\$ 56,354,685
-	-	-	2,460
125,450	-	679	1,939,779
108,786	-	1,582	146,039
618,146	-	-	618,146
-	-	1,626	190,897
-	77,928	-	765,253
-	-	38,963	38,963
-	-	-	332,861
-	1,850,000	54,783	3,592,825
-	-	-	803,363
-	-	-	17,400
<u>\$ 5,028,178</u>	<u>\$ 19,778,977</u>	<u>\$ 4,382,696</u>	<u>\$ 64,802,671</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge	Human Services
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 371,323	\$ 284,887	\$ 527,115
Salaries Payable	1,251,532	149,243	507,878
Contracts Payable	-	963,767	-
Other Accrued Liabilities	-	-	22,206
Due to Other Funds	29,941	-	10,462
Due to Other Governments	144,611	10,862	429,456
Deferred Revenue - Unavailable	926,876	434,831	568,935
Deferred Revenue - Unearned	147,277	-	-
Advance from Other Funds	-	-	-
Total Liabilities	2,871,560	1,843,590	2,066,052
FUND BALANCES			
Reserved for			
Encumbrances	-	542,832	-
Inventories	-	803,363	-
Advance to Other Funds	17,400	-	-
Change Funds	2,250	-	-
Compost Facility	-	-	-
Miscellaneous Items	-	-	-
Law Library	162,478	-	-
Unreserved			
Designated for Cash Flows	15,056,828	3,168,688	2,978,530
Designated for Debt Service	-	-	-
Designated for Compensated Absences	1,893,159	275,790	572,367
Designated for Construction	-	-	-
Designated for Miscellaneous Items	-	-	-
Undesignated	3,089,218	268,715	-
Unreserved, Reported in Special Revenue Funds	-	-	-
Total Fund Balances	20,221,333	5,059,388	3,550,897
Total Liabilities and Fund Balances	\$ 23,092,893	\$ 6,902,978	\$ 5,616,949

See accompanying Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 27,434	\$ 21,419	\$ 1,232,178
-	-	-	1,908,653
-	3,159,567	-	4,123,334
-	-	-	22,206
-	268,715	23,743	332,861
-	-	67,305	652,234
810,999	650,000	40,726	3,432,367
-	-	-	147,277
-	-	17,400	17,400
<u>810,999</u>	<u>4,105,716</u>	<u>170,593</u>	<u>11,868,510</u>
-	9,611,735	-	10,154,567
-	-	-	803,363
-	-	-	17,400
-	-	-	2,250
-	-	286,170	286,170
-	-	2,026,802	2,026,802
-	-	-	162,478
-	-	-	21,204,046
4,217,179	-	-	4,217,179
-	-	-	2,741,316
-	6,061,526	-	6,061,526
-	-	619,151	619,151
-	-	-	3,357,933
-	-	1,279,980	1,279,980
<u>4,217,179</u>	<u>15,673,261</u>	<u>4,212,103</u>	<u>52,934,161</u>
<u>\$ 5,028,178</u>	<u>\$ 19,778,977</u>	<u>\$ 4,382,696</u>	<u>\$ 64,802,671</u>

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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, 2008**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 52,934,161
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.		225,031,502
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		3,432,367
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	\$ (66,348,157)	
General Obligation Notes and any related unamortized discounts or premiums	(8,050,000)	
Deferred Debt Issuance Charges	272,325	
Accrued Interest Payable	(403,959)	
Contract for Deed Payable	(96,000)	
Loans Payable	(4,100,000)	
Other Postemployment Benefits	(189,682)	
Compensated Absences	(2,741,315)	(81,656,788)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$199,741,242</u></u>

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, 2008**

	General	Road and Bridge	Human Services
REVENUES			
Taxes	\$ 24,614,844	\$ 6,910,297	\$ 7,103,961
Special Assessments	-	-	-
Licenses and Permits	172,543	-	-
Intergovernmental	5,217,226	11,165,401	11,909,556
Charges for Services	8,168,387	971,917	1,442,203
Fines and Forfeits	235,089	-	-
Gifts and Contributions	3,664	-	19,020
Interest on Investments	1,808,730	-	5,645
Miscellaneous	3,370,345	1,566,373	278,598
Total Revenues	43,590,828	20,613,988	20,758,983
EXPENDITURES			
CURRENT			
General Government	17,608,206	-	-
Public Safety	19,903,030	-	-
Highways and Streets	-	20,522,083	-
Sanitation	-	-	-
Human Services	-	-	18,958,620
Health	-	-	3,091,063
Culture and Recreation	1,201,376	-	-
Conservation of Natural Resources	342,803	-	-
INTERGOVERNMENTAL			
Culture and Recreation	1,898,893	-	-
Conservation of Natural Resources	-	-	-
CAPITAL OUTLAY - PUBLIC SAFETY	-	-	-
DEBT SERVICE			
Principal	-	250,000	-
Interest	-	71,100	-
Bond Issue Costs	-	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	40,954,308	20,843,183	22,049,683
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,636,520	(229,195)	(1,290,700)
OTHER FINANCING SOURCES (USES)			
Transfers In	447,037	125,000	-
Transfers Out	(4,394,448)	-	-
Capital Notes Issued	-	2,000,000	-
Discount on Capital Notes Issued	-	-	-
Proceeds from Sale of Assets	45,356	8,943	-
Total Other Financing Sources (Uses)	(3,902,055)	2,133,943	-
NET CHANGE IN FUND BALANCES	(1,265,535)	1,904,748	(1,290,700)
Fund Balances - Beginning of Year	21,486,868	3,112,855	4,841,597
INCREASE IN RESERVED FOR INVENTORIES	-	41,785	-
FUND BALANCES - END OF YEAR	<u>\$ 20,221,333</u>	<u>\$ 5,059,388</u>	<u>\$ 3,550,897</u>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,405,527	\$ -	\$ 102,480	\$ 41,137,109
1,239,035	-	9,917	1,248,952
-	-	-	172,543
7,691	1,414,502	927,685	30,642,061
-	313,588	215,492	11,111,587
-	-	218,536	453,625
-	-	5,389	28,073
-	1,262,884	44,529	3,121,788
-	304,519	5,594	5,525,429
<u>3,652,253</u>	<u>3,295,493</u>	<u>1,529,622</u>	<u>93,441,167</u>
6,930	-	11,979	17,627,115
-	-	406,629	20,309,659
-	-	38,766	20,560,849
-	-	514,571	514,571
-	-	-	18,958,620
-	-	-	3,091,063
-	-	9,840	1,211,216
-	-	44,368	387,171
-	-	-	1,898,893
-	-	7,422	7,422
-	39,220,135	-	39,220,135
2,690,000	182,000	-	3,122,000
2,958,559	-	-	3,029,659
4,330	25,312	-	29,642
631	-	-	631
<u>5,660,450</u>	<u>39,427,447</u>	<u>1,033,575</u>	<u>129,968,646</u>
(2,008,197)	(36,131,954)	496,047	(36,527,479)
-	2,126,688	2,394,448	5,093,173
(126,688)	(572,037)	-	(5,093,173)
-	8,050,000	-	10,050,000
-	(39,848)	-	(39,848)
-	-	17,474	71,773
<u>(126,688)</u>	<u>9,564,803</u>	<u>2,411,922</u>	<u>10,081,925</u>
(2,134,885)	(26,567,151)	2,907,969	(26,445,554)
6,352,064	42,240,412	1,304,134	79,337,930
-	-	-	41,785
<u>\$ 4,217,179</u>	<u>\$ 15,673,261</u>	<u>\$ 4,212,103</u>	<u>\$ 52,934,161</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, 2008**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$(26,445,554)

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

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.

Expenditures for General Capital Assets and Infrastructure	\$ 55,390,115	
Net book Value of Disposed Assets	(49,444)	
Current Year Depreciation	<u>(5,228,127)</u>	50,112,544

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		269,790
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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:

Loans Payable	(2,000,000)	
General Obligation Capital Notes	(8,050,000)	
Discount on Bond Issued	39,848	
Deferred Issuance Charges	<u>25,312</u>	(9,984,840)

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

Principal Repayments		
General Obligation Bonds	2,690,000	
Contract for Deed	182,000	
Loans Payable	<u>250,000</u>	3,122,000

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

Change in Other Post Employment Benefit Plan	(189,682)	
Change in Accrued Interest Payable	(208,558)	
Amortization of Premiums and Deferred Issuance Charges	47,679	
Change in Compensated Absences	(48,304)	
Change in Inventories	<u>41,785</u>	<u>(357,080)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 16,716,860</u></u>
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**WRIGHT COUNTY
BUFFALO, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2008**

ASSETS

Cash and Pooled Investments	<u>\$ 6,322,919</u>
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LIABILITIES

Accounts Payable	\$ 218,414
Due to Other Governments	<u>6,104,505</u>
Total Liabilities	<u>\$ 6,322,919</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wright County's (the County) 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 6.C. The County also participates in jointly-governed organizations which are described in Note 6.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, 2008**

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, 2008**

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, 2008**

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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. 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. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items acquired since 1980. The County was able to record the capital assets at cost dating back to 1980.

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

5. 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.

6. 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, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations

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

8. 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.

9. Use of Estimates

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 \$36,513. 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, 2008:

	<u>Expenditures</u>	<u>Budgets</u>	<u>Excess</u>
Human Services Fund	\$ 22,049,683	\$ 21,107,100	\$ 942,583

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, 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 2008 were \$3,121,788.

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	\$ 56,354,685
Petty Cash and Change Funds	2,460
Statement of Fiduciary Net Assets	
Cash and Pooled Investments	<u>6,322,919</u>
Total Cash and Investments	<u>\$ 62,680,064</u>
Deposits	\$ 44,909,772
Change Funds	2,460
Investments	<u>17,767,832</u>
Total Deposits, Cash and Investments	<u>\$ 62,680,064</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008 totaled \$41,973,476 per banks. All deposits as of December 31, 2008 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, 2008**

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, 2008, 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	\$ 13,318,391	\$ 1,003,440	\$ -	\$ 1,306,213	\$ 11,008,738
Treasury Notes/Bonds	702,414	-	-	-	702,414
Investment Pool/MAGIC Fund	632,110	632,110	-	-	-
Negotiable Certificates of Deposit	3,114,917	1,455,021	771,822	789,018	99,055
Total	<u>\$ 17,767,832</u>	<u>\$ 3,090,571</u>	<u>\$ 771,822</u>	<u>\$ 2,095,231</u>	<u>\$ 11,810,207</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, 2008, is as follows:

Type	Credit Quality Rating *	Fair Value
U.S. Government Securities	AAA	\$ 13,318,391
Treasury Notes/Bonds	Not Rated	702,414
Investment Pool/MAGIC Fund	Not Rated	632,110
Negotiable Certificates of Deposit	Not Rated	3,114,917
Total		<u>\$ 17,767,832</u>

* Credit Quality Ratings provided by Moody's and S&P.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008 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	\$ 5,599,052	31.5 %
Federal Home Mortgage Corporation	4,228,873	23.8
Federal National Mortgage Association	2,939,604	16.5

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, 2008, the County's investments were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2008 for the County are as follows:

	<u>County Receivable</u>	<u>Amounts Not Received During the Period of Availability</u>
Taxes	\$ 1,939,779	\$ 1,518,350
Special Assessments	764,185	748,334
Accounts	190,897	-
Loans Receivable	38,963	38,963
Interest	765,253	-
Due from Other Governments	3,592,825	1,126,720
	<u>\$ 7,291,902</u>	<u>\$ 3,432,367</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 15,220,191	\$ 3,297,361	\$ -	\$ 18,517,552
Construction in Progress	13,277,892	50,401,695	5,661,432	58,018,155
Total Capital Assets, No Being Depreciated	28,498,083	53,699,056	5,661,432	76,535,707
Capital Assets, Being Depreciated				
Buildings	49,070,124	107,568	-	49,177,692
Machinery and Equipment	11,863,696	2,100,714	552,716	13,411,694
Infrastructure	140,035,438	5,144,209	-	145,179,647
Total Capital Assets, Being Depreciated	200,969,258	7,352,491	552,716	207,769,033
Less Accumulated Depreciation for				
Buildings	18,332,764	985,567	-	19,318,331
Machinery, Furniture, and Equipment	7,365,668	1,396,199	503,272	8,258,595
Infrastructure	28,849,951	2,846,361	-	31,696,312
Total Accumulated Depreciation	54,548,383	5,228,127	503,272	59,273,238
Total Capital Assets, Being Depreciated, Net	146,420,875	2,124,364	49,444	148,495,795
Governmental Activities Capital Assets, Net	<u>\$ 174,918,958</u>	<u>\$ 55,823,420</u>	<u>\$ 5,710,876</u>	<u>\$ 225,031,502</u>

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

Governmental Activities	
General Government	\$ 720,179
Public Safety	514,523
Highways and Streets, Including Depreciation of Infrastructure Assets	3,550,497
Human Services	62,999
Culture and Recreation	78,327
Sanitation	301,602
Total Depreciation Expense - Governmental Activities	<u>\$ 5,228,127</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

Due To/From Other Funds	Payable Fund	Amount
Receivable Fund		
General	Human Services	\$ 9,846
	Other Governmental Funds - Ditch	23,743
Total Due to General Fund		<u>33,589</u>
Road and Bridge	General	29,941
	Human Services	616
	Capital Projects	268,715
Total Due to Road and Bridge		<u>299,272</u>
Total Due To/From Other Funds		<u><u>\$ 332,861</u></u>

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

2. Advances From/To Other Funds

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

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers In/Out	Amount	Description
Transfers to General Fund from Capital Projects Fund	\$ 447,037	To Provide Funding for Capital Outlay
Transfer to Reserves Fund from General Fund	2,394,448	To Transfer Funds to Establish Reserves Fund
Transfer to Capital Projects Fund from General Fund	2,000,000	To Provide Funding for Levy Stabilization
Debt Service Fund	126,688	Correction of 2004 Transfer
Transfers to Road & Bridge Fund from Capital Projects Fund	<u>125,000</u>	To Provide Funding for Capital Outlay
Total Interfund Transfers	<u><u>\$ 5,093,173</u></u>	

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2008. The projects include the following:

Governmental Activities	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Roads and Bridges	\$ 7,542,280	\$ 2,002,390
Jail/Law Enforcement Center	42,731,414	7,430,277
800 MHz	-	2,181,458

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, 2008</u>
General Obligation Bonds and Notes					
1998A G.O. Capital Improvement Bonds	2018	\$ 110,000 - 260,000	3.800 - 4.800	\$ 3,270,000	\$ 2,070,000
2001A G.O. Sewer Revenue Bonds	2022	40,000 - 175,000	3.625 - 4.750	2,295,000	1,830,000
2002B G.O. Capital Improvement Plan Refunding Bonds	2010	695,000 - 895,000	2.500 - 3.500	6,470,000	1,760,000
2002A G.O. County Jail Refunding Bonds	2010	395,000 - 480,000	1.600 - 3.550	3,105,000	950,000
2003A G.O. Capital Improvement Bonds	2023	95,000 - 180,000	2.000 - 4.200	2,515,000	2,030,000
2004C G.O. Solid Waste Revenue Refunding Bonds	2012	840,000 - 1,185,000	3.350	8,285,000	4,455,000
2007A GO Jail Bond	2029	1,665,000 - 4,205,000	4.000 - 5.000	52,235,000	52,235,000
2008A GO Capital Note	2012	725,000 - 2,525,000	2.000 - 2.850	8,050,000	8,050,000
Total General Obligation Bonds and Notes				<u>\$ 86,225,000</u>	<u>73,380,000</u>
Add: Unamortized Premium					1,083,023
Less: Unamortized Discount					<u>(64,866)</u>
Total General Obligation Bonds, Net					<u>\$ 74,398,157</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31,	General Obligation Bonds		General Obligation Capital Notes	
	Principal	Interest	Principal	Interest
2009	\$ 2,745,000	\$ 2,868,805	\$ 725,000	\$ 197,340
2010	2,850,000	2,774,455	2,375,000	190,825
2011	3,190,000	2,682,454	2,425,000	135,013
2012	3,335,000	2,561,604	2,525,000	71,963
2013	2,235,000	2,434,976	-	-
2014-2018	12,710,000	10,726,403	-	-
2019-2023	15,575,000	7,696,918	-	-
2024-2028	18,485,000	3,709,038	-	-
2029	4,205,000	199,737	-	-
Total	\$ 65,330,000	\$ 35,654,390	\$ 8,050,000	\$ 595,141

Year Ending December 31,	Loans Payable		Contract for Deed	
	Principal	Interest	Principal	Interest
2009	450,000	63,200	32,000	-
2010	450,000	55,300	32,000	-
2011	450,000	47,400	32,000	-
2012	450,000	39,500	-	-
2013	450,000	316,000	-	-
2014-2018	1,850,000	47,400	-	-
2019-2023	-	-	-	-
2024-2028	-	-	-	-
2029	-	-	-	-
Total	\$ 4,100,000	\$ 568,800	\$ 96,000	\$ -

4. Contract for Deed

The County has purchased land under contract for deeds. The payment schedule is identified above. In 2008, the County paid \$182,000 from the capital projects fund.

5. Loans Payable

The County is involved in construction projects with the following entities with remaining balances as indicated: City of Albertville (\$500,000); the City of Monticello (\$1,600,000); and the City of St. Michael (\$2,000,000). The County has agreed to pay a portion of the total Construction costs. The payment schedule is noted above.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

GOVERNMENTAL ACTIVITIES	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
General Obligation Bonds	\$ 68,020,000	\$ -	\$ 2,690,000	\$ 65,330,000	\$ 2,745,000
General Obligation Capital Notes	-	8,050,000	-	8,050,000	725,000
Add: Amount of Unamortized Premiums	1,148,198	-	65,175	1,083,023	-
Less: Deferred Amounts for Discounts	<u>(26,805)</u>	<u>(39,848)</u>	<u>(1,787)</u>	<u>(64,866)</u>	<u>-</u>
Total Bonds Payable	69,141,393	8,010,152	2,753,388	74,398,157	3,470,000
Contract for Deed	278,000	-	182,000	96,000	32,000
Loans Payable	2,350,000	2,000,000	250,000	4,100,000	450,000
Compensated Absences	2,693,011	2,675,041	2,626,737	2,741,315	1,523,547
Other Postemployment Benefits	<u>-</u>	<u>262,560</u>	<u>72,878</u>	<u>189,682</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 74,462,404</u>	<u>\$ 12,947,753</u>	<u>\$ 5,885,003</u>	<u>\$ 81,525,154</u>	<u>\$ 5,475,547</u>

Bonded debt is paid from the Debt Service Fund. Contract for Deeds are paid from the Capital Project Fund. Loans payable are paid from the Road and Bridge Fund. Compensated absences are paid from the General Fund, Road and Bridge Fund, Human Services Fund and Solid Waste Special Revenue Fund. Other Postemployment Benefits are paid from the General Fund.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Nonmajor Reserve Fund – Fund Balance

The nonmajor Reserve Special Revenue Fund reported the following fund balance reservations and designations listed as miscellaneous reserves and designations at December 31, 2008:

Fund Balance Reservation	
Reserved for Victim Witness	\$ 18,493
Reserved for Gifts and Donations - Richard Ahlers	2,341
Reserved for Attorney Seizure	27,374
Reserved for Attorney DWI Seizure	13,196
Reserved for Recorders' Technology	883,752
Reserved for Gravel Pit	141,583
Reserved for E-911	391,559
Reserved for Drug Abuse Prevention	125,370
Reserved for Sheriff's Seizure	96,587
Reserved for Sheriff's Narcotic Grant	72
Reserved for Jail Canteen	32,124
Reserved for Mounted Patrol	1,094
Reserved for Sheriff DUI	59,121
Reserved for Gifts and Donations - Ney Park	39,820
Reserved for Economic Development Loans	194,316
	Total Reserved Fund Balance
Reserve Special Revenue Fund	\$ 2,026,802
	Total Reserved Fund Balance
Fund Balance Designation	
Designated for Gun Permits	\$ 172,769
Designated for County Parks	446,382
	Total Designated Fund Balance
Reserve Special Revenue Fund	\$ 619,151
	Total Designated Fund Balance

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008**

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, 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 6.00%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.60% of their annual covered salary in 2008. That rate will increase to 9.40% in 2009. 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, 6.50% for Coordinated Plan PERF members, 12.90% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.10%, respectively, effective January 1, 2009.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, 2007, and 2006 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2008	\$ 1,408,964	\$ 1,014,333	\$ 185,110	\$ 5,967
2007	1,284,171	831,325	168,160	5,959
2006	1,166,684	671,396	153,680	5,798

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, 2008**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In 2008, the County implemented the requirements of a new accounting statement GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by *Minnesota Statute* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to 100% of the total premium cost. As of January 1, 2008, there were 19 retirees receiving health benefits from the County's health plan.

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2008, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 262,560
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost	<u>262,560</u>
Contributions during the year	<u>(72,878)</u>
Increase in Net OPEB Obligation	189,682
Net OPEB - Beginning of the Year	-
Net OPEB - End of the Year	<u><u>\$ 189,682</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 262,560	\$ 72,878	18.70%	\$ 189,682

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

B. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 1,743,959	\$ 1,743,959	0.00%	\$ 32,369,400	5.39%

C. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.50% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 3.00%. The annual healthcare cost trend rate is 9.00% initially, reduced incrementally to an ultimate rate of 5.00% after eight years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty year period.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 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 \$410,000 per claim in 2008. 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, 2008**

NOTE 6 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 2008 contribution to the Great River Regional Library of \$1,898,893 is included in the expenditures of the General Fund.

Counties Computer Cooperative

The Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Wright County expended \$52,217 to the Cooperative.

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 24,391,068	\$ 24,391,068	\$ 24,614,844	\$ 223,776
Licenses and Permits	128,850	128,850	172,543	43,693
Intergovernmental	5,180,767	5,180,767	5,217,226	36,459
Charges for Services	7,861,356	7,861,356	8,168,387	307,031
Fines and Forfeits	300,000	300,000	235,089	(64,911)
Gifts and Contributions	-	-	3,664	3,664
Investment Earnings	850,000	850,000	1,808,730	958,730
Miscellaneous	3,332,007	3,332,007	3,370,345	38,338
	<u>42,044,048</u>	<u>42,044,048</u>	<u>43,590,828</u>	<u>1,546,780</u>
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	305,257	314,425	299,752	14,673
Courts	496,840	496,840	562,489	(65,649)
Court Services	2,779,243	2,956,526	2,972,129	(15,603)
Law Library	158,600	161,634	133,975	27,659
County Administration	847,923	881,175	817,208	63,967
County Auditor-Treasurer	1,868,956	1,947,732	1,749,233	198,499
County Assessor	1,121,974	1,172,858	1,123,210	49,648
Elections	109,450	109,450	119,307	(9,857)
Information Technology	1,195,927	1,229,763	1,083,470	146,293
Attorney	2,212,239	2,319,904	2,262,882	57,022
Recorder	629,722	652,176	674,965	(22,789)
Surveyor	1,212,249	1,215,163	897,336	317,827
Planning and Zoning	1,197,777	1,186,962	1,095,866	91,096
Buildings and Plant	1,747,330	1,787,150	1,837,018	(49,868)
Veterans Service Officer	119,528	123,106	122,090	1,016
Other General Government	3,952,800	2,397,846	1,857,276	540,570
	<u>19,955,815</u>	<u>18,952,710</u>	<u>17,608,206</u>	<u>1,344,504</u>
PUBLIC SAFETY				
Sheriff	13,941,123	14,744,415	14,505,581	238,834
Coroner	302,293	302,293	302,293	-
County Jail	5,148,834	5,329,532	4,939,490	390,042
Civil Defense	121,466	116,699	109,023	7,676
Other Public Safety	-	-	46,643	(46,643)
	<u>19,513,716</u>	<u>20,492,939</u>	<u>19,903,030</u>	<u>589,909</u>

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CULTURE AND RECREATION				
Parks	\$ 1,091,689	\$ 1,110,917	\$ 1,201,376	\$ (90,459)
CONSERVATION OF NATURAL RESOURCES				
County Extension	322,635	327,289	319,271	8,018
Soil and Water Conservation	-	-	23,532	(23,532)
Total Conservation of Natural Resources	322,635	327,289	342,803	(15,514)
INTERGOVERNMENTAL				
Culture and Recreation	1,898,893	1,898,893	1,898,893	-
Total Expenditures	42,782,748	42,782,748	40,954,308	1,828,440
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(738,700)	(738,700)	2,636,520	3,375,220
OTHER FINANCING SOURCES (USES)				
Transfers In	698,700	698,700	447,037	(251,663)
Transfers Out	-	-	(4,394,448)	(4,394,448)
Proceeds from Sale of Assets	40,000	40,000	45,356	5,356
Total Other Financing Sources (Uses)	738,700	738,700	(3,902,055)	(4,640,755)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(1,265,535)	\$ (1,265,535)
Fund Balance - Beginning of Year			21,486,868	
FUND BALANCE - END OF YEAR			<u>\$ 20,221,333</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,985,769	\$ 6,985,769	\$ 6,910,297	\$ (75,472)
Intergovernmental	11,312,572	11,312,572	11,165,401	(147,171)
Charges for Services	680,000	680,000	971,917	291,917
Miscellaneous	3,968,172	3,968,172	1,566,373	(2,401,799)
Total Revenues	22,946,513	22,946,513	20,613,988	(2,332,525)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	540,977	540,977	551,755	(10,778)
Maintenance	3,311,019	3,311,019	3,521,479	(210,460)
Construction	16,923,576	16,923,576	14,725,742	2,197,834
Equipment and Maintenance Shops	1,633,813	1,633,813	1,723,107	(89,294)
Total Highways and Streets	22,409,385	22,409,385	20,522,083	1,887,302
DEBT SERVICE				
Principal	250,000	250,000	250,000	-
Interest	71,110	71,110	71,100	10
Total Debt Service	321,110	321,110	321,100	10
Total Expenditures	22,730,495	22,730,495	20,843,183	1,887,312
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	216,018	216,018	(229,195)	(445,213)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	125,000	125,000
Capital Notes Issued	-	-	2,000,000	2,000,000
Proceeds from Sale of Assets	-	-	8,943	8,943
Total Other Financing Sources (Uses)	-	-	2,133,943	2,133,943
NET CHANGE IN FUND BALANCE	<u>\$ 216,018</u>	<u>\$ 216,018</u>	1,904,748	<u>\$ 1,688,730</u>
Fund Balance - Beginning of Year			3,112,855	
Increase in Reserved for Inventory			41,785	
FUND BALANCE - END OF YEAR			<u>\$ 5,059,388</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,227,571	\$ 7,227,571	\$ 7,103,961	\$ (123,610)
Intergovernmental	12,183,629	12,183,629	11,909,556	(274,073)
Charges for Services	1,403,100	1,403,100	1,442,203	39,103
Gifts and Contributions	12,300	12,300	19,020	6,720
Investment Earnings	10,000	10,000	5,645	(4,355)
Miscellaneous	270,500	270,500	278,598	8,098
Total Revenues	21,107,100	21,107,100	20,758,983	(348,117)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	4,457,000	4,457,000	4,243,050	213,950
Social Services	13,454,800	13,454,800	14,715,570	(1,260,770)
Total Human Services	17,911,800	17,911,800	18,958,620	(1,046,820)
HEALTH				
Nursing Services	3,195,300	3,195,300	3,091,063	104,237
Total Expenditures	21,107,100	21,107,100	22,049,683	(942,583)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(1,290,700)	\$ (1,290,700)
Fund Balance - Beginning of Year			4,841,597	
FUND BALANCE - END OF YEAR			\$ 3,550,897	

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, 2008**

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, 2008:

	<u>Expenditures</u>	<u>Budgets</u>	<u>Excess</u>
Human Services Fund	\$ 22,049,683	\$ 21,107,100	\$ 942,583

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

WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
YEAR ENDED DECEMBER 31, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 1,743,959	\$ 1,743,959	0.00%	\$ 32,369,400	5.39%

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SUPPLEMENTARY INFORMATION

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

The Lake Improvement Districts Special Revenue Fund is used to account revenues and expenditures of the Lake Improvement Districts.

The Solid Waste Special Revenue Fund is used to account for revenues and expenditures of the recycling and solid waste program. Revenues are derived from fees collected, special assessments, and various intergovernmental revenues.

The Ditch Special Revenue Fund is used to account the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The Clearwater River Watershed District Special Revenue Fund is used to account revenues and expenditures of the Clearwater River Watershed District.

The Reserve Special Revenue Fund is used to account for the revenues and expenditures of the County's various specialty funding sources (i.e., E-911, Recorder's Technology and Compliance, etc.)

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	Nonmajor Special Revenue Funds					Total Nonmajor Funds
	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	Reserve Fund	
ASSETS						
Cash and Pooled Investments	\$ 117,899	\$1,529,692	\$ -	\$ 11,481	\$2,625,991	\$4,285,063
Taxes Receivable - Delinquent	679	-	-	-	-	679
Special Assessments Receivable						
Delinquent	-	-	350	1,232	-	1,582
Accounts Receivable	-	-	-	-	1,626	1,626
Loans Receivable	-	-	-	-	38,963	38,963
Due from Other Governments	20,477	-	-	-	34,306	54,783
	<u>20,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,306</u>	<u>54,783</u>
Total Assets	<u>\$ 139,055</u>	<u>\$1,529,692</u>	<u>\$ 350</u>	<u>\$ 12,713</u>	<u>\$2,700,886</u>	<u>\$4,382,696</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ -	\$ 5,330	119	\$ -	\$ 15,970	\$ 21,419
Due to Other Funds	-	-	23,743	-	-	23,743
Due to Other Governments	-	67,305	-	-	-	67,305
Deferred Revenue - Unavailable	469	-	201	1,093	38,963	40,726
Advances from Other Funds	-	-	12,800	4,600	-	17,400
	<u>-</u>	<u>-</u>	<u>12,800</u>	<u>4,600</u>	<u>-</u>	<u>17,400</u>
Total Liabilities	469	72,635	36,863	5,693	54,933	170,593
FUND BALANCES						
Reserved for						
Compost Facility	-	286,170	-	-	-	286,170
Miscellaneous Items	-	-	-	-	2,026,802	2,026,802
Unreserved						
Designated for Miscellaneous Items	-	-	-	-	619,151	619,151
Undesignated	138,586	1,170,887	(36,513)	7,020	-	1,279,980
	<u>138,586</u>	<u>1,170,887</u>	<u>(36,513)</u>	<u>7,020</u>	<u>-</u>	<u>1,279,980</u>
Total Fund Balances	<u>138,586</u>	<u>1,457,057</u>	<u>(36,513)</u>	<u>7,020</u>	<u>2,645,953</u>	<u>4,212,103</u>
Total Liabilities and Fund Balances	<u>\$ 139,055</u>	<u>\$1,529,692</u>	<u>\$ 350</u>	<u>\$ 12,713</u>	<u>\$2,700,886</u>	<u>\$4,382,696</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	Nonmajor Special Revenue Funds					Total Nonmajor Funds
	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	Reserve Fund	
REVENUES						
Taxes	\$ 45,754	\$ -	\$ -	\$ -	\$ 56,726	\$ 102,480
Special Assessments	330	-	2,881	6,706	-	9,917
Intergovernmental	-	649,478	-	-	278,207	927,685
Charges for Services	-	93,899	-	-	121,593	215,492
Fines and Forfeits	-	-	-	-	218,536	218,536
Investment Earnings	-	29,064	-	-	15,465	44,529
Gifts and Contributions	-	-	-	-	5,389	5,389
Miscellaneous	265	-	-	-	5,329	5,594
Total Revenues	46,349	772,441	2,881	6,706	701,245	1,529,622
EXPENDITURES						
CURRENT						
General Government	-	-	-	-	11,979	11,979
Public Safety	-	-	-	-	406,629	406,629
Highways and Streets	-	-	-	-	38,766	38,766
Sanitation	-	514,571	-	-	-	514,571
Culture and Recreation	-	-	-	-	9,840	9,840
Conservation of Natural Resources	32,173	-	12,195	-	-	44,368
INTERGOVERNMENTAL						
Conservation of Natural Resources	-	-	-	7,422	-	7,422
Total Expenditures	32,173	514,571	12,195	7,422	467,214	1,033,575
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	14,176	257,870	(9,314)	(716)	234,031	496,047
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	2,394,448	2,394,448
Proceeds from Sale of Assets	-	-	-	-	17,474	17,474
Total Other Financing Sources (Uses)	-	-	-	-	2,411,922	2,411,922
NET CHANGE IN FUND BALANCES	14,176	257,870	(9,314)	(716)	2,645,953	2,907,969
Fund Balance - Beginning of Year	124,410	1,199,187	(27,199)	7,736	-	1,304,134
FUND BALANCE - END OF YEAR	\$ 138,586	\$ 1,457,057	\$ (36,513)	\$ 7,020	\$ 2,645,953	\$ 4,212,103

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
LAKE IMPROVEMENT DISTRICTS SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 46,920	\$ 46,920	\$ 45,754	\$ (1,166)
Special Assessments	-	-	330	330
Miscellaneous	-	-	265	265
Total Revenues	46,920	46,920	46,349	(571)
EXPENDITURES				
CURRENT				
Conservation of Natural Resources	46,920	46,920	32,173	14,747
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	14,176	<u>\$ 14,176</u>
Fund Balance - Beginning of Year			124,410	
FUND BALANCE - END OF YEAR			<u>\$ 138,586</u>	

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**WRIGHT COUNTY
BUFFALO, MINNESOTA
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008**

Agency funds account for assets held in a custodial capacity for others.

Prepaid Taxes Fund is used to account for the County's prepaid taxes.

State Revenue Fund is used to account for the collection and distribution of funds for the State of Minnesota.

Taxes and Penalties Fund is used to account for the collection of taxes and penalties and their payment to the various taxing districts.

Towns, Cities, Schools and Special Districts Fund is used to account for the collection of taxes and penalties and their distribution to the various towns, cities, schools and special districts.

Family Services Collaborative Fund is used to account for collection and payment of funds of the Family Services Collaborative.

Social Welfare Fund is used to account for the collection and payment of funds for the County's Social Welfare Fund clients.

Highway 55 Corridor Fund is used to account for the collection and payment of funds relating to the design and reconstruction of the Highway 55 Corridor project.

Sheriff Canteen Fund is used to account for the collection and payment of funds of the Sheriff's canteen account.

Cafeteria Trust Fund is used to account for the collection and payment of funds of the County's cafeteria fund.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
PREPAID TAXES				
ASSETS				
Cash and Pooled Investments	\$ 1,254,000	\$ 413,217	\$ 385,785	\$ 1,281,432
LIABILITIES				
Due to Other Governments	\$ 1,254,000	\$ 413,217	\$ 385,785	\$ 1,281,432
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	\$ 368,470	\$ 9,051,597	\$ 9,024,037	\$ 396,030
LIABILITIES				
Due to Other Governments	\$ 368,470	\$ 9,051,597	\$ 9,024,037	\$ 396,030
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	2,498,487	\$ 185,133,987	\$ 183,549,460	\$ 4,083,014
LIABILITIES				
Due to Other Governments	\$ 2,498,487	\$ 185,133,987	\$ 183,549,460	\$ 4,083,014
TOWNS, CITIES, SCHOOLS, AND SPECIAL DISTRICTS				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 62,161,168	\$ 62,068,677	\$ 92,491
LIABILITIES				
Due to Other Governments	\$ -	\$ 62,161,168	\$ 62,068,677	\$ 92,491
FAMILY SERVICES COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	54,517	\$ 769,983	\$ 586,477	238,023
LIABILITIES				
Due to Other Governments	\$ 54,517	\$ 769,983	\$ 586,477	238,023

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	\$ 147,102	\$ 1,430,917	\$ 1,397,263	\$ 180,756
LIABILITIES				
Accounts Payable	\$ 147,102	\$ 1,430,917	\$ 1,397,263	\$ 180,756
HIGHWAY 55 CORRIDOR				
ASSETS				
Cash and Pooled Investments	\$ 18,991	\$ 28,293	\$ 33,769	\$ 13,515
LIABILITIES				
Due to Other Governments	\$ 18,991	\$ 28,293	\$ 33,769	13,515
SHERIFF CANTEEN				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 391,072	\$ 373,066	\$ 18,006
LIABILITIES				
Accounts Payable	\$ -	\$ 391,072	\$ 373,066	\$ 18,006
CAFETERIA TRUST				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 583,675	\$ 564,023	\$ 19,652
LIABILITIES				
Accounts Payable	\$ -	\$ 583,675	\$ 564,023	\$ 19,652
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 4,341,567	\$ 259,963,909	\$ 257,982,557	\$ 6,322,919
LIABILITIES				
Accounts Payable	\$ 147,102	\$ 2,405,664	\$ 2,334,352	\$ 218,414
Due to Other Governments	4,194,465	257,558,245	255,648,205	6,104,505
Total Liabilities	\$ 4,341,567	\$ 259,963,909	\$ 257,982,557	\$ 6,322,919

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2008**

SHARED REVENUE

STATE

Highway Users Tax	\$ 7,587,324
HACA	2,854,016
Market Value Credit	2,274,675
PERA Rate Reimbursement	81,912
Disparity Reduction Aid	5,250
Police Aid	578,463
Enhanced 911	193,289
	<hr/>
Total Shared Revenue	13,574,929

REIMBURSEMENT FOR SERVICES

STATE

Minnesota Department of Human Services	379,512
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PAYMENTS IN LIEU OF TAX

116,228

GRANTS

STATE

Minnesota Department of	
Corrections	522,764
Public Safety	153,994
Health	271,750
Natural Resources	1,542,940
Human Services	3,524,358
Transportation	127,983
Pollution Control Agency	649,478
Water and Soil Resources Board	120,005
Peace Officer Standards and Training Board	55,675
	<hr/>
Total State	6,968,947

FEDERAL

Department of	
Agriculture	327,950
Justice	35,102
Transportation	2,548,007
Environmental Protection Agency	4,094
Health and Human Services	6,641,126
Homeland Security	46,166
	<hr/>
Total Federal	9,602,445

Total State and Federal Grants	<hr/> 16,571,392
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Total Intergovernmental Revenue	<hr/> <hr/> \$ 30,642,061
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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, 2008, which collectively comprise Wright County's basic financial statements and have issued our report thereon dated August 12, 2009. 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 County's internal control. We consider the deficiencies 06-1 to 06-3, 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 County'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 06-1 to 06-3, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of County Commissioners, 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 12, 2009

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, 2008. 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, 2008.

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 by the County's internal control.

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 a major program will not be prevented or detected by the County's internal control.

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, Board of County Commissioners, 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 12, 2009

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008**

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*". Deficiencies 06-1 to 06-3 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:

▪ Food Support	CFDA No. 10.561
▪ Highway Planning and Construction Grant Cluster	CFDA No. 20.205
▪ Child Support Title IV-D	CFDA No. 93.563
▪ Foster Care Title IV-E	CFDA No. 93.658
▪ Social Services Block Grant Title XX	CFDA No. 93.667
▪ Medical Assistance Grant Cluster	CFDA No. 93.778
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, 2008**

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, 2008**

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 from the County's general ledger system.

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.

PREVIOUSLY REPORTED ITEM RESOLVED

06-4 TIMELY DEPOSITS

During prior year testing, we noted that not all of the County's departments deposited in a timely manor.

RESOLUTION

During 2008, the County implemented a timely deposit policy and is monitoring deposits from departments.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008**

SIGNIFICANT DEFICIENCY

PREVIOUSLY REPORTED ITEMS RESOLVED

07-1 BANK RECONCILIATION REVIEW

During prior year 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.

RESOLUTION

No similar instances noted during current year testing.

CONTROL DEFICIENCY

08-1 JOURNAL ENTRY APPROVAL

Criteria: All manual journal entries made to the system should be approved by a County official to improve internal controls over the journal entry process.

Condition: During our testing of journal entries, we were not provided with supporting documentation that the journal entries are approved prior to posting them to the general ledger.

Cause: Unknown.

Effect: The County's financial reporting process is exposed to risk of error or misstatement via the journal entry process.

Recommendation: We recommend that all journal entries be reviewed and signed by a County official prior to posting to the general ledger.

PREVIOUSLY REPORTED ITEMS RESOLVED

07-2 UNAUTHORIZED BANK SIGNERS

In 2007, the County had a non-current employee on bank accounts at Premier Bank.

RESOLUTION

No similar instances noted during current year testing.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008**

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-two of forty-four individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2008.

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.

WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008

MAJOR PROGRAM CONTROL DEFICIENCY:

08-2 FOSTER CARE TITLE IV-E GRANT (CFDA #93.658)

Criteria: Standard internal control procedures recommend that reports should be reviewed by a supervisory level person at the County.

Condition: During our testing of controls over Foster Care Title IV-E we were not provided with documentation that the reports related to this program were reviewed by a supervisor.

Cause: Unknown.

Effect: If reports are not properly reviewed it allows the possibility that inaccurate information may be reported to state and federal authorities.

Recommendation: We recommend the County implement procedures to ensure that supervisors perform review procedures on Foster Care Title IV-E reports are reviewed before being submitted to state authorities.

CORRECTIVE ACTION PLAN:

Contact Person: Larry DeMars, Fiscal Manager.

Corrective Action Planned: The Human Services department will implement new procedures to ensure reports are reviewed prior to being submitted to the state.

Anticipated Completion Date: December 31, 2009.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008**

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	\$ 327,950
U.S. Department of Justice		
Pass Through Minnesota Department of Public Safety		
Juvenile Accountability Incentive Grant	16.523	7,183
Crime Victim Assistance	16.575	3,542
Enforcing Underage Drinking Laws Program	16.727	5,000
Direct		
State Criminal Alien Assistance Program	16.606	<u>19,377</u>
Total Department of Justice		35,102
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction (grant cluster)	20.205	2,520,386
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	9,315
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>18,306</u>
Total Department of Transportation		2,548,007
Environmental Protection Agency		
Passed Through Minnesota Department of Health		
State Indoor Radon Grant	66.032	4,094

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008**

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 Education		
Child Care Mandatory and Matching Funds (grant cluster)	93.596	\$ 15,375
Passed Through Minnesota Department of Health		
Immunization	93.268	2,500
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	156,873
Maternal and Child Health Services Block Grant	93.994	79,092
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families - Title IV-B	93.556	50,888
Temporary Assistance for Needy Families	93.558	752,743
Child Support	93.563	1,389,541
Refugee and Entrant Assistance State Administered Programs	93.566	870
Child Care and Development Block Grant	93.575	29,686
Child Welfare Services State Grants	93.645	47,937
Foster Care Title IV-E	93.658	403,428
Social Services Block Grant Title XX	93.667	402,317
Chafee Foster Care Independent Living	93.674	3,536
State Children's Insurance Program	93.767	748
Medical Assistance (grant cluster)	93.778	3,253,296
Block Grant for Community Mental Health Service	93.958	52,296
Total Department of Health and Human Services		<u>6,641,126</u>
U.S. Department of Homeland Security		
Pass Through Minnesota Department of Public Safety		
Boating Safety Financial Assistance	97.012	11,622
Pre-Disaster Mitigation Grant	97.017	5,500
Homeland Security Grant Program	97.067	4,127
National Center for Missing and Exploited Children (NCMEC)	97.076	24,917
Total Department of Homeland Security		<u>46,166</u>
Total Cash Type Federal Awards		<u>\$ 9,602,445</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 2008, 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, 2008, and have issued our report thereon dated August 12, 2009.

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

Brainerd, Minnesota
August 12, 2009

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