

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

CROW WING COUNTY
BRAINERD, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

Year Ended December 31, 2004



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

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	16
Statement of Activities	Exhibit 2	18
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit 4	24
Statement of Revenues, Expenditures, and Changes in Fund Balance	Exhibit 5	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	Exhibit 6	29
Solid Waste Proprietary Fund		
Statement of Net Assets	Exhibit 7	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit 8	31
Statement of Cash Flows	Exhibit 9	32
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 10	33
Discretely Presented Component Units		
Combining Statement of Net Assets	Exhibit 11	34
Combining Statement of Activities	Exhibit 12	35
Notes to the Financial Statements		36
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	75
Road and Bridge Special Revenue Fund	Schedule 2	78
Human Services Special Revenue Fund	Schedule 3	79
Land Management Special Revenue Fund	Schedule 4	80
Notes to the Required Supplementary Information		81

**CROW WING COUNTY
BRAINERD, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
Financial Section (Continued)		
Supplementary Information		
Budgetary Comparison Schedule - Debt Service Fund	Schedule 5	82
Nonmajor Governmental Funds		
Combining Balance Sheet	Statement 1	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement 2	85
Budgetary Comparison Schedules		
SCORE Special Revenue Fund	Schedule 6	87
County Building Special Revenue Fund	Schedule 7	88
Unorganized Townships Special Revenue Fund	Schedule 8	89
Extension Grants Special Revenue Fund	Schedule 9	90
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement 3	91
Other Schedule		
Schedule of Intergovernmental Revenue	Schedule 10	95
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 11	97
Other Required Reports		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		100
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		102
Schedule of Expenditures of Federal Awards	Schedule 12	104

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

ORGANIZATION
2004

Office	Name	Elected or Statutory Term Expires
County Board of Commissioners		
1st District	Dewayne (“Dewey”) Tautges	January 2009
2nd District	Ed Larsen	January 2007
3rd District	Terry L. Sluss*	January 2007
4th District	Gary W. Walters**	January 2007
5th District	John (“Jinx”) Ferrari	January 2009
County Offices		
Elected		
Attorney	Donald F. Ryan	January 2007
Auditor	Roy A. Luukkonen	January 2007
Recorder	Kathy Ludenia	January 2007
Sheriff	Eric P. Klang	January 2007
Treasurer	Laureen E. Borden	January 2007
Appointed		
County Administrator	Peter J. Herlofsky, Jr.	Indefinite
County Assessor	Martyn Schmidt	December 31, 2008
Engineer	Duane A. Blanck	May 22, 2008
Examiner of Titles	Glen A. Gustafson	Indefinite
Land Commissioner	Thomas J. Cowell	Indefinite
Veterans Service Officer	David R. Schuldheisz	Indefinite
County Surveyor	Donald Sigety	Indefinite
Solid Waste Coordinator	Douglas R. Morris	Indefinite
Human Services Director	Susan M. Beck	Indefinite

*2004 Chair

**2005 Chair

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PATRICIA ANDERSON
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Crow Wing County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crow Wing County, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Crow Wing County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Serpent Lake Sanitary Sewer District, which represent 44 percent and 80 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Serpent Lake Sanitary Sewer District, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Serpent Lake Sanitary Sewer District were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Crow Wing County as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison schedules 1 through 4 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Crow Wing County's basic financial statements. The combining and individual fund financial statements and schedules 5 through 10 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Crow Wing County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2005, on our consideration of Crow Wing County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 8, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2004

(Unaudited)

The financial management of Crow Wing County offers readers of Crow Wing County's financial statements this narrative overview and analysis of the financial activities of Crow Wing County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Crow Wing County exceeded its liabilities at the close of the most recent fiscal year by \$108,648,435 (net assets). All net assets were either invested in capital assets or else restricted for specified purposes. Unrestricted net assets totaled (\$9,743,573).
- The government's total net assets increased by \$10,938,569. This increase is a combination of additional capital assets and budget savings from operations. Most of the capital assets increase is from infrastructure and construction in progress. The total net assets increase is categorized as governmental activities, 99 percent, with the balance, one percent, provided from the County's solid waste landfill business-type operation.
- As of the close of the 2004 fiscal year, Crow Wing County governmental funds reported combined ending fund balances of \$70,109,288 compared to \$27,244,156 reported at the close of the 2003 fiscal year. Approximately 62 percent of this amount, \$43,440,058, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$7,836,713, or 40 percent of total General Fund expenditures, a decrease of \$356,963 in comparison with the prior year.
- Crow Wing County bonded debt increased by \$50,219,560, or 534 percent, during the current fiscal year. The key factor in this increase was the issuance of \$32,860,000 in general obligation capital improvement plan bonds and \$18,110,000 in general obligation jail bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Crow Wing County's basic financial statements. Crow Wing County's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Crow Wing County's finances in a manner similar to a private-sector business.

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

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

Both government-wide financial statements distinguish functions of Crow Wing County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of Crow Wing County include general government, public safety, highways and streets, human services, health services, culture and recreation, conservation of natural resources, and economic development. The business-type activity of Crow Wing County is the Crow Wing County Solid Waste.

The government-wide financial statements include not only Crow Wing County itself (known as the primary government), but also a legally separate sewer district and housing and redevelopment authority for which Crow Wing County is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Within the governmental funds, Crow Wing County maintains five fund types: General, Special Revenue, Debt Service, Capital Projects, and Permanent. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund; Road and Bridge, Human Services, and Land Management Special Revenue Funds, Debt Service Fund; and Capital Projects Fund, all of which are considered to be major funds. Data from the other five special revenue nonmajor governmental funds and the permanent fund are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Crow Wing County adopts an annual appropriated budget for its General Fund, certain special revenue funds, and the Debt Service Fund. A budgetary comparison schedule has been provided for the General Fund, special revenue funds, and the Debt Service Fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements may be found on Exhibits 3 through 6 of this report.

General Fund. The General Fund is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Funds. Special revenue governmental funds account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The special revenue funds include:

- Road and Bridge
- Human Services
- SCORE
- Tobacco Compliance
- Land Management
- County Building
- Unorganized Townships
- Extension Grants

Debt Service Fund. The Debt Service Fund accounts for the payment of principal, interest, and fiscal charges on long-term debt obligations of Crow Wing County.

Capital Projects Fund. The Capital Projects Fund is used as needed to track the use of equipment certificates and to track major construction projects.

Permanent Fund. The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings and not principal from the environmental permanent fund may be used for environmental purposes.

Proprietary Fund. Crow Wing County maintains one proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Crow Wing County uses an enterprise fund to account for its solid waste landfill operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Solid Waste Enterprise Fund, which is considered to be a major fund of Crow Wing County.

The basic proprietary fund financial statements can be found on Exhibits 7 through 9 of this report.

Fiduciary Funds. Fiduciary funds (Trust and Agency Funds) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Crow Wing County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibit 10 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 36 through 74 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information that can be found on pages 75 through 81. The combining statements referred to earlier in connection with nonmajor governmental funds are in the supplementary information section and follow the notes to the required supplementary information. Combining and individual fund statements can be found on pages 82 through 96 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Crow Wing County, assets exceeded liabilities by \$108,648,435 at the close of the most recent fiscal year, which is an increase of \$10,938,569.

Capital assets, net of related debt, of \$70,705,252 (land, buildings and building improvements, improvements other than buildings, infrastructure, construction in progress, and machinery and equipment, less any related debt used to acquire assets that is still outstanding) represents the largest portion of net assets (65 percent). Crow Wing County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Crow Wing County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Crow Wing County's net assets (44 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is (\$9,743,573).

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 87,181,701	\$ 37,543,748	\$ 8,678,923	\$ 8,689,575	\$ 95,860,624	\$ 46,233,323
Capital assets	81,257,874	66,089,812	2,078,563	1,893,343	83,336,437	67,983,155
Total Assets	\$ 168,439,575	\$ 103,633,560	\$ 10,757,486	\$ 10,582,918	\$ 179,197,061	\$ 114,216,478
Long-term liabilities outstanding	\$ 61,516,944	\$ 9,023,769	\$ 988,674	\$ 874,610	\$ 62,505,618	\$ 9,898,379
Other liabilities	8,012,850	6,553,698	30,158	54,535	8,043,008	6,608,233
Total Liabilities	\$ 69,529,794	\$ 15,577,467	\$ 1,018,832	\$ 929,145	\$ 70,548,626	\$ 16,506,612

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Net Assets						
Invested in capital assets, net of related debt	\$ 68,626,689	\$ 61,358,724	\$ 2,078,563	\$ 1,893,343	\$ 70,705,252	\$ 63,252,067
Restricted	47,686,756	9,442,393	-	-	47,686,756	9,442,393
Unrestricted	(17,403,664)	17,254,976	7,660,091	7,760,430	(9,743,573)	25,015,406
Total Net Assets	\$ 98,909,781	\$ 88,056,093	\$ 9,738,654	\$ 9,653,773	\$ 108,648,435	\$ 97,709,866

At the end of 2004, Crow Wing County is able to report positive balances in all three categories of net assets for the business-type activities. Governmental activities reported a negative balance of \$17,403,664 in unrestricted net assets. In 2003, the County was able to report positive balances in all three categories of net assets.

Crow Wing County's net assets increased by \$10,938,569 during the current fiscal year. This increase is the result of many surpluses and deficits, but the primary changes include an increase in construction in progress of \$13,536,652, which includes a variety of County road construction projects, building projects in the downtown County campus, and solid waste building projects.

Governmental Activities. Governmental activities increased Crow Wing County's net assets by \$10,853,688, thereby accounting for 99 percent of the total growth in the net assets of Crow Wing County. A key element of this growth was the increase in capital assets of \$15,168,062. The majority of the increase in capital assets was from construction in progress.

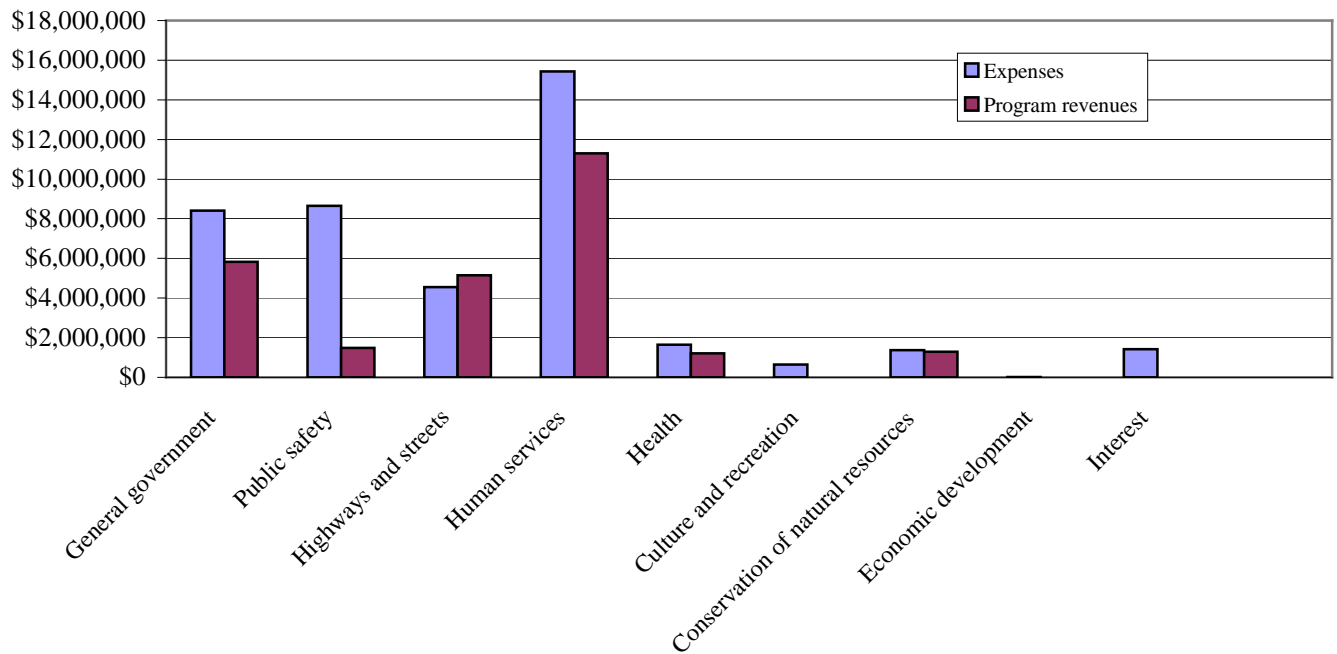
Business-Type Activities. Business-type activities increased Crow Wing County's net assets by \$84,881, accounting for one percent of the total change in the government's net assets.

Changes in Net Assets

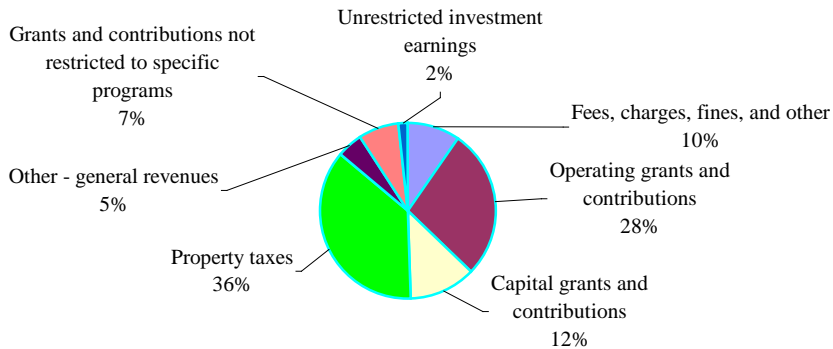
	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Charges for services	\$ 5,136,103	\$ 5,579,074	\$ 1,907,989	\$ 1,806,018	\$ 7,044,092	\$ 7,385,092
Operating grants and contributions	14,626,197	16,591,293	-	-	14,626,197	16,591,293
Capital grants and contributions	6,516,982	3,853,459	-	-	6,516,982	3,853,459
General revenues						
Property taxes	19,414,981	17,968,906	-	-	19,414,981	17,968,906
Mortgage registry and deed tax	118,252	142,979	-	-	118,252	142,979
Payments in lieu of tax	178,946	182,634	-	-	178,946	182,634
Grants and contributions not restricted to specific programs	3,959,078	4,330,048	595	595	3,959,673	4,330,643
Investment income	865,991	333,282	95,446	102,890	961,437	436,172
Gain on asset disposition	5,507	-	-	-	5,507	-
Miscellaneous	1,311,335	1,025,776	-	-	1,311,335	1,025,776
Transfers in (out)	873,861	(600,000)	(873,861)	600,000	-	-
Total Revenues	\$ 53,007,233	\$ 49,407,451	\$ 1,130,169	\$ 2,509,503	\$ 54,137,402	\$ 51,916,954

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Expenses						
General government	\$ 8,410,374	\$ 10,682,546	\$ -	\$ -	\$ 8,410,374	\$ 10,682,546
Public safety	8,652,980	7,752,110	-	-	8,652,980	7,752,110
Highways and streets	4,549,813	4,197,493	-	-	4,549,813	4,197,493
Human services	15,428,313	16,191,750	-	-	15,428,313	16,191,750
Health	1,638,986	1,594,797	-	-	1,638,986	1,594,797
Culture and recreation	652,557	607,910	-	-	652,557	607,910
Conservation of natural resources	1,379,160	1,586,674	-	-	1,379,160	1,586,674
Economic development	12,956	12,956	-	-	12,956	12,956
Interest	1,428,406	371,581	-	-	1,428,406	371,581
Operating expenses solid waste	-	-	1,045,288	851,909	1,045,288	851,909
Total Expenses	\$ 42,153,545	\$ 42,997,817	\$ 1,045,288	\$ 851,909	\$ 43,198,833	\$ 43,849,726
Increase (Decrease) in Net Assets	\$ 10,853,688	\$ 6,409,634	\$ 84,881	\$ 1,657,594	\$ 10,938,569	\$ 8,067,228
Prior Period Adjustment	919,354	-	-	-	919,354	-
Net Assets - January 1	87,136,739	81,646,459	9,653,773	7,996,179	96,790,512	89,642,638
Net Assets - December 31	\$ 98,909,781	\$ 88,056,093	\$ 9,738,654	\$ 9,653,773	\$ 108,648,435	\$ 97,709,866

Expenses and Program Revenues - Governmental Activities



Revenue by Sources - Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, Crow Wing County's governmental funds reported combined ending fund balances of \$70,109,288, an increase of \$42,865,132 in comparison with the prior year. Of this total amount, \$19,144,022, constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or unreserved, designated, indicating that it is not available for new spending because it has already been committed for specific purposes. Most of the reserved and unreserved, designated fund balance is due to reserve for encumbrances for construction projects (\$22,355,284), construction and capital equipment (\$21,415,257), debt service (\$2,691,166), and environmental uses (\$1,846,499).

The General Fund is the chief operating fund of Crow Wing County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$7,647,100, while the total fund balance was \$8,486,860. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 39.2 percent of the total General Fund expenditures, while total fund balance represents 43.5 percent of that same amount.

The fund balance of Crow Wing County's General Fund decreased by \$330,080 during the current fiscal year. A key factor in this decrease was a reduced level of state local government aid in the form of county program aid offset by underspent personnel costs.

The Road and Bridge Fund had a total fund balance of \$756,976 at the end of the current fiscal year. The fund balance of the Road and Bridge Fund decreased by \$1,939,206 during the current fiscal year. This is primarily due to the timing of construction projects.

The Human Services Fund had a total fund balance of \$9,004,956 at the end of the current fiscal year. The fund balance of the Human Services Fund increased by \$1,228,288 during the current fiscal year. This change is primarily due to a reduction in expenditures.

The Land Management Fund had a total fund balance of \$254,505 at the end of the current fiscal year. The fund balance of the Land Management Fund increased by \$51,104 during the current fiscal year.

The Debt Service Fund total fund balance of \$2,691,166 is designated for the payment of debt service. The fund balance of the Debt Service Fund increased by \$1,647,269 during the current fiscal year. The change is primarily due to the capitalized interest reserved for debt service in the 2004 capital improvement bond and jail bond issuances in the amounts of \$893,178 and \$452,758, respectively.

The Capital Projects Fund has a total fund balance of \$42,535,741 at the end of the current fiscal year. The fund balance of the Capital Projects Fund increased by \$40,351,829 during the current fiscal year. This increase is due to the proceeds of two bonds issued during 2004 in the combined amount of \$50,970,000, offset by costs of construction in progress.

Proprietary Fund. Crow Wing County's Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning the finances of the Solid Waste Enterprise Fund have already been addressed in the discussion of Crow Wing County's business-type activities.

General Fund Budgetary Highlights

The difference between the original and the final amended budget was an increase of \$507,750 for expenditures at fiscal year-end. This increase was in the Personnel Coordinator's expenditures (\$28,000), dog ordinance expenditures (\$65,000), and the County Sheriff (\$414,750).

The difference between the original and final amended budget for revenue was an increase of \$507,750. This increase was in the Planning and Zoning Department (\$238,000 increase in licenses and permit revenue), dog ordinance (\$5,000 increase in miscellaneous revenue), County Sheriff (\$354,750 increase in intergovernmental revenue), and Enhanced 911 (\$90,000 decrease in miscellaneous revenue).

Overall, in the General Fund there was no change in excess of revenues and other sources over (under) expenditures and other uses, since both revenues and expenditures were increased by \$507,750.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. Crow Wing County's investment in capital assets for its government and business-type activities as of December 31, 2004, amounts to \$83,336,437 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. The total increase in Crow Wing County's investment in capital assets for the current fiscal year was 23 percent.

Major capital asset events during 2004 included the following.

- A variety of new County road construction projects and County building projects began. Construction in progress on these projects as of the close of the fiscal year had reached \$18,873,328.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,486,850	\$ 554,474	\$ -	\$ -	\$ 1,486,850	\$ 554,474
Construction in progress	18,647,710	5,336,676	225,618	-	18,873,328	5,336,676
Infrastructure - right-of-way	1,645,349	953,807	-	-	1,645,349	953,807
Buildings	7,889,864	8,130,190	36,179	41,347	7,926,043	8,171,537
Machinery, furniture, and equipment	2,918,891	2,651,800	86,072	65,463	3,004,963	2,717,263
Infrastructure	48,669,210	48,462,865	-	-	48,669,210	48,462,865
Landfill	-	-	1,730,694	1,786,533	1,730,694	1,786,533
Total	\$ 81,257,874	\$ 66,089,812	\$ 2,078,563	\$ 1,893,343	\$ 83,336,437	\$ 67,983,155

Additional information on Crow Wing County's capital assets may be found in Note 3.A.3. of this report.

Long-Term Debt. At the end of 2004, Crow Wing County had total bonded debt outstanding of \$59,375,000. This is an increase of \$49,995,000 from the start of the year. The key factors in this increase were the issuance of \$32,860,000 in General Obligation Capital Improvement Plan Bonds, \$18,110,000 in General Obligation County Jail Bonds, and a decrease in outstanding bonded debt of \$975,000 due to the retirement of bond principal. Current and future County tax levies are used to finance the entire bonded indebtedness.

Crow Wing County maintains an "Aaa" rating from Moody's Investor Services for general obligation debt.

**Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities	
	2004	2003
General obligation bonds	\$ 55,800,000	\$ 5,445,000
Certificates of participation	220,000	285,000
Facility lease revenue bonds	3,355,000	3,650,000
Total	<u>\$ 59,375,000</u>	<u>\$ 9,380,000</u>

State statutes limit the amount of general obligation debt a county can incur to no more than two percent of the market value of taxable property in the county. The current debt limitation for Crow Wing County is \$160,644,850, which is significantly in excess of Crow Wing County's outstanding general obligation debt of \$59,375,000.

Additional information on Crow Wing County's long-term debt may be found in Note 3.C. of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for the business-type activities.

- Crow Wing County continues to see increased residential and commercial growth. The County's total estimated market value in 2003 was \$6,934,553,400; in 2004, it was \$7,978,989,200; and in 2005, it is \$9,017,729,800. This is growth at a pace of over one billion dollars of value each year, and this trend is expected to continue.
- The State of Minnesota continues to project a significant budget deficit. This was not resolved in the 2005 regular legislative session. It is anticipated that in 2006, Crow Wing County will see a reduction in county program aid by \$181,059. The projected level of 2006 county program aid is \$1,746,604. This state aid is approximately \$1,000,000 less than the 2003 original certified amount of \$2,722,715 for similar state aids before the state made major cuts.
- The County continues to feel the impact of the 2003 state aid reductions and, over a three-year period, the County has lost more than \$3,000,000 in county program aid from the state when compared to the original 2003 level of aid.
- Interest rates for deposits and investments have continued to remain low; and consequently, the County's investment earnings have been reduced significantly over years past.

All of these factors were considered in preparing Crow Wing County's government budget for the 2005 fiscal year.

On December 14, 2004, the Crow Wing County Board of Commissioners approved the 2005 budget for \$55,830,250. This is an overall increase of \$3,194,923, or 6.1 percent. The 2005 total levy is \$28,010,646, which is an increase of \$7,205,870 compared to the 2004 levy of \$20,804,776. The 2005 budget includes a 34.6 percent overall property tax levy increase, which is largely due to an issuance of capital improvement plan bonds and jail bonds in 2004 that accounted for a \$4,370,435 increase in the levy.

INDEPENDENT AUDIT

Minn. Stat. § 6.48 requires an annual examination of books of account, financial records, and transactions of all County functions by the Office of the State Auditor. When complete, the report will be available for inspection upon request at the County Auditor's Office during normal working hours.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Crow Wing County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: County Auditor Roy A. Luukkonen, Crow Wing County Courthouse, 326 Laurel Street, Brainerd, Minnesota 56401. You may also contact us via email at cwcauditor@co.crow-wing.mn.us, or visit our web site at www.co.crow-wing.mn.us.

The Crow Wing County Housing and Redevelopment Authority discretely presented component unit does not prepare separate financial statements. Complete financial statements of the Serpent Lake Sanitary Sewer District may be obtained by writing to P. O. Box 84, Crosby, Minnesota 56441.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CROW WING COUNTY
BRAINERD, MINNESOTA**

EXHIBIT 1

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

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 29,572,712	\$ 4,699,723	\$ 34,272,435	\$ 507,368
Petty cash and change funds	2,765	-	2,765	-
Cash with fiscal agent	-	-	-	189,127
Investments	44,394,706	-	44,394,706	-
Taxes receivable				
Prior - net	551,911	-	551,911	1,761
Special assessments receivable				
Noncurrent - net	15,870	-	15,870	-
Accounts receivable - net	493,872	128,797	622,669	32,104
Accrued interest receivable	417,936	-	417,936	1,329
Loan receivable	-	-	-	189,168
Contracts receivable	593,754	-	593,754	-
Internal balances	(56,173)	56,173	-	-
Due from other governments	2,578,198	-	2,578,198	1,290,592
Lease receivable	-	-	-	3,355,000
Inventories	671,853	-	671,853	-
Restricted assets				
Cash and pooled investments	-	3,794,230	3,794,230	573,234
Advances to other governments	23,172	-	23,172	-
Deferred charges	137,766	-	137,766	62,631
Investment in joint venture	7,783,359	-	7,783,359	-
Capital assets				
Non-depreciable	21,779,909	225,618	22,005,527	35,000
Depreciable - net of accumulated depreciation	59,477,965	1,852,945	61,330,910	3,543,646
Total Assets	\$ 168,439,575	\$ 10,757,486	\$ 179,197,061	\$ 9,780,960
Liabilities				
Accounts payable	\$ 1,179,472	\$ 27,633	\$ 1,207,105	\$ 2,721
Salaries payable	713,855	2,232	716,087	-
Accrued payroll taxes	89,415	293	89,708	-
Other accrued liabilities	-	-	-	4,064
Contracts payable	2,368,876	-	2,368,876	-
Due to other governments	1,486,334	-	1,486,334	-
Accrued interest payable	1,090,194	-	1,090,194	37,977
Unearned revenue	1,084,704	-	1,084,704	3,355,000
Long-term liabilities				
Due within one year	2,323,495	6,353	2,329,848	138,716
Due in more than one year	59,193,449	982,321	60,175,770	1,896,744
Total Liabilities	\$ 69,529,794	\$ 1,018,832	\$ 70,548,626	\$ 5,435,222

**CROW WING COUNTY
BRAINERD, MINNESOTA**

**EXHIBIT 1
(Continued)**

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

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Net Assets</u>				
Invested in capital assets - net of related debt	\$ 68,626,689	\$ 2,078,563	\$ 70,705,252	\$ 2,882,144
Restricted for				
General government	181,361	-	181,361	-
Public safety	145,954	-	145,954	-
Conservation of natural resources	1,468,279	-	1,468,279	-
Capital projects	41,330,178	-	41,330,178	-
Debt service	2,691,166	-	2,691,166	11,020
Environmental uses - expendable	23,319	-	23,319	-
Environmental uses - nonexpendable	1,846,499	-	1,846,499	-
Unrestricted	(17,403,664)	7,660,091	(9,743,573)	1,452,574
Total Net Assets	<u>\$ 98,909,781</u>	<u>\$ 9,738,654</u>	<u>\$ 108,648,435</u>	<u>\$ 4,345,738</u>

**CROW WING COUNTY
BRainerd, MINNESOTA**

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

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
Functions/Programs			
Primary government			
Governmental activities			
General government	\$ 8,410,374	\$ 1,925,189	\$ 366,348
Public safety	8,652,980	657,471	834,890
Highways and streets	4,549,813	508,538	2,267,621
Human services	15,428,313	979,979	10,317,133
Health	1,638,986	514,471	689,809
Culture and recreation	652,557	3,003	-
Conservation of natural resources	1,379,160	547,452	150,396
Economic development	12,956	-	-
Interest	1,428,406	-	-
Total governmental activities	\$ 42,153,545	\$ 5,136,103	\$ 14,626,197
Business-type activities			
Solid Waste	1,045,288	1,907,989	-
Total primary government	\$ 43,198,833	\$ 7,044,092	\$ 14,626,197
Component units			
Housing and Redevelopment Authority	\$ 1,109,248	\$ 8,270	\$ -
Serpent Lake Sanitary Sewer District	338,229	353,476	-
Total component units	\$ 1,447,477	\$ 361,746	\$ -

General Revenues

Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net Assets - Beginning, as previously reported
Prior period adjustment (Note 2.C.)

Net Assets - Beginning, as restated

Net Assets - Ending

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets			Discretely Presented Component Units
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ 3,542,248	\$ (2,576,589)	\$ -	\$ (2,576,589)	
-	(7,160,619)	-	(7,160,619)	
2,378,482	604,828	-	604,828	
-	(4,131,201)	-	(4,131,201)	
-	(434,706)	-	(434,706)	
-	(649,554)	-	(649,554)	
596,252	(85,060)	-	(85,060)	
-	(12,956)	-	(12,956)	
-	(1,428,406)	-	(1,428,406)	
\$ 6,516,982	\$ (15,874,263)	\$ -	\$ (15,874,263)	
-	-	862,701	862,701	
\$ 6,516,982	\$ (15,874,263)	\$ 862,701	\$ (15,011,562)	
\$ -				\$ (1,100,978)
-				15,247
\$ -				\$ (1,085,731)
	\$ 19,414,981	\$ -	\$ 19,414,981	\$ 55,926
	118,252	-	118,252	-
	178,946	-	178,946	-
	3,959,078	595	3,959,673	4,163
	865,991	95,446	961,437	29,118
	1,311,335	-	1,311,335	-
	5,507	-	5,507	-
	873,861	(873,861)	-	-
	\$ 26,727,951	\$ (777,820)	\$ 25,950,131	\$ 89,207
	\$ 10,853,688	\$ 84,881	\$ 10,938,569	\$ (996,524)
	\$ 87,136,739	\$ 9,653,773	\$ 96,790,512	\$ 4,033,628
	919,354	-	919,354	1,308,634
	\$ 88,056,093	\$ 9,653,773	\$ 97,709,866	\$ 5,342,262
	\$ 98,909,781	\$ 9,738,654	\$ 108,648,435	\$ 4,345,738

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CROW WING COUNTY
BRAINERD, MINNESOTA**

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

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 9,308,359	\$ 1,532,879	\$ 8,522,136
Petty cash and change funds	2,665	-	-
Investments	20,891	-	-
Taxes receivable			
Prior	271,998	60,096	161,835
Special assessments receivable			
Noncurrent	-	-	-
Accounts receivable	429,675	247	36,188
Accrued interest receivable	109,634	-	-
Contracts receivable	-	-	-
Due from other funds	119,302	117,609	-
Due from other governments	132,816	422,811	2,001,957
Inventories	-	671,853	-
Advances to other governments	23,172	-	-
	\$ 10,418,512	\$ 2,805,495	\$ 10,722,116
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 319,641	\$ 179,045	\$ 551,708
Salaries payable	397,598	105,926	196,982
Accrued payroll taxes payable	52,292	9,400	25,965
Contracts payable	-	348,571	-
Due to other funds	275,264	-	4,353
Due to other governments	492,441	98,176	59,923
Deferred revenue - unavailable	394,416	288,381	878,229
Deferred revenue - unearned	-	1,019,020	-
	\$ 1,931,652	\$ 2,048,519	\$ 1,717,160

EXHIBIT 3

Land Management	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,135,890	\$ 1,345,230	\$ 1,308,240	\$ 6,419,978	\$ 29,572,712
100	-	-	-	2,765
-	1,345,936	43,027,879	-	44,394,706
-	40,361	-	17,621	551,911
-	-	-	15,870	15,870
-	-	-	27,762	493,872
-	-	298,324	9,978	417,936
593,754	-	-	-	593,754
-	-	-	-	236,911
-	-	-	20,614	2,578,198
-	-	-	-	671,853
-	-	-	-	23,172
\$ 1,729,744	\$ 2,731,527	\$ 44,634,443	\$ 6,511,823	\$ 79,553,660
\$ 6,453	\$ -	\$ 102,677	\$ 19,948	\$ 1,179,472
9,814	-	-	3,535	713,855
1,293	-	-	465	89,415
24,280	-	1,996,025	-	2,368,876
3,851	-	-	9,616	293,084
835,794	-	-	-	1,486,334
593,754	40,361	-	33,491	2,228,632
-	-	-	65,684	1,084,704
\$ 1,475,239	\$ 40,361	\$ 2,098,702	\$ 132,739	\$ 9,444,372

**CROW WING COUNTY
BRAINERD, MINNESOTA**

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

	General	Road and Bridge	Human Services
<u>Liabilities and Fund Balances</u>			
(Continued)			
Fund Balances			
Reserved for			
Encumbrances	\$ -	\$ 1,234,800	\$ -
Inventories	-	671,853	-
SCORE	-	-	-
Law library	73,569	-	-
Recorder's equipment purchases	107,792	-	-
Enhanced 911	145,954	-	-
Environmental uses	-	-	-
Parks	322,832	-	-
Unreserved			
Designated for capital equipment	-	-	-
Designated for debt service	-	-	-
Designated for K-9 unit	8,064	-	-
Designated for bomb squad	55,558	-	-
Designated for drug contingency	3,651	-	-
Designated for Sheriff's shared equipment	8,985	-	-
Designated for attorney's forfeiture	39,828	-	-
Designated for children's trust	2,134	-	-
Designated for healthy lakes	2,400	-	-
Designated for Veterans Service van	11,567	-	-
Designated for alcohol account	14,280	-	-
Designated for rifle range	4,218	-	-
Designated for dive team	5,626	-	-
Designated for County grants	17,265	-	-
Designated for lake area drug investigation	11,639	-	-
Designated for mounted patrol	4,062	-	-
Designated for human rights commission	336	-	-
Undesignated	7,647,100	(1,149,677)	9,004,956
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Permanent funds	-	-	-
Total Fund Balances	\$ 8,486,860	\$ 756,976	\$ 9,004,956
Total Liabilities and Fund Balances	\$ 10,418,512	\$ 2,805,495	\$ 10,722,116

EXHIBIT 3
(Continued)

<u>Land Management</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 21,120,484	\$ -	\$ 22,355,284
-	-	-	-	671,853
-	-	-	1,145,447	1,145,447
-	-	-	-	73,569
-	-	-	-	107,792
-	-	-	-	145,954
-	-	-	1,846,499	1,846,499
-	-	-	-	322,832
-	-	21,415,257	-	21,415,257
-	2,691,166	-	-	2,691,166
-	-	-	-	8,064
-	-	-	-	55,558
-	-	-	-	3,651
-	-	-	-	8,985
-	-	-	-	39,828
-	-	-	-	2,134
-	-	-	-	2,400
-	-	-	-	11,567
-	-	-	-	14,280
-	-	-	-	4,218
-	-	-	-	5,626
-	-	-	-	17,265
-	-	-	-	11,639
-	-	-	-	4,062
-	-	-	-	336
254,505	-	-	-	15,756,884
-	-	-	3,363,819	3,363,819
-	-	-	23,319	23,319
\$ 254,505	\$ 2,691,166	\$ 42,535,741	\$ 6,379,084	\$ 70,109,288
\$ 1,729,744	\$ 2,731,527	\$ 44,634,443	\$ 6,511,823	\$ 79,553,660

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

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

	General	Road and Bridge	Human Services
Revenues			
Taxes	\$ 10,506,995	\$ 2,184,815	\$ 5,195,243
Special assessments	-	-	-
Licenses and permits	891,521	-	-
Intergovernmental	4,220,005	5,158,218	10,430,608
Charges for services	2,065,752	782,633	58,617
Fines and forfeits	15,794	-	-
Gifts and contributions	3,880	-	-
Investment earnings	384,258	-	-
Sales	-	-	-
Miscellaneous	1,108,559	78,017	921,362
	\$ 19,196,764	\$ 8,203,683	\$ 16,605,830
Expenditures			
Current			
General government	\$ 8,667,165	\$ -	\$ -
Public safety	8,365,611	-	-
Highways and streets	-	10,284,465	-
Human services	-	-	15,377,542
Health	1,620,739	-	-
Culture and recreation	677,781	-	-
Conservation of natural resources	197,740	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Administrative (fiscal) charges	-	-	-
	\$ 19,529,036	\$ 10,284,465	\$ 15,377,542
Excess of Revenues Over (Under) Expenditures	\$ (332,272)	\$ (2,080,782)	\$ 1,228,288

EXHIBIT 5

Land Management	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,259,502	\$ -	\$ 372,055	\$ 19,518,610
-	-	-	590,601	590,601
649,340	-	-	-	1,540,861
64,033	248,151	-	259,603	20,380,618
2,343	-	-	338,185	3,247,530
-	-	-	450	16,244
-	-	-	-	3,880
-	-	430,664	51,765	866,687
641,971	-	-	-	641,971
77,650	57,619	-	628,380	2,871,587
\$ 1,435,337	\$ 1,565,272	\$ 430,664	\$ 2,241,039	\$ 49,678,589
\$ 835,745	\$ -	\$ -	\$ 52,072	\$ 9,554,982
-	-	-	92,491	8,458,102
-	-	-	289,888	10,574,353
-	-	-	-	15,377,542
-	-	-	49	1,620,788
-	-	-	-	677,781
549,497	-	-	657,787	1,405,024
-	-	9,616,967	276,862	9,893,829
-	910,000	-	65,000	975,000
-	352,786	-	15,265	368,051
-	-	126,507	-	126,507
-	1,153	12,069	1,250	14,472
\$ 1,385,242	\$ 1,263,939	\$ 9,755,543	\$ 1,450,664	\$ 59,046,431
\$ 50,095	\$ 301,333	\$ (9,324,879)	\$ 790,375	\$ (9,367,842)

**CROW WING COUNTY
BRAINERD, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	-	-	-
Bonds and notes issued	-	-	-
Premium on bonds/notes issued	-	-	-
Discount on bonds/notes issued	-	-	-
Proceeds from sale of capital assets	2,192	1,154	-
Total Other Financing Sources (Uses)	\$ 2,192	\$ 1,154	\$ -
Change in Fund Balance	\$ (330,080)	\$ (2,079,628)	\$ 1,228,288
Fund Balance - January 1	8,816,940	2,696,182	7,776,668
Increase (decrease) in reserved for inventories	-	140,422	-
Fund Balance - December 31	\$ 8,486,860	\$ 756,976	\$ 9,004,956

EXHIBIT 5
(Continued)

<u>Land Management</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,345,936	\$ -	\$ 1,415,553	\$ 2,761,489
-	-	(1,537,628)	(350,000)	(1,887,628)
-	-	50,970,000	-	50,970,000
-	-	399,324	-	399,324
-	-	(161,951)	-	(161,951)
1,009	-	6,963	-	11,318
\$ 1,009	\$ 1,345,936	\$ 49,676,708	\$ 1,065,553	\$ 52,092,552
\$ 51,104	\$ 1,647,269	\$ 40,351,829	\$ 1,855,928	\$ 42,724,710
203,401	1,043,897	2,183,912	4,523,156	27,244,156
-	-	-	-	140,422
\$ 254,505	\$ 2,691,166	\$ 42,535,741	\$ 6,379,084	\$ 70,109,288

**CROW WING COUNTY
BRAINERD, MINNESOTA**

EXHIBIT 6

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

Net change in fund balances - total governmental funds (Exhibit 5) \$ 42,724,710

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 17,400,506	
Current year depreciation	(2,261,633)	15,138,873

The fair value of capital asset donations is reported as revenue in the statement of activities, but is not reported in governmental funds.		35,000
---	--	--------

In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the disposed capital assets.		(5,811)
--	--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		416,456
--	--	---------

Increase in joint venture does not provide current financial resources and is not reported as revenue in the funds.		3,542,248
---	--	-----------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:		(51,080,866)
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	\$ 615,000	
Certificates of participation	65,000	
Facility lease revenue bonds	295,000	975,000

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 accrued interest payable	\$ (1,048,834)	
Amortization of premiums and bond issuance costs	2,951	
Change in compensated absences	13,539	
Change in inventories	140,422	(891,922)

Change in net assets of governmental activities (Exhibit 2) \$ 10,853,688

PROPRIETARY FUND

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET ASSETS
SOLID WASTE PROPRIETARY FUND
DECEMBER 31, 2004**

Assets

Current assets	
Cash and pooled investments	\$ 4,699,723
Accounts receivable - net	128,797
Due from other funds	165,423
	<hr/>
Total current assets	\$ 4,993,943
Restricted assets	
Cash and pooled investments	\$ 3,794,230
	<hr/>
Noncurrent assets	
Capital assets non-depreciable	\$ 225,618
Capital assets depreciable - net	1,852,945
	<hr/>
Total noncurrent assets	\$ 2,078,563
Total Assets	\$ 10,866,736

Liabilities

Current liabilities	
Accounts payable	\$ 27,633
Salaries payable	2,232
Accrued payroll taxes	293
Compensated absences payable - current	6,353
Due to other funds	109,250
	<hr/>
Total current liabilities	\$ 145,761
Noncurrent liabilities	
Compensated absences payable - long-term	\$ 1,941
Estimated liability for landfill closure and postclosure costs	980,380
	<hr/>
Total noncurrent liabilities	\$ 982,321
Total Liabilities	\$ 1,128,082

Net Assets

Invested in capital assets	\$ 2,078,563
Unrestricted	7,660,091
	<hr/>
Total Net Assets	\$ 9,738,654

**CROW WING COUNTY
BRAINERD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
SOLID WASTE PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

Operating Revenues	
Charges for services	\$ 1,906,489
Licenses and permits	1,500
	<hr/>
Total Operating Revenues	\$ 1,907,989
Operating Expenses	
Personal services	\$ 58,732
Employee benefits and payroll taxes	15,877
Contracted services	289,251
Professional services	36,931
Other services and charges	35,088
Supplies	53,591
Telephone	556
Utilities	22,552
Fuel	4,746
Advertising	6,907
Licenses and dues	1,751
Postage	5,953
Vehicle expense	8,196
Rent and leased equipment	261
Miscellaneous	19,285
Depreciation	379,072
Landfill closure and postclosure costs	106,539
	<hr/>
Total Operating Expenses	\$ 1,045,288
Operating Income (Loss)	\$ 862,701
Nonoperating Revenues	
Intergovernmental	\$ 595
Interest income	95,446
	<hr/>
Total Nonoperating Revenues	\$ 96,041
Income (Loss) Before Transfers	\$ 958,742
Transfers out	<hr/> (873,861)
Change in Net Assets	\$ 84,881
Net Assets - January 1	<hr/> 9,653,773
Net Assets - December 31	\$ 9,738,654

**CROW WING COUNTY
BRAINERD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SOLID WASTE PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 1,905,618
Payments to suppliers	(465,819)
Payments to employees	(73,779)
	\$ 1,366,020
Cash Flows From Noncapital Financing Activities	
Intergovernmental revenue	\$ 595
Transfers out	(873,861)
	\$ (873,266)
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	\$ (564,292)
Cash Flows From Investing Activities	
Investment earnings received	\$ 43,413
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (28,125)
Cash and Cash Equivalents at January 1	8,522,078
Cash and Cash Equivalents at December 31	\$ 8,493,953
Cash and Cash Equivalents - Exhibit 7	
Cash and pooled investments	\$ 4,699,723
Restricted cash and pooled investments	3,794,230
	\$ 8,493,953
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 862,701
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 379,072
(Increase) decrease in accounts receivable	(2,277)
(Increase) decrease in due from other funds	(94)
Increase (decrease) in accounts payable	(17,452)
Increase (decrease) in salaries payable	(476)
Increase (decrease) in compensated absences payable	1,306
Increase (decrease) in due to other funds	36,931
Increase (decrease) in due to other governments	(230)
Increase (decrease) in landfill closure costs	106,539
	\$ 503,319
Net Cash Provided by (Used in) Operating Activities	\$ 1,366,020

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FIDUCIARY FUNDS

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 4,120,011
Petty cash and change funds	500
Due from other governments	<u>526,318</u>
Total Assets	<u>\$ 4,646,829</u>
<u>Liabilities</u>	
Accounts payable	\$ 134,183
Salaries payable	94,929
Due to other governments	<u>4,417,717</u>
Total Liabilities	<u>\$ 4,646,829</u>

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DISCRETELY PRESENTED COMPONENT UNITS

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**CROW WING COUNTY
BRainerd, MINNESOTA**

EXHIBIT 11

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

	Housing and Redevelopment Authority	Serpent Lake Sanitary Sewer District	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 426,648	\$ 80,720	\$ 507,368
Cash and investments with fiscal agent	189,127	-	189,127
Taxes receivable			
Prior	1,761	-	1,761
Accounts receivable - net	-	32,104	32,104
Accrued interest receivable	-	1,329	1,329
Loan receivable	189,168	-	189,168
Due from other governments	1,290,592	-	1,290,592
Lease receivable	3,355,000	-	3,355,000
Total current assets	\$ 5,452,296	\$ 114,153	\$ 5,566,449
Noncurrent assets			
Restricted cash and cash equivalents	\$ -	\$ 573,234	\$ 573,234
Deferred charges	49,671	12,960	62,631
Capital assets			
Nondepreciable	-	35,000	35,000
Depreciable - net	-	3,543,646	3,543,646
Total noncurrent assets	\$ 49,671	\$ 4,164,840	\$ 4,214,511
Total Assets	\$ 5,501,967	\$ 4,278,993	\$ 9,780,960
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ -	\$ 2,721	\$ 2,721
Other accrued liabilities	-	4,064	4,064
Accrued interest payable	36,984	993	37,977
Deferred revenue - unearned	3,355,000	-	3,355,000
General obligation bonds payable - current	3,716	135,000	138,716
Total current liabilities	\$ 3,395,700	\$ 142,778	\$ 3,538,478
Noncurrent liabilities			
General obligation bonds and notes payable - long-term	\$ 1,335,242	\$ 561,502	\$ 1,896,744
Total Liabilities	\$ 4,730,942	\$ 704,280	\$ 5,435,222
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ -	\$ 2,882,144	\$ 2,882,144
Restricted for debt service	11,020	-	11,020
Unrestricted	760,005	692,569	1,452,574
Total Net Assets	\$ 771,025	\$ 3,574,713	\$ 4,345,738

**CROW WING COUNTY
BRainerd, MINNESOTA**

EXHIBIT 12

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets		Total
		Fees, Charges, Fines, and Other	Housing and Redevelopment Authority	Serpent Lake Sanitary Sewer District	
Component Units					
Housing and Redevelopment Authority	\$ 1,109,248	\$ 8,270	\$ (1,100,978)	\$ -	\$ (1,100,978)
Serpent Lake Sanitary Sewer District	338,229	353,476	-	15,247	15,247
Total Component Units	\$ 1,447,477	\$ 361,746	\$ (1,100,978)	\$ 15,247	\$ (1,085,731)
General Revenues and Other Items					
Property tax			\$ 55,926	\$ -	\$ 55,926
Investment income			21,321	7,797	29,118
Grants and contributions not restricted to specific programs			4,163	-	4,163
Total general revenues and other items			\$ 81,410	\$ 7,797	\$ 89,207
Change in Net Assets			\$ (1,019,568)	\$ 23,044	\$ (996,524)
Net Assets - Beginning, as previously reported			\$ 481,959	\$ 3,551,669	\$ 4,033,628
Prior period adjustment (Note 2.C.)			1,308,634	-	1,308,634
Net Assets - Beginning, as restated			\$ 1,790,593	\$ 3,551,669	\$ 5,342,262
Net Assets - Ending			\$ 771,025	\$ 3,574,713	\$ 4,345,738

**CROW WING COUNTY
BRAINERD, MINNESOTA**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. This financial report has been prepared in conformity with Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, issued in June 1999.

A. Financial Reporting Entity

Crow Wing County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Crow Wing County (primary government) and its component units for which the County is financially accountable. 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. The County Auditor, elected on a County-wide basis, serves as the clerk of the Board of Commissioners but has no vote.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Crow Wing County are discretely presented:

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Units (Continued)

Component Unit	Component Unit Reporting Entity Because	Separate Financial Statements
Crow Wing County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-.047.	County appoints members, and the HRA is a financial burden.	Separate financial statements are not prepared.
Serpent Lake Sanitary Sewer District is responsible for constructing and operating a sanitary sewer district.	District is fiscally dependent on the County because it may not issue debt without the County's approval. The County has issued debt for the District.	Serpent Lake Sanitary Sewer District P. O. Box 84 Crosby, Minnesota 56441

Joint Ventures

The County participates in several joint ventures which are described in Note 4.B. The County also participates in jointly-governed organizations which are described in Note 4.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type 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 and discretely presented component units. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 all costs for maintenance and construction of streets and highways. Financing comes primarily from an annual property tax levy and intergovernmental revenue from the state and federal governments.

The Human Services Special Revenue Fund is used to account for all costs for human services. Financing comes primarily from an annual property tax levy and intergovernmental revenue from the state and federal governments.

The Land Management Special Revenue Fund is used to account for financial transactions resulting from the management of Crow Wing County's tax-forfeited lands.

The Debt Service Fund is used to account for the accumulation of resources for payment of principal and interest of the general obligation bonds and capital notes.

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

The County reports the following major enterprise fund:

The Solid Waste Fund is used to account for the operation, maintenance, and development of the County solid waste landfill.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal from the environmental permanent fund, may be used for environmental purposes.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, 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. Crow Wing County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property taxes, special assessments, intergovernmental revenue, 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.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and all pooled deposits and investments, including restricted assets.

2. Deposits and Investments

Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Certain investments are segregated by fund and their earnings are allocated to those funds. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$384,258.

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

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

3. 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" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables, including those of the discretely presented component units, are shown net of an allowance for uncollectibles.

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

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

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories

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. Inventories at the government-wide level are recorded as expenses when consumed.

5. Restricted Assets

Restricted cash represents monies set aside to be used in the future for monitoring and closing County landfills.

Restricted cash in the Serpent Lake Sanitary Sewer District represents monies set aside to be used in the future for plant and equipment replacements and for the accumulation of capital recovery charges to be used to make principal and interest payments on outstanding long-term debt. Interest earned on cash balances is allocated to cash and restricted cash balances.

6. Capital Assets

Capital assets, which include land, buildings and building improvements, improvements (other than buildings), furniture, equipment, and vehicles, infrastructure assets (roads, bridges, and right-of-ways), and construction in progress are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method to allocate the cost on an annual basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 100
Building improvements	7 - 30
Infrastructure	50 - 75
Furniture, equipment, and vehicles	3 - 20
Improvements other than buildings	20 - 30

7. Compensated Absences

Compensated absences will be reported for vacation hours and vested sick leave.

Vacation

Vacation hours are accrued by full-time County employees and part-time employees. Vacation time is vested after six months of employment. Under the County's personnel policies and union contracts, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 12 to 25 days per year. The majority of County employees are entitled to carry over a balance of 240 hours (30 days) at the end of each year.

Vacation Severance Pay - Employees leaving County service voluntarily and in good standing and who provide proper advance notice of two weeks are entitled to receive 100 percent of their remaining accrued vacation leave at their current hourly rate.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Compensated Absences

Vacation (Continued)

Vacation Current and Long-Term Compensated Absences - The County estimates that 89 percent of the year-end balances of vacation severance pay compensated absences will be used in the subsequent year (assumes a FIFO methodology), and 11 percent of vacation severance pay compensated absences as of year-end will be used in years two and thereafter.

Sick Leave

Sick leave hours are accrued by all full-time County employees up to 96 hours per year (or one day per month). Sick leave is earned by part-time employees on a prorated basis. Sick leave hours earned can be carried over from year to year and may be accumulated without any limitation.

Sick Leave Severance Pay - Vested sick leave applies only to employees that were hired before January 1, 1986, and who did not select the buy-out option given at that time. Vested sick leave, up to 120 days, is paid upon retirement or, in the event of death, to the beneficiary. Any County employee separating his/her employment with the County will forfeit any accrued sick leave, subject to the one exception above.

Sick Leave Current and Long-Term Compensated Absences - Sick leave severance pay compensated absences are treated as current for employees that have met Public Employees Retirement Association of Minnesota (PERA) eligibility requirements for retirement in the subsequent year and long-term for employees who will not have met PERA eligibility requirements in the subsequent year.

8. 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.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

10. Fund Equity

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 for future use of financial resources.

11. 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 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 such estimates.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Revenues

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

Imposed Nonexchange Transactions

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, fines and penalties, and property forfeitures are imposed nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes receivable but not available are reported as deferred revenue and will be recognized as revenue in the fiscal year that they become available. Fines and penalties and property forfeitures are recognized in the period received.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the County perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues

Intergovernmental (Continued)

Tax credits paid by the state are included in intergovernmental revenues and are recognized as revenue in the fiscal year that they become available. Subject to the availability criterion, state-aid highway allotments for highway maintenance and construction are recognized as revenue in the year of allotment.

Exchange Transactions

Special assessments levied against benefiting properties are recognized under the modified accrual basis when available to finance current expenditures. Other revenues, such as licenses and permits, charges for services, and investment income are recognized as revenue when earned.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The purpose of establishing an operating budget is to ensure the County's annual operating expenditures are based on a stable stream of revenues.

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between June and August of each year, the County Administrator provides all department heads with budget worksheets. Department heads prepare a proposed operating budget and return the worksheets to the County Administrator for review. The County Administrator meets with department heads, if necessary, and accepts proposed budget workpapers.
2. On or before September 15, the County Administrator submits to the County Board of Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. September 15 is the last day to certify the proposed levy.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

3. In December, public meetings or hearings are conducted in accordance with the state truth-in-taxation statutes to obtain taxpayer comments and adopt the final tax levy and budgets for the General Fund, certain special revenue funds, the Solid Waste Enterprise Fund, and the Debt Service Fund.
4. Revisions that alter the budgeted revenues or expenditures of any fund must be approved by the Board of Commissioners.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, the Debt Service Fund, and the Solid Waste Enterprise Fund
6. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts will be reported as originally adopted and as amended by the Board of Commissioners on the budget to actual financial statements.
7. Operating budgets are prepared for the following funds: Governmental--General, Road and Bridge (special revenue), Human Services (special revenue), SCORE (special revenue), County Building (special revenue), Unorganized Townships (special revenue), Land Management (special revenue), Extension Grants (special revenue), Debt Service, Housing and Redevelopment Authority (HRA) (discretely presented component unit), Serpent Lake Sanitary Sewer District (discretely presented component unit), and Enterprise--Solid Waste (proprietary).

B. Excess of Expenditures Over Budget

The following is a summary of the individual funds with expenditures in excess of final budget for the year ended December 31, 2004.

	Expenditures	Budget	Excess
Special Revenue Funds			
Road and Bridge	\$ 10,284,465	\$ 7,985,542	\$ 2,298,923
Land Management	1,385,242	1,356,984	28,258
Unorganized Townships	406,306	399,150	7,156
Debt Service Fund	1,263,939	1,263,412	527

**CROW WING COUNTY
BRAINERD, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

C. Prior Period Adjustments

In the prior year, the amount reported as investment in joint venture on the statement of net assets did not include the County's share of infrastructure or depreciation of the joint venture as the Brainerd-Crow Wing Airport had not implemented GASB Statement 34 as of December 31, 2003. The Airport implemented GASB Statement 34 for the year ending December 31, 2004; and as a result, a prior period adjustment of \$919,354 was required to restate the County's investment.

In 2003, the County HRA issued \$1,280,000 of General Obligation Revenue Bonds. The bonds, which are to be repaid with a combination of gross revenues from the facility and a special levy of the City of Pequot Lakes HRA, were not reported as a liability of the County HRA. A prior period adjustment of \$1,308,634 was recorded to show the activity related to this bond issuance.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments - Primary Government and HRA

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

Primary government	
Cash and pooled investments	\$ 34,272,435
Petty cash and change funds	2,765
Investments	44,394,706
Cash and pooled investments - restricted assets	3,794,230
HRA component unit	
Cash and pooled investments	426,648
Cash and investments with fiscal agent	189,127
Agency funds	
Cash and pooled investments	4,120,011
Petty cash and change fund	500
	<hr/>
Total Cash and Investments	\$ 87,200,422

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments - Primary Government and HRA (Continued)

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. At December 31, 2004, the carrying amount of the County's deposits totaled \$42,624,038. The bank balance deposit amount was \$44,345,491. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

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

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 5,549,040
Collateralized with securities held by the pledging financial institution's agent in the County's name	38,796,451
Total covered deposits	\$ 44,345,491
Uncollateralized	-
Total	\$ 44,345,491

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

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

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments - Primary Government and HRA (Continued)

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

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 41,237,923	\$ -	\$ -	\$ 41,237,923
Series E Bonds	10,179	-	-	10,179
Investments held by fiscal agent				
U.S. government securities	-	-	144,527	144,527
Total	\$ 41,248,102	\$ -	\$ 144,527	\$ 41,392,629
Add				
Cash in bank				8,817,387
Certificates of deposit				33,806,651
Jumbo certificates of deposit				1,649,000
MAGIC				1,486,890
Money market account with fiscal agent				44,600
Petty cash and change fund				3,265
Total Cash and Investments				\$ 87,200,422

2. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Deferred Unavailable	Deferred Unearned
Delinquent property taxes receivable	\$ 551,911	\$ -
Special assessments not yet due (unorganized townships)	15,870	-
Contracts receivable	593,754	-
Charges for services	445,723	65,684
Grants receivable that do not provide current financial resources	621,374	-
Advance on state-aid allotments	-	1,019,020
	\$ 2,228,632	\$ 1,084,704
Total Deferred Revenue for Governmental Funds		

3. Capital Assets

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

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 554,474	\$ 932,376	\$ -	\$ 1,486,850
Construction in progress	5,336,676	15,119,357	1,808,323	18,647,710
Infrastructure - right-of-way	953,807	691,542	-	1,645,349
	\$ 6,844,957	\$ 16,743,275	\$ 1,808,323	\$ 21,779,909
Total capital assets not depreciated				
Capital assets depreciated				
Buildings	\$ 14,541,410	\$ 11,642	\$ -	\$ 14,553,052
Machinery, furniture, and equipment	8,051,192	1,104,903	248,178	8,907,917
Infrastructure	58,801,137	1,384,009	-	60,185,146
	\$ 81,393,739	\$ 2,500,554	\$ 248,178	\$ 83,646,115
Total capital assets depreciated				
Less: accumulated depreciation for				
Buildings	\$ 6,411,220	\$ 251,968	\$ -	\$ 6,663,188
Machinery, furniture, and equipment	5,399,392	832,001	242,367	5,989,026
Infrastructure	10,338,272	1,177,664	-	11,515,936
	\$ 22,148,884	\$ 2,261,633	\$ 242,367	\$ 24,168,150
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 59,244,855	\$ 238,921	\$ 5,811	\$ 59,477,965
Governmental Activities Capital Assets, Net	\$ 66,089,812	\$ 16,982,196	\$ 1,814,134	\$ 81,257,874

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Construction in progress	\$ -	\$ 225,618	\$ -	\$ 225,618
Capital assets depreciated				
Buildings	\$ 173,445	\$ -	\$ -	\$ 173,445
Landfill	7,857,111	304,763	85,000	8,076,874
Machinery, furniture, and equipment	204,346	33,911	-	238,257
Total capital assets depreciated	<u>\$ 8,234,902</u>	<u>\$ 338,674</u>	<u>\$ 85,000</u>	<u>\$ 8,488,576</u>
Less: accumulated depreciation for				
Buildings	\$ 132,098	\$ 5,168	\$ -	\$ 137,266
Landfill	6,070,578	360,602	85,000	6,346,180
Machinery, furniture, and equipment	138,883	13,302	-	152,185
Total accumulated depreciation	<u>\$ 6,341,559</u>	<u>\$ 379,072</u>	<u>\$ 85,000</u>	<u>\$ 6,635,631</u>
Total capital assets depreciated, net	<u>\$ 1,893,343</u>	<u>\$ (40,398)</u>	<u>\$ -</u>	<u>\$ 1,852,945</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 1,893,343</u>	<u>\$ 185,220</u>	<u>\$ -</u>	<u>\$ 2,078,563</u>

Depreciation expense for 2004 was charged to functions of the primary government as follows:

Governmental Activities	
General government	\$ 198,516
Public safety	394,514
Highways and streets, including depreciation of infrastructure assets	1,542,290
Human services	47,126
Health	12,945
Economic development	12,956
Culture and recreation	12,835
Conservation of natural resources	40,451
Total Depreciation Expense - Governmental Activities	<u>\$ 2,261,633</u>
Business-Type Activities	
Solid waste	<u>\$ 379,072</u>

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Extension Grants Solid Waste Human Services	\$ 8,425 109,005 1,872
Total Due to General Fund		\$ 119,302
Road and Bridge	General Land Management Solid Waste SCORE Human Services	\$ 109,841 3,851 245 1,191 2,481
Total Due to Road and Bridge Fund		\$ 117,609
Solid Waste	General	\$ 165,423
Total Due To/From Other Funds		\$ 402,334

2. Interfund Transfers

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

Transfers to Building Fund from SCORE Fund	\$ 350,000	Returned funding.
Transfers to Building Fund from Capital Projects Fund	191,692	Returned funding for master planning project.
Transfers to Debt Service Fund from Capital Projects Fund	1,345,936	Provided funds for debt service interest payment from bond proceeds.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

2. Interfund Transfers (Continued)

Transfers to SCORE Fund from Solid Waste Fund	873,861	So that the Solid Waste Fund reports only revenues and expenses relating to the mixed municipal solid waste landfill and the demolition debris landfill.
Total Interfund Transfers	\$ 2,761,489	

C. Liabilities

1. Other Post-Employment Benefits

Retirees

Crow Wing County provides post-retirement health benefits for certain retirees and their surviving spouses. The benefits vary depending on the years of service of the retiree. The government pays 100 percent of health premiums for employees who retire with 25 years of continuous service. The County pays 67 percent of these premiums for employees who retire with 15 to 24 years of continuous service and 33 percent of these premiums for employees with seven to 14 years of continuous service. The County's regular health benefit provider underwrites the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans.

As of year-end 2004, 42 employees had retired with 25 or more years of continuous service and were receiving the 100 percent premium coverage benefit. Twenty-seven employees had retired with 15 to 24 years of continuous service and were receiving the 67 percent premium coverage benefit. Three employees had retired with seven to 14 years of continuous service and were receiving the 33 percent premium coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2004, the County recognized \$539,254 of expenditures, which was net of \$103,308 of retiree contributions.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Other Post-Employment Benefits

Retirees (Continued)

Additionally, the County also contributes to those retired employees and their spouses who elect to take Medicare supplement policies. At year-end 2004, ten employees with 15 to 24 years of continuous service were receiving the 67 percent premium coverage benefits. Eight employees had retired with seven to 14 years of continuous service and were receiving the 33 percent premium coverage benefit. The County finances the plan on a pay-as-you-go basis. For the year ended December 31, 2004, the County recognized \$38,576 of expenditures, net of \$34,312 retiree contributions.

2. Construction Commitments

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

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
County facilities	\$ 7,391,400	\$ 21,120,484
Roads and bridges	6,137,609	1,234,800

3. Leases

Operating Leases

The County leases office facilities under noncancelable operating leases. Total costs for such leases were \$46,930 for the year ended December 31, 2004. The future minimum lease payments for these leases are as follows:

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Leases

Operating Leases (Continued)

Year Ending December 31	Amount
2005	\$ 55,310
2006	42,000
2007	35,000
Total	\$ 132,310

4. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General obligation bonds and notes					
2004A G.O. Capital Improvement Plan Bonds	2025	\$1,195,000 - \$2,375,000	3.00 - 5.00	\$ 32,860,000	\$ 32,860,000
2004B G.O. County Jail Bonds	2025	\$660,000 - \$1,310,000	2.50 - 5.00	18,110,000	18,110,000
2003A G.O. Capital Notes	2007	\$805,000 - \$835,000	2.00	2,460,000	2,460,000
2002A G.O. Airport Improvement Bonds	2022	\$35,000 - \$200,000	3.50 - 5.00	2,500,000	2,370,000
Total General Obligation Bonds and Notes				\$ 55,930,000	\$ 55,800,000
1999A Facility Lease Revenue Bonds	2014	\$165,000 - \$450,000	4.00 - 5.05	\$ 4,625,000	\$ 3,355,000
1997 Certificates of Participation	2007	\$50,000 - \$75,000	5.00 - 5.50	\$ 630,000	\$ 220,000

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

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

Governmental Activities

Year Ending December 31	General Obligation Bonds		Certificates of Participation		Facility Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 805,000	\$ 2,592,693	\$ 70,000	\$ 11,885	\$ -	\$ 80,516
2006	2,770,000	2,408,276	75,000	8,175	305,000	154,170
2007	2,820,000	2,327,789	75,000	4,125	320,000	139,947
2008	2,025,000	2,243,401	-	-	335,000	124,799
2009	2,080,000	2,161,314	-	-	350,000	108,785
2010 - 2014	11,360,000	9,427,251	-	-	2,045,000	264,285
2015 - 2019	13,670,000	6,679,829	-	-	-	-
2020 - 2024	16,585,000	3,038,209	-	-	-	-
2025	3,685,000	92,125	-	-	-	-
Total	<u>\$ 55,800,000</u>	<u>\$ 30,970,887</u>	<u>\$ 220,000</u>	<u>\$ 24,185</u>	<u>\$ 3,355,000</u>	<u>\$ 872,502</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 5,445,000	\$ 50,970,000	\$ 615,000	\$ 55,800,000	\$ 805,000
Certificates of participation	285,000	-	65,000	220,000	70,000
Facility lease revenue bonds	3,650,000	-	295,000	3,355,000	-
Plus: deferred amounts for issuance premiums	22,081	237,373	12,813	246,641	-
Total bonds payable	\$ 9,402,081	\$ 51,207,373	\$ 987,813	\$ 59,621,641	\$ 875,000
Compensated absences	1,908,842	-	13,539	1,895,303	1,448,495
Governmental Activity Long-Term Liabilities	<u>\$ 11,310,923</u>	<u>\$ 51,207,373</u>	<u>\$ 1,001,352</u>	<u>\$ 61,516,944</u>	<u>\$ 2,323,495</u>

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure and postclosure	\$ 873,841	\$ 106,539	\$ -	\$ 980,380	\$ -
Compensated absences	6,988	1,306	-	8,294	6,353
Business-Type Activity Long-Term Liabilities	<u>\$ 880,829</u>	<u>\$ 107,845</u>	<u>\$ -</u>	<u>\$ 988,674</u>	<u>\$ 6,353</u>

Bonded debt is paid from the Debt Service Fund. Compensated absences are paid from the General Fund and the Road and Bridge, Human Services, Land Management, and SCORE Special Revenue Funds.

7. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

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

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

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

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

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

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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

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

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 860,482	\$ 167,891	\$ 163,929
2003	843,024	168,392	160,792
2002	756,288	163,086	176,748

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2004, 2003, and 2002, were \$4,630, \$4,357, and \$2,938, respectively, equal to the contractually required contributions for each year as set by state statute.

8. Solid Waste Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 20 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$980,380 landfill closure and postclosure care liability at December 31, 2004, represents the cumulative amount reported to date based on the use of 43.04 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,571,690 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The County expects to close the landfill in 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

8. Solid Waste Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2004, investments of \$3,794,230 are held for these purposes. These are reported as restricted assets on the Solid Waste Enterprise Fund's statement of net assets. Crow Wing County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

9. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County purchases commercial insurance for other risks of loss. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of the MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and at \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

9. Risk Management (Continued)

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

4. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims resulting from such litigation and not covered by insurance would not materially affect the financial statements of the County.

B. Joint Ventures

Brainerd-Crow Wing Airport

Crow Wing County and the City of Brainerd have an agreement whereby each contributes equally to all locally financed costs of the operation of the Brainerd-Crow Wing County Airport. An airport commission is responsible for operations and the City of Brainerd provides accounting services. Any appropriation by the County for the Airport Commission is recorded as an expenditure in the year it is approved by the County Board of Commissioners. On June 11, 2002, the County issued \$2,500,000 in General Obligation Airport Improvement Bonds, Series 2002A, to finance improvements to the airport. The interest rates vary from 3.5 to 5.0 percent. The maturity date starts July 1, 2002, and ends on July 1, 2022. In 2004, the County made an appropriation of \$135,300 for the Airport Commission. At December 31, 2004, the airport had net assets of \$18,114,178. In 2004, there was an increase in net assets of \$6,422,210. The airport does not publish separate financial statements.

Investment in the joint venture on the statement of net assets is the County's 50 percent undivided interest in the property, improvements, buildings, and infrastructure of the airport.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Brainerd-Crow Wing Airport (Continued)

Complete financial statements of the City of Brainerd can be obtained from:

Brainerd City Hall
502 Laurel Street
Brainerd, Minnesota 56401

Central Minnesota Community Corrections Agency

A joint community corrections agency was established in 1974, pursuant to Minn. Stat. § 471.59, between Crow Wing and Morrison Counties. Aitkin County joined the community corrections on January 1, 1992, to form the Central Minnesota Community Corrections. The Agency provides detention and correction services to adults and juveniles under the jurisdiction of the counties which are parties to the agreement, any other Minnesota county that requests these services, and the Minnesota Department of Corrections. The governing board is composed of five county commissioners from each of the participating counties. Crow Wing County maintains the accounting records of the Agency.

At December 31, 2003 (the most recent information available), the Agency had long-term debt of \$122,185, fund equity of \$641,371, and fund balance had decreased by \$62,379 during the year.

The Central Minnesota Community Corrections Agency is funded through state grants and contributions from its member counties. Crow Wing County had expenditures of \$131,558 for community corrections to the Agency for 2004.

In the event of dissolution of the Agency, the unexpended balance of monies and assets held by the Agency will be divided between the counties in proportion to their contributions.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Community Corrections Agency (Continued)

Complete financial information can be obtained from:

Central Minnesota Community Corrections Agency
c/o Michael J. Kafka, Director
324 South 5th Street
Brainerd, Minnesota 56401

Mississippi Headwaters Board

The Mississippi Headwaters Board was established on February 22, 1980, by Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties pursuant to Minn. Stat. § 471.59. The purpose of the Board is to prepare, adopt, and implement a comprehensive land use plan design to protect and enhance the Mississippi River and related shoreland areas within the counties.

The Board consists of eight members, one appointed from each participating county. Cass County maintains the accounting records of the Board. Funding consists of federal, state, and local grants; donations; and contributions from each county.

Financial information can be obtained from:

Mississippi Headwaters Board
Cass County Courthouse
4th Street and Minnesota Avenue
Walker, Minnesota 56484

C. Jointly-Governed Organizations

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

**CROW WING COUNTY
BRAINERD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Crow Wing County Family Service Collaborative

The Crow Wing County Family Service Collaborative was established to provide leadership and facilitation to families, youth, and providers. The goal of the Collaborative is to improve and redesign the local service delivery system in a way which improves the quality of lives, supports choices, and promotes self-reliance. Crow Wing County Social Services is the fiscal agent of the Collaborative. Crow Wing County has no operational or financial control over the Collaborative.

Separate financial information can be obtained from:

Crow Wing County Family Service Collaborative
P. O. Box 686
322 Laurel Street
Brainerd, Minnesota 56401

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20, effective January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board which is composed of 19 members with three-year terms made up of the following: one member appointed by each city council and two members appointed by each county board consisting of one county commissioner and one lay person. Crow Wing County appropriated \$394,370 to the Library for the year ended December 31, 2004.

5. Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component units have the following significant accounting policies.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

5. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Reporting Entities

The Crow Wing County Housing and Redevelopment Authority (HRA) is governed by a five-member Board of Directors who are appointed by the Crow Wing County Board. The HRA receives tax increment financing from the districts within the County. The diversion of the incremental property taxes to the HRA by the County is a financial burden on the County.

The Serpent Lake Sanitary Sewer District is governed by an eight-member Board of Directors, two members appointed by each of the Cities of Crosby, Cuyuna, Deerwood, and Ironton. The District is fiscally dependent on the County because it may not issue debt without the County's approval. The County has issued debt for the District.

Because of the significance of their financial relationship, Crow Wing County considers these entities major component units.

Basis of Presentation

The Crow Wing County HRA does not prepare separate financial statements. Complete financial statements of the Serpent Lake Sanitary Sewer District may be obtained from:

Serpent Lake Sanitary Sewer District
P. O. Box 84
Crosby, Minnesota 56441

Basis of Accounting

The Crow Wing County HRA funds are accounted for on the modified accrual basis of accounting. The Serpent Lake Sanitary Sewer District uses the accrual basis of accounting.

Cash and Pooled Investments

All cash of the Crow Wing County HRA is on deposit with the Crow Wing County Treasurer and included within its pooled cash and investments.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

5. Component Unit Disclosures

A. Summary of Significant Accounting Policies

Cash and Pooled Investments (Continued)

Cash and pooled investments for Serpent Lake Sanitary Sewer District are defined as short-term, highly liquid investments with original maturities of 90 days or less. The District has certificates of deposit classified as cash equivalents at December 31, 2004.

B. Detailed Notes on All Funds

1. Assets

Cash and Investments - Serpent Lake Sanitary Sewer District

In accordance with applicable Minnesota statutes, the District maintains deposits at depository banks authorized by the Board of Directors. All such depositories are members of the Federal Reserve System.

Minnesota statutes require that all deposits be protected by insurance, surety bond, or collateral.

There are three categories of credit risk that apply to the District's bank balance:

- (1) insured or collateralized with securities held by the District or by the District's agent in the District's name;
- (2) collateralized with securities held by the pledging financial institution's trust department or the financial institution's agent in the District's name; and
- (3) uncollateralized.

**CROW WING COUNTY
BRAINERD, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Cash and Investments - Serpent Lake Sanitary Sewer District (Continued)

Balances held in each category are as follows:

	December 31, 2004	
	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured		
Collateral held by the District's agent in the District's name	553,954	554,028
Total Deposits	\$ 653,954	\$ 654,028

Shown on Exhibit 11, cash and investments are:

	Carrying Amount
Cash and pooled investments	\$ 80,720
Restricted cash and cash equivalents	573,234
Total	\$ 653,954

Capital Assets - Serpent Lake Sanitary Sewer District

A summary of capital asset activity for the year ended December 31, 2004, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Plant and improvements	5,911,736	26,250	-	5,937,986
Office equipment	2,661	-	-	2,661
Total	\$ 5,949,397	\$ 26,250	\$ -	\$ 5,975,647
Less: accumulated depreciation	(2,243,999)	(153,002)	-	(2,397,001)
Net Capital Assets	\$ 3,705,398	\$ (126,752)	\$ -	\$ 3,578,646

**CROW WING COUNTY
BRAINERD, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Capital Assets - Serpent Lake Sanitary Sewer District (Continued)

Depreciation expense of \$153,002 was charged to the Serpent Lake Sanitary Sewer District.

Long-Term Debt

Long-term debt outstanding at December 31, 2004, for the Serpent Lake Sanitary District and the Crow Wing County HRA consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
Serpent Lake Sanitary Sewer District General obligation bonds -Refunding 2003B G.O. Refunding Bonds - SLSSD	2009	\$95,000 - \$145,000	1.10 - 2.20	\$ 925,000	\$ 700,000
Housing and Redevelopment Authority Tax Increment Financing (TIF) Notes 1996 Housing Redevelopment Authority TIF Notes	2015	\$2,006 - \$8,205	9.00	71,500	58,958
2003 G. O. Revenue Bonds	2034	\$10,000 - \$115,000	2.85 - 5.25	1,280,000	1,280,000

Debt Service Requirements

Revenue note debt service requirements to maturity for the Serpent Lake Sanitary District and the Crow Wing County HRA are as follows:

**CROW WING COUNTY
BRAINERD, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Assets

Debt Service Requirements (Continued)

Year Ending December 31	Serpent Lake Sanitary Sewer District		Housing and Redevelopment Authority	
	Principal	Interest	Principal	Interest
2005	\$ 135,000	\$ 11,915	\$ 3,716	\$ 74,769
2006	135,000	10,363	4,057	69,078
2007	140,000	8,540	4,431	68,704
2008	145,000	6,090	14,838	68,297
2009	145,000	3,190	15,284	67,566
2010 - 2014	-	-	114,670	322,798
2015 - 2019	-	-	131,962	291,321
2020 - 2024	-	-	220,000	253,027
2025 - 2029	-	-	345,000	184,255
2030 - 2034	-	-	485,000	80,062
Total	<u>\$ 700,000</u>	<u>\$ 40,098</u>	<u>\$ 1,338,958</u>	<u>\$ 1,479,877</u>

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the Serpent Lake Sanitary District and the Crow Wing County HRA for the year ended December 31, 2004.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Serpent Lake Sanitary Sewer District					
General obligation bonds - refunding	\$ 830,000	\$ -	\$ 130,000	\$ 700,000	\$ 135,000
Deferred amounts - issuance discounts	(4,210)	-	(712)	(3,498)	-
Total Bonds Payable	<u>\$ 825,790</u>	<u>\$ -</u>	<u>\$ 129,288</u>	<u>\$ 696,502</u>	<u>\$ 135,000</u>
Housing and Redevelopment Authority					
Tax Increment Financing Notes	\$ 62,362	\$ -	\$ 3,404	\$ 58,958	\$ 3,716
General Obligation Housing Revenue Bonds	1,280,000	-	-	1,280,000	-
Tax Increment Financing Notes	<u>\$ 1,342,362</u>	<u>\$ -</u>	<u>\$ 3,404</u>	<u>\$ 1,338,958</u>	<u>\$ 3,716</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 1

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 11,629,552	\$ 11,629,552	\$ 10,506,995	\$ (1,122,557)
Licenses and permits	568,824	806,824	891,521	84,697
Intergovernmental	2,627,708	2,982,458	4,220,005	1,237,547
Charges for services	2,247,406	2,247,406	2,065,752	(181,654)
Fines and forfeits	-	-	15,794	15,794
Gifts and contributions	-	-	3,880	3,880
Investment earnings	580,000	580,000	384,258	(195,742)
Miscellaneous	1,048,771	963,771	1,108,559	144,788
Total Revenues	\$ 18,702,261	\$ 19,210,011	\$ 19,196,764	\$ (13,247)
Expenditures				
Current				
General government				
Commissioners	\$ 203,551	\$ 203,551	\$ 196,325	\$ 7,226
Courts	135,118	135,118	106,605	28,513
Personnel coordinator	50,000	78,000	78,291	(291)
County auditor	1,258,904	1,258,904	1,106,111	152,793
County treasurer	298,555	298,555	287,453	11,102
County assessor	1,033,076	1,033,076	879,409	153,667
Elections	196,050	196,050	195,687	363
Purchasing	94,474	94,474	93,751	723
Data processing	420,599	420,599	414,175	6,424
Central administration	939,614	939,614	928,818	10,796
Attorney	1,132,444	1,132,444	1,091,420	41,024
Law library	43,000	43,000	72,363	(29,363)
Recorder	461,076	461,076	490,128	(29,052)
Surveyor	322,137	322,137	296,620	25,517
Planning and zoning	657,154	657,154	638,414	18,740
Buildings and plant	1,106,961	1,106,961	910,347	196,614
Veterans service officer	168,245	168,245	169,237	(992)
Incidental	152,000	152,000	144,142	7,858
Appropriations	230,318	230,318	231,318	(1,000)
GIS	104,824	104,824	72,082	32,742
County administrator	174,193	174,193	171,763	2,430
Administration to board	62,145	62,145	58,876	3,269
County transit appropriation	62,284	62,284	33,385	28,899
Other general government	95,000	95,000	445	94,555
Total general government	\$ 9,401,722	\$ 9,429,722	\$ 8,667,165	\$ 762,557

**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 1
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,139,851	\$ 4,554,601	\$ 4,503,008	\$ 51,593
Dog ordinance	-	65,000	68,869	(3,869)
Boat and water safety	186,713	186,713	159,106	27,607
Coroner	147,696	147,696	151,129	(3,433)
E-911 system	130,800	130,800	24,180	106,620
County jail	2,439,346	2,439,346	2,664,816	(225,470)
Juvenile detention	332,500	332,500	383,815	(51,315)
Sentence to serve	65,000	65,000	65,000	-
Corrections	131,567	131,567	131,558	9
CWC tower	11,692	11,692	8,077	3,615
Mining inspector	5,057	5,057	2,882	2,175
Emergency management	188,513	188,513	194,286	(5,773)
Sheriff's contingent	1,250	1,250	6,385	(5,135)
Appropriations	2,500	2,500	2,500	-
Total public safety	\$ 7,782,485	\$ 8,262,235	\$ 8,365,611	\$ (103,376)
Health				
Health	\$ 1,749,193	\$ 1,749,193	\$ 1,620,739	\$ 128,454
Culture and recreation				
Parks	\$ 294,871	\$ 294,871	\$ 233,411	\$ 61,460
County/regional library	394,370	394,370	394,370	-
Appropriations	50,000	50,000	50,000	-
Total culture and recreation	\$ 739,241	\$ 739,241	\$ 677,781	\$ 61,460
Conservation of natural resources				
County extension	\$ 117,435	\$ 117,435	\$ 86,556	\$ 30,879
Weed control	28,291	28,291	21,153	7,138
Appropriations	90,031	90,031	90,031	-
Total conservation of natural resources	\$ 235,757	\$ 235,757	\$ 197,740	\$ 38,017
Total Expenditures	\$ 19,908,398	\$ 20,416,148	\$ 19,529,036	\$ 887,112

**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 1
(Continued)

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (1,206,137)	\$ (1,206,137)	\$ (332,272)	\$ 873,865
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	2,192	2,192
Change in Fund Balance	\$ (1,206,137)	\$ (1,206,137)	\$ (330,080)	\$ 876,057
Fund Balance - January 1	<u>8,816,940</u>	<u>8,816,940</u>	<u>8,816,940</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 7,610,803</u>	<u>\$ 7,610,803</u>	<u>\$ 8,486,860</u>	<u>\$ 876,057</u>

**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 2

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,372,332	\$ 2,372,332	\$ 2,184,815	\$ (187,517)
Intergovernmental	4,586,955	4,586,955	5,158,218	571,263
Charges for services	455,900	455,900	782,633	326,733
Miscellaneous	284,100	284,100	78,017	(206,083)
Total Revenues	\$ 7,699,287	\$ 7,699,287	\$ 8,203,683	\$ 504,396
Expenditures				
Current				
Highways and streets				
Administration	\$ 730,910	\$ 730,910	\$ 655,998	\$ 74,912
Maintenance	1,638,143	1,638,143	1,513,406	124,737
Construction	4,292,058	4,292,058	6,795,977	(2,503,919)
Equipment maintenance and shop	1,324,431	1,324,431	1,319,084	5,347
Total Expenditures	\$ 7,985,542	\$ 7,985,542	\$ 10,284,465	\$ (2,298,923)
Excess of Revenues Over (Under) Expenditures	\$ (286,255)	\$ (286,255)	\$ (2,080,782)	\$ (1,794,527)
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	1,154	1,154
Change in Fund Balance	\$ (286,255)	\$ (286,255)	\$ (2,079,628)	\$ (1,793,373)
Fund Balance - January 1	2,696,182	2,696,182	2,696,182	-
Increase (decrease) in reserved for inventories	-	-	140,422	140,422
Fund Balance - December 31	\$ 2,409,927	\$ 2,409,927	\$ 756,976	\$ (1,652,951)

**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 3

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,763,933	\$ 5,763,933	\$ 5,195,243	\$ (568,690)
Intergovernmental	9,818,038	9,818,038	10,430,608	612,570
Charges for services	53,000	53,000	58,617	5,617
Miscellaneous	699,111	699,111	921,362	222,251
Total Revenues	\$ 16,334,082	\$ 16,334,082	\$ 16,605,830	\$ 271,748
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,501,605	\$ 3,501,605	\$ 3,302,720	\$ 198,885
Social services	12,832,657	12,832,657	12,074,822	757,835
Total Expenditures	\$ 16,334,262	\$ 16,334,262	\$ 15,377,542	\$ 956,720
Excess of Revenues Over (Under) Expenditures	\$ (180)	\$ (180)	\$ 1,228,288	\$ 1,228,468
Fund Balance - January 1	7,776,668	7,776,668	7,776,668	-
Fund Balance - December 31	\$ 7,776,488	\$ 7,776,488	\$ 9,004,956	\$ 1,228,468

**CROW WING COUNTY
BRainerd, MINNESOTA**

Schedule 4

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 551,000	\$ 551,000	\$ 649,340	\$ 98,340
Intergovernmental	57,900	57,900	64,033	6,133
Charges for services	1,420	1,420	2,343	923
Sales	300,000	300,000	641,971	341,971
Miscellaneous	67,350	67,350	77,650	10,300
Total Revenues	\$ 977,670	\$ 977,670	\$ 1,435,337	\$ 457,667
Expenditures				
Current				
General government				
Other	\$ -	\$ -	\$ 835,745	\$ (835,745)
Conservation of natural resources				
Other	1,356,984	1,356,984	549,497	807,487
Total Expenditures	\$ 1,356,984	\$ 1,356,984	\$ 1,385,242	\$ (28,258)
Excess of Revenues Over (Under) Expenditures	\$ (379,314)	\$ (379,314)	\$ 50,095	\$ 429,409
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	1,009	1,009
Change in Fund Balance	\$ (379,314)	\$ (379,314)	\$ 51,104	\$ 430,418
Fund Balance - January 1	203,401	203,401	203,401	-
Fund Balance - December 31	\$ (175,913)	\$ (175,913)	\$ 254,505	\$ 430,418

**CROW WING COUNTY
BRAINERD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Tobacco Compliance Special Revenue Fund, the Capital Projects Fund, and the Environmental Permanent Fund, which are not budgeted. The Capital Projects Fund does not adopt a budget for the capital notes and bonds that are acquired from the fund. All annual appropriations lapse at fiscal year-end.

On or before mid-July of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. On or before September 30, 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. Revisions that alter the budgeted revenues or expenditures of any fund must be approved by the Board of Commissioners. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, supplemental budgetary appropriations were not considered significant.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2004, expenditures exceeded appropriations in the Road and Bridge Special Revenue Fund and the Land Management Special Revenue Fund (the legal level of budgetary control) by \$2,298,923 and \$28,258, respectively. These overexpenditures were funded by greater than anticipated revenues and advances from highway users tax.

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SUPPLEMENTARY INFORMATION

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 5

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,383,359	\$ 1,383,359	\$ 1,259,502	\$ (123,857)
Intergovernmental	129,265	129,265	248,151	118,886
Miscellaneous	57,619	57,619	57,619	-
Total Revenues	\$ 1,570,243	\$ 1,570,243	\$ 1,565,272	\$ (4,971)
Expenditures				
Debt service				
Principal retirement	\$ 910,000	\$ 910,000	\$ 910,000	\$ -
Interest	352,412	352,412	352,786	(374)
Administrative - fiscal charges	1,000	1,000	1,153	(153)
Total Expenditures	\$ 1,263,412	\$ 1,263,412	\$ 1,263,939	\$ (527)
Excess of Revenues Over (Under) Expenditures	\$ 306,831	\$ 306,831	\$ 301,333	\$ (5,498)
Other Financing Sources (Uses)				
Transfers in	-	-	1,345,936	1,345,936
Change in Fund Balance	\$ 306,831	\$ 306,831	\$ 1,647,269	\$ 1,340,438
Fund Balance - January 1	1,043,897	1,043,897	1,043,897	-
Fund Balance - December 31	\$ 1,350,728	\$ 1,350,728	\$ 2,691,166	\$ 1,340,438

**CROW WING COUNTY
BRAINERD, MINNESOTA**

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

	<u>SCORE</u>	<u>Tobacco Compliance</u>	<u>Special Revenue County Building</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,235,933	\$ 8,316	\$ 2,605,373
Taxes receivable			
Prior	-	-	7,508
Special assessments receivable			
Noncurrent	-	-	-
Accounts receivable	251	-	-
Accrued interest receivable	-	-	-
Due from other governments	-	-	-
Total Assets	<u>\$ 1,236,184</u>	<u>\$ 8,316</u>	<u>\$ 2,612,881</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 19,862	\$ -	\$ -
Salaries payable	3,535	-	-
Accrued payroll taxes payable	465	-	-
Due to other funds	1,191	-	-
Deferred revenue - unavailable	-	-	7,508
Deferred revenue - unearned	65,684	-	-
Total Liabilities	<u>\$ 90,737</u>	<u>\$ -</u>	<u>\$ 7,508</u>
Fund Balances			
Reserved for environmental uses	\$ -	\$ -	\$ -
Reserved for SCORE	1,145,447	-	-
Unreserved			
Undesignated	-	8,316	2,605,373
Total Fund Balances	<u>\$ 1,145,447</u>	<u>\$ 8,316</u>	<u>\$ 2,605,373</u>
Total Liabilities and Fund Balances	<u>\$ 1,236,184</u>	<u>\$ 8,316</u>	<u>\$ 2,612,881</u>

Statement 1

Funds	Unorganized Townships	Extension Grants	Total	Permanent Fund Environmental Trust	Total Nonmajor Governmental Funds (Exhibit 3)
\$	738,027	-	\$ 4,587,649	\$ 1,832,329	\$ 6,419,978
	10,113	-	17,621	-	17,621
	15,870	-	15,870	-	15,870
	-	-	251	27,511	27,762
	-	-	-	9,978	9,978
	-	20,614	20,614	-	20,614
\$	764,010	\$ 20,614	\$ 4,642,005	\$ 1,869,818	\$ 6,511,823
\$	-	86	\$ 19,948	-	\$ 19,948
	-	-	3,535	-	3,535
	-	-	465	-	465
	-	8,425	9,616	-	9,616
	25,983	-	33,491	-	33,491
	-	-	65,684	-	65,684
\$	25,983	\$ 8,511	\$ 132,739	\$ -	\$ 132,739
\$	-	-	-	1,846,499	\$ 1,846,499
	-	-	1,145,447	-	1,145,447
	738,027	12,103	3,363,819	23,319	3,387,138
\$	738,027	\$ 12,103	\$ 4,509,266	\$ 1,869,818	\$ 6,379,084
\$	764,010	\$ 20,614	\$ 4,642,005	\$ 1,869,818	\$ 6,511,823

**CROW WING COUNTY
BRAINERD, MINNESOTA**

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

	SCORE	Tobacco Compliance	Special Revenue County Building
Revenues			
Taxes	\$ -	\$ -	\$ 5,139
Special assessments	538,776	-	-
Intergovernmental	131,957	-	4
Charges for services	338,185	-	-
Fines and forfeits	-	450	-
Investment earnings	-	-	-
Miscellaneous	50,228	-	574,667
Total Revenues	\$ 1,059,146	\$ 450	\$ 579,810
Expenditures			
Current			
General government	\$ -	\$ -	\$ 28,145
Public safety	-	-	-
Highways and streets	-	-	-
Health	-	49	-
Conservation of natural resources	554,979	-	-
Capital outlay			
Conservation of natural resources	276,862	-	-
Debt service			
Principal retirement	-	-	65,000
Interest	-	-	15,265
Administrative - fiscal charges	-	-	1,250
Total Expenditures	\$ 831,841	\$ 49	\$ 109,660
Excess of Revenues Over (Under) Expenditures	\$ 227,305	\$ 401	\$ 470,150
Other Financing Sources (Uses)			
Transfers in	\$ 873,861	\$ -	\$ 541,692
Transfers out	(350,000)	-	-
Total Other Financing Sources(Uses)	\$ 523,861	\$ -	\$ 541,692
Net Change in Fund Balance	\$ 227,305	\$ 401	\$ 470,150
Fund Balance - January 1	394,281	7,915	1,593,531
Fund Balance - December 31	\$ 621,586	\$ 8,316	\$ 2,063,681

Statement 2

Funds					Permanent Fund Environmental Trust	Total Nonmajor Governmental Funds (Exhibit 5)
Unorganized Townships	Extension Grants	Total				
\$ 366,916	\$ -	\$ 372,055	\$ -	\$ -	\$ 372,055	
51,825	-	590,601	-	-	590,601	
82,744	44,898	259,603	-	-	259,603	
-	-	338,185	-	-	338,185	
-	-	450	-	-	450	
-	-	-	51,765	-	51,765	
3,207	278	628,380	-	-	628,380	
\$ 504,692	\$ 45,176	\$ 2,189,274	\$ 51,765		\$ 2,241,039	
\$ 23,927	\$ -	\$ 52,072	\$ -	\$ -	\$ 52,072	
92,491	-	92,491	-	-	92,491	
289,888	-	289,888	-	-	289,888	
-	-	49	-	-	49	
-	45,579	600,558	57,229	-	657,787	
-	-	276,862	-	-	276,862	
-	-	65,000	-	-	65,000	
-	-	15,265	-	-	15,265	
-	-	1,250	-	-	1,250	
\$ 406,306	\$ 45,579	\$ 1,393,435	\$ 57,229		\$ 1,450,664	
\$ 98,386	\$ (403)	\$ 795,839	\$ (5,464)		\$ 790,375	
\$ -	\$ -	\$ 1,415,553	\$ -	\$ -	\$ 1,415,553	
-	-	(350,000)	-	-	(350,000)	
\$ -	\$ -	\$ 1,065,553	\$ -		\$ 1,065,553	
\$ 98,386	\$ (403)	\$ 795,839	\$ (5,464)	\$ -	\$ 790,375	
639,641	12,506	2,647,874	1,875,282		4,523,156	
\$ 738,027	\$ 12,103	\$ 3,443,713	\$ 1,869,818		\$ 5,313,531	

**CROW WING COUNTY
BRainerd, MINNESOTA**

Schedule 6

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 535,000	\$ 535,000	\$ 538,776	\$ 3,776
Intergovernmental	97,000	97,000	131,957	34,957
Charges for services	291,000	291,000	338,185	47,185
Miscellaneous	19,500	19,500	50,228	30,728
Total Revenues	\$ 942,500	\$ 942,500	\$ 1,059,146	\$ 116,646
Expenditures				
Current				
Conservation of natural resources				
SCORE	\$ 655,723	\$ 655,723	\$ 554,979	\$ 100,744
Capital outlay				
Conservation of natural resources	270,000	270,000	276,862	(6,862)
Total Expenditures	\$ 925,723	\$ 925,723	\$ 831,841	\$ 93,882
Excess of Revenues Over (Under)				
Expenditures	\$ 16,777	\$ 16,777	\$ 227,305	\$ 210,528
Other Financing Sources (Uses)				
Transfers in	\$ 873,861	\$ 873,861	\$ 873,861	\$ -
Transfers out	(350,000)	(350,000)	(350,000)	-
Total Other Financing Sources (Uses)	\$ 523,861	\$ 523,861	\$ 523,861	\$ -
Change in Fund Balance	\$ 540,638	\$ 540,638	\$ 751,166	\$ 210,528
Fund Balance - January 1	394,281	394,281	394,281	-
Fund Balance - December 31	\$ 934,919	\$ 934,919	\$ 1,145,447	\$ 210,528

**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 7

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 5,139	\$ 5,139
Intergovernmental	30,000	30,000	4	(29,996)
Miscellaneous	250,000	250,000	574,667	324,667
Total Revenues	\$ 280,000	\$ 280,000	\$ 579,810	\$ 299,810
Expenditures				
Current				
General government				
Buildings and plant	\$ 298,433	\$ 298,433	\$ 28,145	\$ 270,288
Debt service				
Principal retirement	65,000	65,000	65,000	-
Interest	15,265	15,265	15,265	-
Administrative - fiscal charges	2,000	2,000	1,250	750
Total Expenditures	\$ 380,698	\$ 380,698	\$ 109,660	\$ 271,038
Excess of Revenues Over (Under) Expenditures	\$ (100,698)	\$ (100,698)	\$ 470,150	\$ 570,848
Other Financing Sources (Uses)				
Transfers in	350,000	350,000	541,692	191,692
Change in Fund Balance	\$ 249,302	\$ 249,302	\$ 1,011,842	\$ 762,540
Fund Balance - January 1	1,593,531	1,593,531	1,593,531	-
Fund Balance - December 31	\$ 1,842,833	\$ 1,842,833	\$ 2,605,373	\$ 762,540

**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 8

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 429,150	\$ 429,150	\$ 366,916	\$ (62,234)
Special assessments	15,000	15,000	51,825	36,825
Intergovernmental	20,500	20,500	82,744	62,244
Miscellaneous	-	-	3,207	3,207
Total Revenues	\$ 464,650	\$ 464,650	\$ 504,692	\$ 40,042
Expenditures				
Current				
General government				
Other - general government	\$ 103,000	\$ 103,000	\$ 23,927	\$ 79,073
Public safety				
Other - public safety	94,400	94,400	92,491	1,909
Highways and streets				
Other - highways and streets	201,750	201,750	289,888	(88,138)
Total Expenditures	\$ 399,150	\$ 399,150	\$ 406,306	\$ (7,156)
Excess of Revenues Over (Under)				
Expenditures	\$ 65,500	\$ 65,500	\$ 98,386	\$ 32,886
Fund Balance - January 1	639,641	639,641	639,641	-
Fund Balance - December 31	\$ 705,141	\$ 705,141	\$ 738,027	\$ 32,886

**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 9

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 44,898	\$ (102)
Miscellaneous	4,583	4,583	278	(4,305)
Total Revenues	\$ 49,583	\$ 49,583	\$ 45,176	\$ (4,407)
Expenditures				
Current				
Conservation of natural resources				
Cooperative extension	51,000	51,000	45,579	5,421
Excess of Revenues Over (Under) Expenditures	\$ (1,417)	\$ (1,417)	\$ (403)	\$ 1,014
Fund Balance - January 1	12,506	12,506	12,506	-
Fund Balance - December 31	\$ 11,089	\$ 11,089	\$ 12,103	\$ 1,014

**CROW WING COUNTY
BRainerd, MINNESOTA**

Statement 3

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>CROW WING THIRTY LAKES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 45,264	\$ -	\$ 30,436	\$ 14,828
<u>Liabilities</u>				
Accounts payable	\$ 1,777	\$ -	\$ 1,777	\$ -
Due to other governments	43,487	-	28,659	14,828
Total Liabilities	\$ 45,264	\$ -	\$ 30,436	\$ 14,828

**CENTRAL MINNESOTA COMMUNITY
CORRECTIONS**

<u>Assets</u>				
Cash and pooled investments	\$ 525,072	\$ 3,133,538	\$ 3,390,399	\$ 268,211
Petty cash and change fund	500	-	-	500
Due from other governments	112,091	39,368	-	151,459
Total Assets	\$ 637,663	\$ 3,172,906	\$ 3,390,399	\$ 420,170
<u>Liabilities</u>				
Accounts payable	\$ 46,665	\$ 22,633	\$ 46,665	\$ 22,633
Salaries payable	77,085	94,929	77,085	94,929
Due to other governments	513,913	3,055,344	3,266,649	302,608
Total Liabilities	\$ 637,663	\$ 3,172,906	\$ 3,390,399	\$ 420,170

**CROW WING COUNTY
BRainerd, MINNESOTA**

*Statement 3
(Continued)*

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,696,041	\$ 1,345,321	\$ 1,311,118	\$ 1,730,244
Due from other governments	234,722	374,859	234,722	374,859
Total Assets	<u>\$ 1,930,763</u>	<u>\$ 1,720,180</u>	<u>\$ 1,545,840</u>	<u>\$ 2,105,103</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 1,930,763</u>	<u>\$ 1,720,180</u>	<u>\$ 1,545,840</u>	<u>\$ 2,105,103</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 1,340,586</u>	<u>\$ 74,703,027</u>	<u>\$ 74,062,043</u>	<u>\$ 1,981,570</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 1,340,586</u>	<u>\$ 74,703,027</u>	<u>\$ 74,062,043</u>	<u>\$ 1,981,570</u>
 <u>SELECT TRUST</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 47,320</u>	<u>\$ 279,507</u>	<u>\$ 279,598</u>	<u>\$ 47,229</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 47,320</u>	<u>\$ 279,507</u>	<u>\$ 279,598</u>	<u>\$ 47,229</u>

**CROW WING COUNTY
BRainerd, MINNESOTA**

*Statement 3
(Continued)*

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>BLACK BEAR-MILLER LAKES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 11,208	\$ 989	\$ -	\$ 12,197
<u>Liabilities</u>				
Due to other governments	\$ 11,208	\$ 989	\$ -	\$ 12,197
 <u>4-H PLAT BOOKS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,304	\$ 18,001	\$ 19,345	\$ 960
<u>Liabilities</u>				
Due to other governments	\$ 2,304	\$ 18,001	\$ 19,345	\$ 960
 <u>LAKES AREA WELCOME CENTER</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 4,051	\$ 1,112,358	\$ 1,069,725	\$ 46,684
<u>Liabilities</u>				
Accounts payable	\$ 4,051	\$ 1,112,358	\$ 1,069,725	\$ 46,684

**CROW WING COUNTY
BRAINERD, MINNESOTA**

*Statement 3
(Continued)*

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

	Balance January 1	Additions	Deductions	Balance December 31
<u>SNOWMOBILE TRAILS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 225	\$ 232,748	\$ 216,296	\$ 16,677
<u>Liabilities</u>				
Accounts payable	\$ 225	\$ 232,748	\$ 216,296	\$ 16,677
 <u>GAME AND FISH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 77	\$ 7,660	\$ 6,326	\$ 1,411
<u>Liabilities</u>				
Due to other governments	\$ 77	\$ 7,660	\$ 6,326	\$ 1,411
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 3,672,148	\$ 80,833,149	\$ 80,385,286	\$ 4,120,011
Petty cash and change fund	500	-	-	500
Due from other governments	346,813	414,227	234,722	526,318
Total Assets	\$ 4,019,461	\$ 81,247,376	\$ 80,620,008	\$ 4,646,829
<u>Liabilities</u>				
Accounts payable	\$ 102,342	\$ 1,665,247	\$ 1,633,406	\$ 134,183
Salaries payable	77,085	94,929	77,085	94,929
Due to other governments	3,840,034	79,487,200	78,909,517	4,417,717
Total Liabilities	\$ 4,019,461	\$ 81,247,376	\$ 80,620,008	\$ 4,646,829

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OTHER SCHEDULE

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 10

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

	Total Governmental Funds	Total Enterprise Fund	Total Primary Government	Total Component Units
Shared Revenue				
State				
Highway users tax	\$ 4,030,727	\$ -	\$ 4,030,727	\$ -
PERA rate reimbursement	82,902	595	83,497	-
Disparity reduction aid	14,190	-	14,190	-
Police aid	168,392	-	168,392	-
County program aid	1,464,120	-	1,464,120	-
Market value credit	1,806,561	-	1,806,561	3,177
Taconite credit	378,472	-	378,472	986
Enhanced 911	69,859	-	69,859	-
Total Shared Revenue	\$ 8,015,223	\$ 595	\$ 8,015,818	\$ 4,163
Reimbursement for Services				
State				
Minnesota Department of Human Services	\$ 4,994,878	\$ -	\$ 4,994,878	\$ -
Payments				
Local				
Other contributions	\$ 103,048	\$ -	\$ 103,048	\$ -
Local contributions	85,362	-	85,362	-
Payments in lieu of taxes	178,946	-	178,946	-
Total Payments	\$ 367,356	\$ -	\$ 367,356	\$ -
Grants				
State				
Minnesota Department/Board of				
Public Safety	\$ 13,042	\$ -	\$ 13,042	\$ -
Transportation	328,224	-	328,224	-
Health	334,707	-	334,707	-
Natural Resources	78,810	-	78,810	-
Human Services	2,754,201	-	2,754,201	-
Soil and Water Resources	33,949	-	33,949	-
Office of Environmental Assistance	131,957	-	131,957	-
Total State	\$ 3,674,890	\$ -	\$ 3,674,890	\$ -

**CROW WING COUNTY
BRainerd, MINNESOTA**

*Schedule 10
(Continued)*

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

	<u>Total Governmental Funds</u>	<u>Total Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Total Component Units</u>
Grants (Continued)				
Federal				
Department/Agency				
Agriculture	\$ 233,675	\$ -	\$ 233,675	\$ -
Transportation	506,515	-	506,515	-
Environmental Protection	12,972	-	12,972	-
Health and Human Services	2,181,535	-	2,181,535	-
Homeland Security	393,574	-	393,574	-
Total Federal	\$ 3,328,271	\$ -	\$ 3,328,271	\$ -
Total State and Federal Grants	\$ 7,003,161	\$ -	\$ 7,003,161	\$ -
Total Intergovernmental Revenue	\$ 20,380,618	\$ 595	\$ 20,381,213	\$ 4,163

Below is a reconciliation between the Federal awards granted on the Schedule of Intergovernment Revenue, which is based on modified accrual to the Schedule of Expenditures of Federal Awards, which is based on full accrual accounting.

State administrative matching grant	CFDA #10.561	\$ 45,247
Foster Care Title IV-E	CFDA #93.658	200,910
Prevention/treatment of substance abuse	CFDA #93.959	<u>(22,952)</u>
Total		<u>\$ 223,205</u>

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**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 11

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

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Crow Wing County.
- B. No matters involving internal control over financial reporting were reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
- C. No instances of noncompliance material to the financial statements of Crow Wing County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Crow Wing County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- | | |
|---|--------------|
| Highway Planning and Construction | CFDA #20.205 |
| Title XX Social Services Block Grant | CFDA #93.667 |
| State Domestic Preparedness Equipment Support Program | CFDA #97.004 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Crow Wing County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

Centralized Accounts Receivable System (97-2)

Not all County departments used the centralized accounts receivable system to account for outstanding receivables.

Resolution

When it is practical, departments now use the centralized accounts receivable system. For departments that do not use the centralized system, their procedures adequately track outstanding receivables.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Collateral Coverage (02-1)

The County's deposits did not have sufficient collateral coverage as required by Minn. Stat. § 118A.03, subd. 3.

Resolution

The County's deposits were sufficiently covered by collateral during 2004.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM RESOLVED

Capital Asset Accounting System (00-4)

The County did not have a capital asset system in place to help ensure compliance with Governmental Accounting Standards Board Statement 34 reporting requirements.

Resolution

The County has implemented a new capital asset system which adequately tracks the County's capital assets.

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OTHER REQUIRED REPORTS

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PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners
Crow Wing County

We have audited the financial statements of Crow Wing County as of and for the year ended December 31, 2004, and have issued our report thereon dated August 8, 2005. We did not audit the financial statements of the Serpent Lake Sanitary Sewer District, a discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us. 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. The financial statements of the Serpent Lake Sanitary Sewer District were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crow Wing County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that for the items tested, Crow Wing County complied with the material terms and conditions of applicable legal provisions.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 8, 2005



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PATRICIA ANDERSON
STATE AUDITOR

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

Board of County Commissioners
Crow Wing County

Compliance

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

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

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

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Crow Wing County as of and for the year ended December 31, 2004, and have issued our report thereon dated August 8, 2005. We did not audit the financial statements of the Serpent Lake Sanitary Sewer District, a discretely presented component unit. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Crow Wing County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: August 8, 2005

**CROW WING COUNTY
BRAINERD, MINNESOTA**

Schedule 12

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 187,028	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	91,894	-
Total U.S. Department of Agriculture		\$ 278,922	\$ -
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 488,682	\$ -
State and Community Highway Safety	20.600	2,033	-
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	15,300	-
Interagency Hazardous Material Public Sector Training and Planning Grants (HMEP)	20.703	500	-
Total U.S. Department of Transportation		\$ 506,515	\$ -
U.S. Department of Environmental Protection Agency			
Passed Through Minnesota Department of Health State Indoor Radon Grants	66.032	\$ 12,972	\$ -
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health Immunization Grants	93.268	\$ 1,950	\$ -
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	80,178	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	2,093	-
Block Grant - Prevention/Treatment of Substance Abuse	93.959	55,543	-
Maternal and Child Health Services Block Grant	93.994	70,881	-
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	773,205	-

**CROW WING COUNTY
BRAINERD, MINNESOTA**

*Schedule 12
(Continued)*

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

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	378,193	378,193
Children's Justice Grants to States	93.643	2,831	-
Foster Care Title IV-E	93.658	531,388	-
Social Services Block Grant Title XX	93.667	433,044	-
Chafee Foster Care Independence Program	93.674	30,187	-
Total U.S. Department of Health and Human Services		\$ 2,359,493	\$ 378,193
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	\$ 347,031	\$ -
State and Local Homeland Security Training Program	97.005	6,762	-
Boating Safety Financial Assistance	97.012	12,631	-
Emergency Management Performance Grant	97.042	27,150	-
Total U.S. Department of Homeland Security		\$ 393,574	\$ -
Total Federal Awards		\$ 3,551,476	\$ 378,193

Notes to Schedule of Expenditures of Federal Awards

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