

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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**CROW WING COUNTY**  
**BRAINERD, MINNESOTA**

YEAR ENDED DECEMBER 31, 2005

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

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

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**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**Year Ended December 31, 2005**



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

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**CROW WING COUNTY  
BRAINERD, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
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 Enterprise 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	34
Discretely Presented Component Units		
Combining Statement of Net Assets	Exhibit 11	35
Combining Statement of Activities	Exhibit 12	36
Notes to the Financial Statements		37

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Financial Section (Continued)</b>		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	81
Road and Bridge Special Revenue Fund	Schedule 2	84
Human Services Special Revenue Fund	Schedule 3	85
Land Management Special Revenue Fund	Schedule 4	86
Notes to the Required Supplementary Information		87
Supplementary Information		
Budgetary Comparison Schedule - Debt Service Fund	Schedule 5	88
Combining Balance Sheet - Nonmajor Governmental Funds	Statement 1	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	Statement 2	91
Budgetary Comparison Schedules		
SCORE Special Revenue Fund	Schedule 6	93
County Building Special Revenue Fund	Schedule 7	94
Unorganized Townships Special Revenue Fund	Schedule 8	95
Extension Grants Special Revenue Fund	Schedule 9	96
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	Statement 3	97
Other Schedule		
Schedule of Intergovernmental Revenue	Schedule 10	102

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

TABLE OF CONTENTS  
(Continued)

	<u>Reference</u>	<u>Page</u>
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs	Schedule 11	104
Other Required Reports		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		109
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		112
Schedule of Expenditures of Federal Awards	Schedule 12	115

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**CROW WING COUNTY  
BRAINERD, MINNESOTA**

ORGANIZATION  
2005

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	Deborah A. Erickson	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

\*Denotes 2005 Chair

\*\*Denotes 2006 Chair

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# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
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, 2005, 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 45 percent and 71 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 of Crow Wing County as of December 31, 2005, 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 supplementary information and other schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements 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 October 12, 2006, 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: October 12, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2005

(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, 2005. 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 \$122,092,662 (net assets). Of this amount, \$38,031,539 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$13,019,486. 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, 94 percent, with the balance, 6 percent, provided from the County's solid waste landfill business-type operation.
- As of the close of the 2005 fiscal year, Crow Wing County governmental funds reported combined ending fund balances of \$41,919,541, compared to \$70,109,288 reported at the close of the 2004 fiscal year. Approximately 51 percent of this amount, \$21,572,443, 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 \$9,427,279, or 44 percent, of total General Fund expenditures, an increase of \$1,590,566 in comparison with the prior year.
- Crow Wing County bonded debt decreased by \$1,381,000, or 2 percent, to \$59,682,050 during the current fiscal year. Crow Wing County did not issue any new debt in 2005.

## **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 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 Trust 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 37 through 80 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 81 through 87. 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 88 through 103 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 \$122,092,662 at the close of the most recent fiscal year, which is an increase of \$13,019,486 over 2004.

Capital assets, net of related debt, of \$76,410,310 (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 (63 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 (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$38,031,539.

#### Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
Current and other assets	\$ 65,342,826	\$ 87,181,700	\$ 10,070,254	\$ 8,678,923	\$ 75,413,080	\$ 95,860,623
Capital assets	117,327,246	82,912,163	2,206,100	2,510,647	119,533,346	85,422,810
<b>Total Assets</b>	<b>\$ 182,670,072</b>	<b>\$ 170,093,863</b>	<b>\$ 12,276,354</b>	<b>\$ 11,189,570</b>	<b>\$ 194,946,426</b>	<b>\$ 181,283,433</b>
Long-term liabilities outstanding	\$ 57,508,458	\$ 63,098,994	\$ 1,243,393	\$ 988,674	\$ 58,751,851	\$ 64,087,668
Other liabilities	14,007,901	8,092,431	94,012	30,158	14,101,913	8,122,589
<b>Total Liabilities</b>	<b>\$ 71,516,359</b>	<b>\$ 71,191,425</b>	<b>\$ 1,337,405</b>	<b>\$ 1,018,832</b>	<b>\$ 72,853,764</b>	<b>\$ 72,210,257</b>

	Governmental Activities		Business-Type Activities		Total	
	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
Net Assets						
Invested in capital assets, net of related debt	\$ 74,204,210	\$ 68,619,346	\$ 2,206,100	\$ 2,510,647	\$ 76,410,310	\$ 71,129,993
Restricted	7,650,813	47,686,756	-	-	7,650,813	47,686,756
Unrestricted	29,298,690	(17,403,664)	8,732,849	7,660,091	38,031,539	(9,743,573)
Total Net Assets	\$ 111,153,713	\$ 98,902,438	\$ 10,938,949	\$ 10,170,738	\$ 122,092,662	\$ 109,073,176

In 2005, the County was able to report positive balances in all three categories of net assets, including the government as a whole, as well as for its separate governmental and business-type activities. At the end of 2004, Crow Wing County was 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.

Crow Wing County's net assets increased \$13,019,486 over 2004. This increase is the result of many surpluses and deficits, but the primary changes include an increase in construction in progress of \$24,131,089, 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 \$12,251,274, thereby accounting for 94 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 \$35,914,021. The majority of the increase in capital assets was from construction in progress.

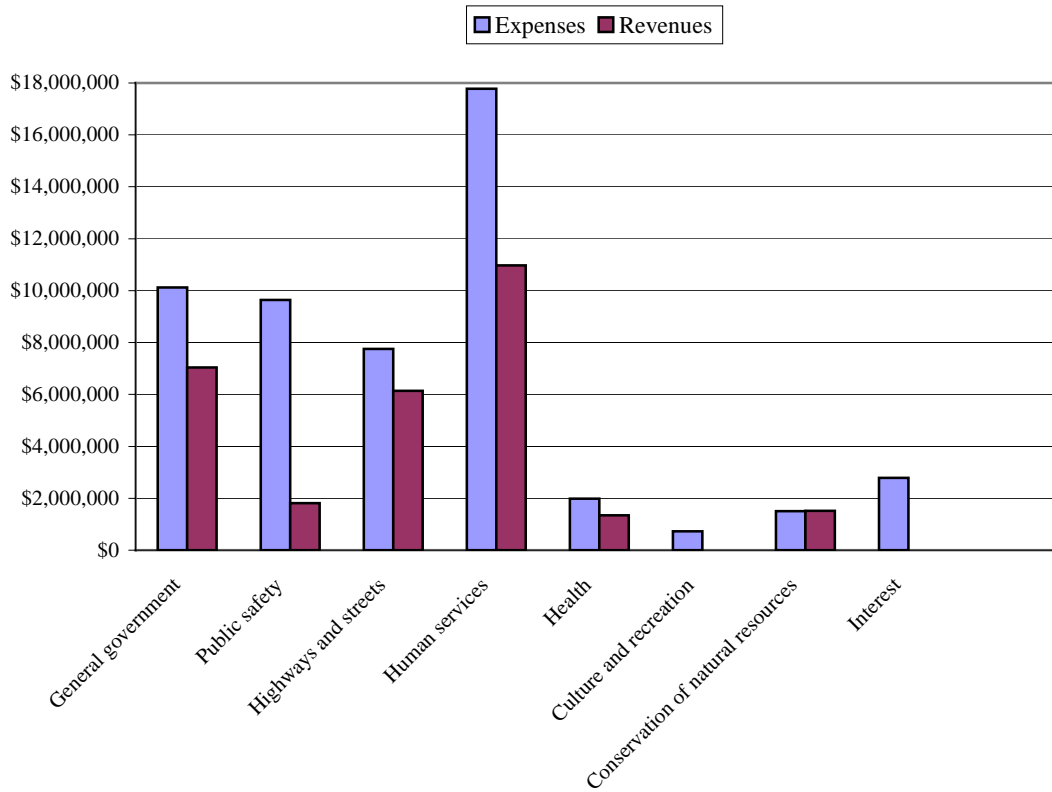
**Business-Type Activities.** Business-type activities increased Crow Wing County's net assets by \$768,212, accounting for six percent of the total change in the government's net assets.

#### Changes in Net Assets

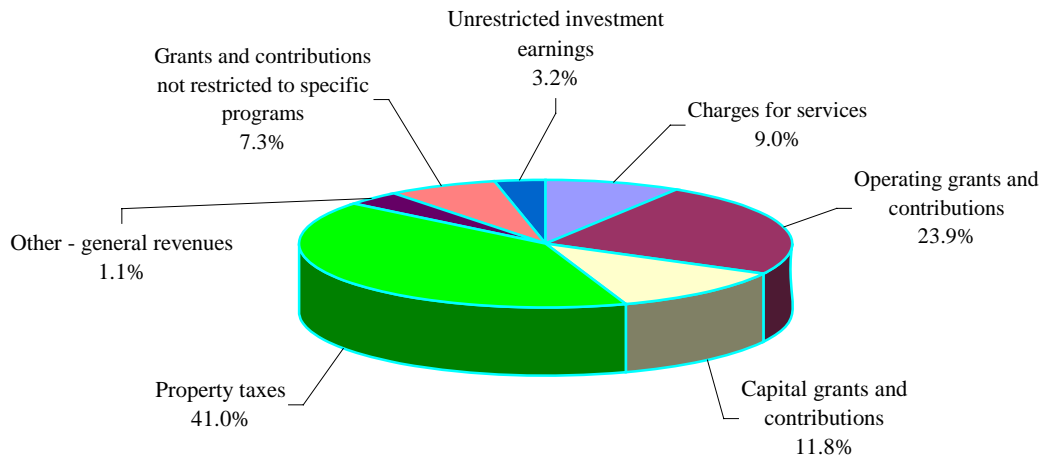
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for services	\$ 5,819,345	\$ 5,136,103	\$ 2,029,358	\$ 1,907,989	\$ 7,848,703	\$ 7,044,092
Operating grants and contributions	15,423,277	14,626,197	-	-	15,423,277	14,626,197
Capital grants and contributions	7,592,536	6,516,982	-	-	7,592,536	6,516,982
General revenues						
Property taxes	26,498,197	19,414,981	-	-	26,498,197	19,414,981
Mortgage registry and deed tax	146,693	118,252	-	-	146,693	118,252
Payments in lieu of tax	190,000	178,946	-	-	190,000	178,946
Grants and contributions not restricted to specific programs	4,714,976	3,959,078	595	595	4,715,571	3,959,673
Investment income	2,075,010	865,991	104,887	95,446	2,179,897	961,437
Gain/(Loss) on asset disposition	191,507	5,507	-	-	191,507	5,507
Miscellaneous	1,889,873	1,311,335	-	-	1,889,873	1,311,335
Transfers in (out)	11,324	873,861	(11,324)	(873,861)	-	-
Total Revenues	\$ 64,552,738	\$ 53,007,233	\$ 2,123,516	\$ 1,130,169	\$ 66,676,254	\$ 54,137,402

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses						
General government	\$ 10,119,770	\$ 8,410,374	\$ -	\$ -	\$ 10,119,770	\$ 8,410,374
Public safety	9,639,617	8,652,980	-	-	9,639,617	8,652,980
Highways and streets	7,760,742	4,549,813	-	-	7,760,742	4,549,813
Human services	17,782,967	15,428,313	-	-	17,782,967	15,428,313
Health	1,982,727	1,638,986	-	-	1,982,727	1,638,986
Culture and recreation	722,320	652,557	-	-	722,320	652,557
Conservation of natural resources	1,503,147	1,379,160	-	-	1,503,147	1,379,160
Economic development	-	12,956	-	-	-	12,956
Interest	2,790,174	1,428,406	-	-	2,790,174	1,428,406
Operating expenses solid waste	-	-	1,355,304	1,045,288	1,355,304	1,045,288
<b>Total Expenses</b>	<b>\$ 52,301,464</b>	<b>\$ 42,153,545</b>	<b>\$ 1,355,304</b>	<b>\$ 1,045,288</b>	<b>\$ 53,656,768</b>	<b>\$ 43,198,833</b>
Increase (Decrease) in Net Assets	\$ 12,251,274	\$ 10,853,688	\$ 768,212	\$ 84,881	\$ 13,019,486	\$ 10,938,569
Net Assets - January 1	\$ 98,909,781	\$ 87,136,739	\$ 9,738,654	\$ 9,653,773	\$ 108,648,435	\$ 96,790,512
Prior period adjustment	(7,342)	919,354	432,083	-	424,741	919,354
Net Assets - January 1, as adjusted	\$ 98,902,439	\$ 88,056,093	\$ 10,170,737	\$ 9,653,773	\$ 109,073,176	\$ 97,709,866
Net Assets - December 31	\$ 111,153,713	\$ 98,909,781	\$ 10,938,949	\$ 9,738,654	\$ 122,092,662	\$ 108,648,435

### 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's 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 \$41,919,541, a decrease of \$28,189,747 in comparison with the prior year. Of this total amount, \$21,572,443 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has already been committed for specific purposes. Most of the reserved fund balance is due to reserve for encumbrances for construction projects (\$15,577,688) and environmental uses (\$1,846,499). Crow Wing County has designated \$4,623,682 for debt service.

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 \$9,210,212, while the total fund balance was \$10,431,383. 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 43 percent of the total General Fund expenditures, while total fund balance represents 49 percent of that same amount.

The fund balance of Crow Wing County's General Fund increased \$1,944,523 over 2004. This change is primarily due to unexpended budget for personnel costs, increase in investment earnings, and additional recording fees. Interest rates continued to grow throughout the year in 2005.

The Road and Bridge Special Revenue Fund had a total fund balance of \$39,440 at the end of the current fiscal year. The fund balance of the Road and Bridge Special Revenue Fund decreased by \$717,536 during the current fiscal year. This is primarily due to the timing of construction projects.

The Human Services Special Revenue Fund had a total fund balance of \$9,075,415 at the end of the current fiscal year. The fund balance of the Human Services Special Revenue Fund increased by \$70,459 during the current fiscal year. This change is primarily due to a reduction in expenditures.

The Land Management Special Revenue Fund had a total fund balance of \$204,781 at the end of the current fiscal year. The fund balance of the Land Management Special Revenue Fund decreased by \$49,724 during the current fiscal year.

The Debt Service Fund total fund balance of \$4,623,682 is designated for the payment of debt service. The fund balance of the Debt Service Fund increased by \$1,932,516 during the current fiscal year.

The Capital Projects Fund has a total fund balance of \$9,540,577 at the end of the current fiscal year. The fund balance of the Capital Projects Fund decreased by \$32,995,164 during the current fiscal year. This decrease is due to the spending down of proceeds related to bonds issued during 2004 in the combined amount of \$50,970,000.

**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**

Budgets can be amended during the year by the County Board. Budget change requests are reviewed by the County Administrator's Office and submitted to the County Board for their review and approval.

Overall, the final amended budget did not change in total when compared to the original budget. However, several reallocations of expenditures were approved to allow for better tracking of expenditures within departments.

## 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, 2005, amounts to \$119,533,346 (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 43.4 percent.

Major capital asset events during 2005 included 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 \$43,004,418.

#### Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
Land	\$ 2,855,963	\$ 1,486,850	\$ -	\$ -	\$ 2,855,963	\$ 1,486,850
Construction in progress	43,004,418	18,647,710	-	225,619	43,004,418	18,873,329
Infrastructure - right-of-way	1,692,952	1,645,349	-	-	1,692,952	1,645,349
Buildings	9,046,027	9,544,153	722,264	468,262	9,768,291	10,012,415
Machinery, furniture, and equipment	3,143,967	2,918,891	71,669	86,072	3,215,636	3,004,963
Infrastructure	57,583,919	48,669,210	-	-	57,583,919	48,669,210
Landfill	-	-	1,412,167	1,730,694	1,412,167	1,730,694
<b>Total</b>	<b>\$ 117,327,246</b>	<b>\$ 82,912,163</b>	<b>\$ 2,206,100</b>	<b>\$ 2,510,647</b>	<b>\$ 119,533,346</b>	<b>\$ 85,422,810</b>

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 2005, Crow Wing County had total bonded debt outstanding of \$59,682,050. This is a decrease of \$1,381,000 from the start of the year due to paying of debt in debt service payments. No new debt was issued in 2005. 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	
	2005	2004
General obligation bonds	\$ 54,900,000	\$ 55,800,000
Certificates of participation	150,000	220,000
Capital lease	1,582,050	1,635,050
Facility lease revenue bonds	3,050,000	3,355,000
Total	\$ 59,682,050	\$ 61,010,050

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 2005 debt limitation for Crow Wing County is \$182,745,638, which is significantly in excess of Crow Wing County's outstanding debt of \$59,682,050.

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 2006 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 taxable net tax capacity increased by 16.1 percent in 2006 and 15.6 percent in 2007.
- Crow Wing County continues to have one of the lowest tax capacity rates in the State of Minnesota. Crow Wing County's tax capacity rate for 2006 is 37.275 percent, which is the ninth lowest of the 87 counties in Minnesota.
- Property tax reforms and budget deficits at the state level significantly impacted government aid payments made to the County over the past couple of years. It is anticipated that in 2006 and 2007, Crow Wing County will see a reduction in County program aid by \$181,059 and \$346,642, respectively. The projected level of 2006 and 2007 County program aid is \$1,746,604 and \$1,399,962, respectively. Estimated 2007 County program aid is 48.6 percent less than the 2003 original certified amount of \$2,722,715 for similar state aids before the state-made major cuts.
- Health insurance premiums for 2006 were increased 30.0 percent in an attempt to cover rising health care costs.

On December 13, 2005, the Crow Wing County Board of Commissioners approved the 2006 budget for \$63,333,642. This is an overall increase of \$7,503,392, or 13.4 percent. The 2006 total levy is \$31,321,860, which is an increase of \$3,311,214 compared to the 2005 levy of \$28,010,646. The 2006 budget includes an 11.8 percent overall property tax levy increase.

On September 5, 2006 the Crow Wing County Board of Commissioners approved the 2007 proposed levy of \$33,500,000, which is a 7.0 percent increase over 2006. If this levy is not reduced further in December 2006 when the Board has to certify the 2007 final budget and levy, it would produce a tax capacity rate for 2007 of 34.374 percent, which is a reduction in the tax capacity rate of 2.9 percent over 2006.

## **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 Deborah A. Erickson, Crow Wing County Courthouse, 326 Laurel Street, Brainerd, Minnesota 56401. You may also contact us via email at [cwcauditor@co.crow-wing.mn.us](mailto:cwcauditor@co.crow-wing.mn.us), or visit our web site at [www.co.crow-wing.mn.us](http://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, 2005**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and pooled investments	\$ 32,714,467	\$ 5,986,295	\$ 38,700,762	\$ 446,731
Petty cash and change funds	3,165	-	3,165	-
Cash with fiscal agent	-	-	-	191,340
Investments	14,305,558	-	14,305,558	-
Taxes receivable				
Prior - net	680,931	-	680,931	84
Special assessments receivable - net	50,367	-	50,367	-
Accounts receivable - net	203,238	132,281	335,519	37,191
Accrued interest receivable	725,524	-	725,524	2,019
Loan receivable	-	-	-	334,821
Contracts receivable	631,492	-	631,492	-
Internal balances	(7,561)	7,561	-	-
Due from other governments	2,612,872	-	2,612,872	1,312,098
Lease receivable	-	-	-	3,050,000
Inventories	665,002	-	665,002	-
Prepaid items	299,924	-	299,924	-
Restricted assets				
Cash and pooled investments	-	3,944,117	3,944,117	636,742
Deferred charges	124,321	-	124,321	58,282
Investment in joint venture	12,333,526	-	12,333,526	-
Capital assets				
Non-depreciable	47,553,333	-	47,553,333	35,000
Depreciable - net of accumulated depreciation	69,773,913	2,206,100	71,980,013	3,412,275
<b>Total Assets</b>	<b>\$ 182,670,072</b>	<b>\$ 12,276,354</b>	<b>\$ 194,946,426</b>	<b>\$ 9,516,583</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,114,265	\$ 83,340	\$ 1,197,605	\$ 12,151
Salaries payable	688,139	2,063	690,202	-
Accrued payroll taxes	86,253	261	86,514	-
Other accrued liabilities	-	-	-	4,883
Contracts payable	5,429,207	-	5,429,207	-
Due to other governments	1,116,296	-	1,116,296	-
Accrued interest payable	1,002,566	-	1,002,566	35,034
Unearned revenue	325,936	-	325,936	3,050,000
Long-term liabilities				
Due within one year	4,245,239	8,348	4,253,587	139,058
Due in more than one year	57,508,458	1,243,393	58,751,851	1,758,398
<b>Total Liabilities</b>	<b>\$ 71,516,359</b>	<b>\$ 1,337,405</b>	<b>\$ 72,853,764</b>	<b>\$ 4,999,524</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	<b>Primary Government</b>			<b>Discretely Presented Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Net Assets</u></b>				
Invested in capital assets - net of related debt	\$ 74,204,210	\$ 2,206,100	\$ 76,410,310	\$ 2,885,062
Restricted for				
General government	436,907	-	436,907	-
Public safety	229,442	-	229,442	-
Conservation of natural resources	1,591,560	-	1,591,560	-
Debt service	3,509,311	-	3,509,311	5,036
Environmental uses - expendable	37,094	-	37,094	-
Environmental uses - nonexpendable	1,846,499	-	1,846,499	-
Unrestricted	29,298,690	8,732,849	38,031,539	1,626,961
<b>Total Net Assets</b>	<b>\$ 111,153,713</b>	<b>\$ 10,938,949</b>	<b>\$ 122,092,662</b>	<b>\$ 4,517,059</b>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 10,119,770	\$ 2,111,830	\$ 379,255
Public safety	9,639,617	1,109,738	706,939
Highways and streets	7,760,742	521,201	3,176,125
Human services	17,782,967	821,101	10,147,324
Health	1,982,727	486,550	861,754
Culture and recreation	722,320	200	-
Conservation of natural resources	1,503,147	768,725	151,880
Interest	2,790,174	-	-
<b>Total governmental activities</b>	<b>\$ 52,301,464</b>	<b>\$ 5,819,345</b>	<b>\$ 15,423,277</b>
<b>Business-type activities</b>			
Solid waste	1,355,304	2,029,358	-
<b>Total primary government</b>	<b>\$ 53,656,768</b>	<b>\$ 7,848,703</b>	<b>\$ 15,423,277</b>
<b>Component units</b>			
Housing and Redevelopment Authority	\$ 133,987	\$ 109,997	\$ -
Serpent Lake Sanitary Sewer District	361,213	456,188	-
<b>Total component units</b>	<b>\$ 495,200</b>	<b>\$ 566,185</b>	<b>\$ -</b>

**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	
\$ 4,550,167	\$ (3,078,518)	\$ -	\$ (3,078,518)	
-	(7,822,940)	-	(7,822,940)	
2,440,848	(1,622,568)	-	(1,622,568)	
-	(6,814,542)	-	(6,814,542)	
-	(634,423)	-	(634,423)	
-	(722,120)	-	(722,120)	
601,521	18,979	-	18,979	
-	(2,790,174)	-	(2,790,174)	
<b>\$ 7,592,536</b>	<b>\$ (23,466,306)</b>	<b>\$ -</b>	<b>\$ (23,466,306)</b>	
-	-	674,054	674,054	
<b>\$ 7,592,536</b>	<b>\$ (23,466,306)</b>	<b>\$ 674,054</b>	<b>\$ (22,792,252)</b>	
\$ -				\$ (23,990)
-				94,975
<b>\$ -</b>				<b>\$ 70,985</b>
	\$ 26,498,197	\$ -	\$ 26,498,197	\$ 54,907
	146,693	-	146,693	-
	190,000	-	190,000	-
	4,714,976	595	4,715,571	4,263
	2,075,010	104,887	2,179,897	41,166
	1,889,873	-	1,889,873	-
	191,507	-	191,507	-
	11,324	(11,324)	-	-
	<b>\$ 35,717,580</b>	<b>\$ 94,158</b>	<b>\$ 35,811,738</b>	<b>\$ 100,336</b>
	<b>\$ 12,251,274</b>	<b>\$ 768,212</b>	<b>\$ 13,019,486</b>	<b>\$ 171,321</b>
	\$ 98,909,781	\$ 9,738,654	\$ 108,648,435	\$ 4,345,738
	(7,342)	432,083	424,741	-
	<b>\$ 98,902,439</b>	<b>\$ 10,170,737</b>	<b>\$ 109,073,176</b>	<b>\$ 4,345,738</b>
	<b>\$ 111,153,713</b>	<b>\$ 10,938,949</b>	<b>\$ 122,092,662</b>	<b>\$ 4,517,059</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 9,274,331	\$ 790,067	\$ 9,008,324
Petty cash and change funds	3,065	-	-
Investments	21,544	-	-
Taxes receivable			
Prior	328,672	62,645	154,611
Special assessments			
Prior	-	-	-
Accounts receivable	197,501	641	-
Accrued interest receivable	588,074	-	-
Contracts receivable	-	-	-
Due from other funds	1,321,919	53,796	-
Due from other governments	312,309	691,947	1,594,007
Prepaid expense	299,924	-	-
Inventories	-	665,002	-
	<b>\$ 12,347,339</b>	<b>\$ 2,264,098</b>	<b>\$ 10,756,942</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 354,948	\$ 119,916	\$ 611,163
Salaries payable	414,275	63,470	196,898
Accrued payroll taxes payable	52,286	7,894	24,394
Contracts payable	-	228,566	-
Due to other funds	45,892	1,000,000	268,214
Due to other governments	567,123	2,700	216,956
Deferred revenue - unavailable	481,432	542,746	363,902
Deferred revenue - unearned	-	259,366	-
	<b>\$ 1,915,956</b>	<b>\$ 2,224,658</b>	<b>\$ 1,681,527</b>

**EXHIBIT 3**

<u>Land Management</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,356,275	\$ 4,623,682	\$ 315,109	\$ 7,346,679	\$ 32,714,467
100	-	-	-	3,165
-	-	14,284,014	-	14,305,558
-	115,775	-	19,228	680,931
-	-	-	50,367	50,367
74	-	-	5,022	203,238
-	-	126,463	10,987	725,524
631,492	-	-	-	631,492
-	-	-	711,997	2,087,712
-	-	-	14,609	2,612,872
-	-	-	-	299,924
-	-	-	-	665,002
<b>\$ 1,987,941</b>	<b>\$ 4,739,457</b>	<b>\$ 14,725,586</b>	<b>\$ 8,158,889</b>	<b>\$ 54,980,252</b>
\$ 13,001	\$ -	\$ 11,602	\$ 3,635	\$ 1,114,265
9,976	-	-	3,520	688,139
1,239	-	-	440	86,253
27,234	-	5,173,407	-	5,429,207
770,701	-	-	10,466	2,095,273
329,517	-	-	-	1,116,296
631,492	115,775	-	69,995	2,205,342
-	-	-	66,570	325,936
<b>\$ 1,783,160</b>	<b>\$ 115,775</b>	<b>\$ 5,185,009</b>	<b>\$ 154,626</b>	<b>\$ 13,060,711</b>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>(Continued)</b>			
<b>Fund Balances</b>			
Reserved for			
Encumbrances	\$ -	\$ 25,068	\$ -
Inventories	-	665,002	-
SCORE	-	-	-
Law library	48,037	-	-
Recorder's equipment purchases	236,113	-	-
Recorder's unallocated land based	152,757	-	-
Enhanced 911	229,442	-	-
Environmental uses	-	-	-
Parks	337,755	-	-
Unreserved			
Designated for debt service	-	-	-
Designated for K-9 unit	7,814	-	-
Designated for bomb squad	49,734	-	-
Designated for drug contingency	5,000	-	-
Designated for Sheriff's shared equipment	9,524	-	-
Designated for attorney's forfeiture	56,271	-	-
Designated for children's trust	7,456	-	-
Designated for healthy lakes	2,400	-	-
Designated for veterans service van	13,867	-	-
Designated for alcohol account	22,627	-	-
Designated for rifle range	6,043	-	-
Designated for dive team	5,326	-	-
Designated for County grants	17,265	-	-
Designated for lake area drug investigation	7,774	-	-
Designated for mounted patrol	2,922	-	-
Designated for human rights commission	544	-	-
Designated for fitness equipment	2,500	-	-
Undesignated	9,210,212	(650,630)	9,075,415
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Permanent fund	-	-	-
<b>Total Fund Balances</b>	<b>\$ 10,431,383</b>	<b>\$ 39,440</b>	<b>\$ 9,075,415</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,347,339</b>	<b>\$ 2,264,098</b>	<b>\$ 10,756,942</b>

**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>
\$ -	\$ -	\$ 15,552,620	\$ -	\$ 15,577,688
-	-	-	-	665,002
-	-	-	1,253,805	1,253,805
-	-	-	-	48,037
-	-	-	-	236,113
-	-	-	-	152,757
-	-	-	-	229,442
-	-	-	1,846,499	1,846,499
-	-	-	-	337,755
-	4,623,682	-	-	4,623,682
-	-	-	-	7,814
-	-	-	-	49,734
-	-	-	-	5,000
-	-	-	-	9,524
-	-	-	-	56,271
-	-	-	-	7,456
-	-	-	-	2,400
-	-	-	-	13,867
-	-	-	-	22,627
-	-	-	-	6,043
-	-	-	-	5,326
-	-	-	-	17,265
-	-	-	-	7,774
-	-	-	-	2,922
-	-	-	-	544
-	-	-	-	2,500
204,781	-	(6,012,043)	-	11,827,735
-	-	-	4,866,865	4,866,865
-	-	-	37,094	37,094
<u>\$ 204,781</u>	<u>\$ 4,623,682</u>	<u>\$ 9,540,577</u>	<u>\$ 8,004,263</u>	<u>\$ 41,919,541</u>
<u>\$ 1,987,941</u>	<u>\$ 4,739,457</u>	<u>\$ 14,725,586</u>	<u>\$ 8,158,889</u>	<u>\$ 54,980,252</u>

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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, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 13,066,755	\$ 2,231,024	\$ 5,473,202
Special assessments	-	-	-
Licenses and permits	814,620	-	-
Intergovernmental	4,749,617	5,700,951	11,327,162
Charges for services	2,286,979	1,044,659	62,838
Fines and forfeits	27,057	-	-
Gifts and contributions	18,004	-	-
Investment earnings	1,217,672	-	-
Sales	-	-	-
Miscellaneous	1,054,350	27,786	758,263
<b>Total Revenues</b>	<b>\$ 23,235,054</b>	<b>\$ 9,004,420</b>	<b>\$ 17,621,465</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 9,400,654	\$ -	\$ -
Public safety	9,173,266	-	-
Highways and streets	-	9,802,823	-
Human services	-	-	17,551,006
Health	1,892,892	-	-
Culture and recreation	707,584	-	-
Conservation of natural resources	191,220	-	-
<b>Capital outlay</b>	-	-	-
<b>Debt service</b>			
Principal	-	53,000	-
Interest	-	63,132	-
Administrative (fiscal) charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 21,365,616</b>	<b>\$ 9,918,955</b>	<b>\$ 17,551,006</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,869,438</b>	<b>\$ (914,535)</b>	<b>\$ 70,459</b>

**EXHIBIT 5**

<b>Land Management</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 5,282,352	\$ -	\$ 462,537	\$ 26,515,870
-	-	-	567,024	567,024
989,146	-	-	-	1,803,766
61,323	604,744	-	254,661	22,698,458
1,332	-	-	358,948	3,754,756
-	-	-	3,000	30,057
-	-	-	-	18,004
-	-	789,584	71,004	2,078,260
565,775	-	-	-	565,775
45,680	57,619	586,598	1,189,528	3,719,824
<b>\$ 1,663,256</b>	<b>\$ 5,944,715</b>	<b>\$ 1,376,182</b>	<b>\$ 2,906,702</b>	<b>\$ 61,751,794</b>
\$ 1,098,393	\$ -	\$ 167,684	\$ 108,059	\$ 10,774,790
-	-	116,096	149,221	9,438,583
-	-	13,900	174,124	9,990,847
-	-	308,373	-	17,859,379
-	-	80,122	-	1,973,014
-	-	-	-	707,584
614,587	-	314	678,713	1,484,834
-	-	33,657,875	43,271	33,701,146
-	1,205,000	-	70,000	1,328,000
-	2,805,673	-	11,885	2,880,690
-	1,526	26,982	1,250	29,758
<b>\$ 1,712,980</b>	<b>\$ 4,012,199</b>	<b>\$ 34,371,346</b>	<b>\$ 1,236,523</b>	<b>\$ 90,168,625</b>
<b>\$ (49,724)</b>	<b>\$ 1,932,516</b>	<b>\$ (32,995,164)</b>	<b>\$ 1,670,179</b>	<b>\$ (28,416,831)</b>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 56,324	\$ -	\$ -
Transfers out	-	-	-
Proceeds from sale of capital assets	18,761	203,850	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 75,085</b>	<b>\$ 203,850</b>	<b>\$ -</b>
<b>Change in Fund Balance</b>	<b>\$ 1,944,523</b>	<b>\$ (710,685)</b>	<b>\$ 70,459</b>
<b>Fund Balance - January 1</b>	<b>8,486,860</b>	<b>756,976</b>	<b>9,004,956</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(6,851)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 10,431,383</u></b>	<b><u>\$ 39,440</u></b>	<b><u>\$ 9,075,415</u></b>

**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>
\$ -	\$ -	\$ -	\$ 350,000	\$ 406,324
-	-	-	(395,000)	(395,000)
-	-	-	-	222,611
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (45,000)</u>	<u>\$ 233,935</u>
\$ (49,724)	\$ 1,932,516	\$ (32,995,164)	\$ 1,625,179	\$ (28,182,896)
254,505	2,691,166	42,535,741	6,379,084	70,109,288
-	-	-	-	(6,851)
<u>\$ 204,781</u>	<u>\$ 4,623,682</u>	<u>\$ 9,540,577</u>	<u>\$ 8,004,263</u>	<u>\$ 41,919,541</u>

**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, 2005**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (28,182,896)**

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	\$ 37,533,039	
Current year depreciation	(2,465,110)	35,067,929

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. (652,846)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (23,290)

Increase in joint venture does not provide current financial resources and is not reported as revenue in the funds. 4,550,167

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	\$ 900,000	
Certificates of participation	70,000	
Capital lease	53,000	
Facility lease revenue bonds	305,000	1,328,000

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	\$ 114,209	
Amortization of premiums and bond issuance costs	5,616	
Change in compensated absences	51,236	
Change in inventories	(6,851)	164,210

**Change in net assets of governmental activities (Exhibit 2) \$ 12,251,274**

**SOLID WASTE ENTERPRISE FUND**

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**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET ASSETS  
SOLID WASTE ENTERPRISE FUND  
DECEMBER 31, 2005**

**Assets**

Current assets	
Cash and pooled investments	\$ 5,986,295
Accounts receivable - net	132,281
Due from other funds	8,786
	<hr/>
<b>Total current assets</b>	<b>\$ 6,127,362</b>
Restricted assets	
Cash and pooled investments	3,944,117
Noncurrent assets	
Capital assets depreciable - net	2,206,100
	<hr/>
<b>Total Assets</b>	<b>\$ 12,277,579</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 83,340
Salaries payable	2,063
Accrued payroll taxes	261
Compensated absences payable - current	8,348
Due to other funds	1,225
	<hr/>
<b>Total current liabilities</b>	<b>\$ 95,237</b>
Noncurrent liabilities	
Compensated absences payable - long-term	\$ 928
Estimated liability for landfill closure and postclosure costs	1,242,465
	<hr/>
<b>Total noncurrent liabilities</b>	<b>\$ 1,243,393</b>
<b>Total Liabilities</b>	<b>\$ 1,338,630</b>

**Net Assets**

Invested in capital assets	\$ 2,206,100
Unrestricted	8,732,849
	<hr/>
<b>Total Net Assets</b>	<b>\$ 10,938,949</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
SOLID WASTE ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Operating Revenues</b>	
Charges for services	\$ 2,027,708
Licenses and permits	1,650
	2,029,358
<b>Total Operating Revenues</b>	<b>\$ 2,029,358</b>
<b>Operating Expenses</b>	
Personal services	\$ 57,573
Employee benefits and payroll taxes	17,217
Contracted services	346,254
Other services and charges	48,878
Supplies	82,321
Telephone	519
Utilities	29,090
Fuel	4,731
Advertising	5,156
Licenses and dues	1,814
Postage	5,974
Vehicle expense	11,942
Rent and leased equipment	199
Miscellaneous	55,693
Depreciation	417,270
Landfill closure and postclosure costs	262,085
	1,346,716
<b>Total Operating Expenses</b>	<b>\$ 1,346,716</b>
<b>Operating Income (Loss)</b>	<b>\$ 682,642</b>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 595
Interest income	104,887
Gain (loss) on disposal of capital assets	(8,588)
	96,894
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 96,894</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ 779,536</b>
Transfer in	45,000
Transfer out	(56,324)
	768,212
<b>Change in Net Assets</b>	<b>\$ 768,212</b>
<b>Net Assets - January 1, as restated (Note 2.C.)</b>	<b>10,170,737</b>
<b>Net Assets - December 31</b>	<b>\$ 10,938,949</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
SOLID WASTE ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 2,182,511
Payments to suppliers	(644,889)
Payments to employees	(74,009)
	<b>\$ 1,463,613</b>
<b>Cash Flows From Noncapital Financing Activities</b>	
Intergovernmental revenue	\$ 595
Transfers in	45,000
Transfers out	(56,324)
	<b>\$ (10,729)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Purchase of capital assets	\$ (121,312)
<b>Cash Flows From Investing Activities</b>	
Investment earnings received	\$ 104,887
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 1,436,459</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>8,493,953</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 9,930,412</b>
<b>Cash and Cash Equivalents - Exhibit 7</b>	
Cash and pooled investments	\$ 5,986,295
Restricted cash and pooled investments	3,944,117
	<b>\$ 9,930,412</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b>\$ 682,642</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 417,270
(Increase) decrease in accounts receivable	(3,484)
(Increase) decrease in due from other funds	156,637
Increase (decrease) in accounts payable	55,707
Increase (decrease) in salaries payable	(169)
Increase (decrease) in compensated absences payable	982
Increase (decrease) in due to other funds	(108,025)
Increase (decrease) in accrued payroll taxes	(32)
Increase (decrease) in landfill closure costs	262,085
	<b>\$ 780,971</b>
<b>Total adjustments</b>	<b>\$ 780,971</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,463,613</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
SOLID WASTE ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005  
Increase (Decrease) in Cash and Cash Equivalents**

**Noncash investing, capital, and financing activities**

Disposal of capital assets

Cost

\$ 30,555

Net book value

8,588

**FIDUCIARY FUNDS**

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**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**EXHIBIT 10**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 4,737,035
Petty cash and change funds	150
Due from other governments	<u>373,209</u>
<b>Total Assets</b>	<b><u>\$ 5,110,394</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 84,725
Salaries payable	99,132
Due to other governments	<u>4,926,537</u>
<b>Total Liabilities</b>	<b><u>\$ 5,110,394</u></b>

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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, 2005**

	<b>Housing and Redevelopment Authority</b>	<b>Serpent Lake Sanitary Sewer District</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 311,758	\$ 134,973	\$ 446,731
Cash and investments with fiscal agent	191,340	-	191,340
Taxes receivable			
Prior	84	-	84
Accounts receivable - net	-	37,191	37,191
Accrued interest receivable	-	2,019	2,019
Loan receivable	334,821	-	334,821
Due from other governments	1,312,098	-	1,312,098
Lease receivable	3,050,000	-	3,050,000
<b>Total current assets</b>	<b>\$ 5,200,101</b>	<b>\$ 174,183</b>	<b>\$ 5,374,284</b>
<b>Noncurrent assets</b>			
Restricted cash and cash equivalents	\$ -	\$ 636,742	\$ 636,742
Deferred charges	47,958	10,324	58,282
Capital assets			
Nondepreciable	-	35,000	35,000
Depreciable - net	-	3,412,275	3,412,275
<b>Total noncurrent assets</b>	<b>\$ 47,958</b>	<b>\$ 4,094,341</b>	<b>\$ 4,142,299</b>
<b>Total Assets</b>	<b>\$ 5,248,059</b>	<b>\$ 4,268,524</b>	<b>\$ 9,516,583</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ -	\$ 12,151	\$ 12,151
Other accrued liabilities	-	4,883	4,883
Accrued interest payable	34,170	864	35,034
Deferred revenue - unearned	3,050,000	-	3,050,000
General obligation bonds payable - current	4,058	135,000	139,058
<b>Total current liabilities</b>	<b>\$ 3,088,228</b>	<b>\$ 152,898</b>	<b>\$ 3,241,126</b>
<b>Noncurrent liabilities</b>			
General obligation bonds and notes payable - long-term	\$ 1,331,185	\$ 427,213	\$ 1,758,398
<b>Total Liabilities</b>	<b>\$ 4,419,413</b>	<b>\$ 580,111</b>	<b>\$ 4,999,524</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ -	\$ 2,885,062	\$ 2,885,062
Restricted for debt service	5,036	-	5,036
Unrestricted	823,610	803,351	1,626,961
<b>Total Net Assets</b>	<b>\$ 828,646</b>	<b>\$ 3,688,413</b>	<b>\$ 4,517,059</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*EXHIBIT 12*

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Program Revenues Fees, Charges, Fines, and Other	Net (Expense) Revenue and Changes in Net Assets		
			Housing and Redevelopment Authority	Serpent Lake Sanitary Sewer District	Total
<b>Component Units</b>					
Housing and Redevelopment Authority	\$ 133,987	\$ 109,997	\$ (23,990)	\$ -	\$ (23,990)
Serpent Lake Sanitary Sewer District	361,213	456,188	-	94,975	94,975
<b>Total Component Units</b>	<b>\$ 495,200</b>	<b>\$ 566,185</b>	<b>\$ (23,990)</b>	<b>\$ 94,975</b>	<b>\$ 70,985</b>
<b>General Revenues and Other Items</b>					
Property tax			\$ 54,907	\$ -	\$ 54,907
Investment income			22,441	18,725	41,166
Grants and contributions not restricted to specific programs			4,263	-	4,263
<b>Total general revenues and other items</b>			<b>\$ 81,611</b>	<b>\$ 18,725</b>	<b>\$ 100,336</b>
<b>Change in Net Assets</b>			<b>\$ 57,621</b>	<b>\$ 113,700</b>	<b>\$ 171,321</b>
<b>Net Assets - Beginning</b>			<b>771,025</b>	<b>3,574,713</b>	<b>4,345,738</b>
<b>Net Assets - Ending</b>			<b>\$ 828,646</b>	<b>\$ 3,688,413</b>	<b>\$ 4,517,059</b>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (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 GASB 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.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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:

<u>Component Unit</u>	<u>Component Unit Reporting Entity Because</u>	<u>Separate Financial Statements</u>
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 described in Note 4.B. The County also participates in jointly-governed organizations 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**

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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 clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds 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 in a separate column 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**

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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**

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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 Trust 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, 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 as available if collected within 60 days after the end of the current period. Property taxes, special assessments, intergovernmental revenue, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

Crow Wing County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2005 were \$1,217,672.

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.

3. Receivables and Payables

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

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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 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.

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.

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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 rights-of-way), 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 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.

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

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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.

Vacation Current and Long-Term Compensated Absences - The County estimates that 90 percent of the year-end balances of vacation severance pay compensated absences will be used in the subsequent year (assumes a FIFO methodology), and 10 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.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Compensated Absences

Sick Leave (Continued)

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.

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.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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.

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

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues

Imposed Nonexchange Transactions (Continued)

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.

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.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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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 and accepts proposed budget work papers.
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.
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.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Budgetary Information (Continued)

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, 2005.

	Expenditures	Budget	Excess
General Fund	\$ 21,365,616	\$ 21,349,121	\$ 16,495
Special Revenue Funds			
Road and Bridge	9,918,955	8,194,992	1,723,963
Human Services	17,551,006	17,249,758	301,248
Land Management	1,712,980	993,957	719,023
County Building	167,687	120,885	46,802

C. Prior Period Adjustments

In the prior year business-type activities, the amount reported as capital assets on the statement of net assets did not include a building at the Crow Wing County Landfill, and a prior period adjustment of \$432,083 was required to restate the County's capital assets.

A prior period adjustment to the government-wide financial statements was made to include the County's 53 percent equity share of the joint public works facility shared with the City of Cross Lake.

A prior period adjustment to the government-wide financial statements was made to record the capital lease liability for the joint public works facility sublease.

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

C. Prior Period Adjustments (Continued)

Net Assets - January 1, as previously stated		\$ 108,648,435
Prior period adjustments		
Adjustment to include landfill building		432,083
Adjustment to include sub-leased facility	\$ 1,688,050	
Less: accumulated depreciation	<u>(33,761)</u>	1,654,289
Adjustment to include capital lease liability		<u>(1,661,631)</u>
 Net Assets - January 1, as restated		 <u>\$ 109,073,176</u>

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Government-wide statement of net assets		
Governmental activities		
Cash and pooled investments		\$ 32,714,467
Petty cash and change funds		3,165
Investments		14,305,558
Business-type activities		
Cash and pooled investments		5,986,295
Cash and pooled investments - restricted assets		3,944,117
Discretely presented component units		
Cash and pooled investments		446,731
Cash and investments with fiscal agent		191,340
Statement of fiduciary net assets		
Cash and pooled investments		4,737,035
Petty cash and change fund		<u>150</u>
Total Cash and Investments		<u>\$ 62,328,858</u>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2005, the County's deposits were not exposed to custodial credit risk.

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy on custodial credit risk.

Concentration of Credit Risk

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

**CROW WING COUNTY  
BRainerd, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's investment balances at December 31, 2005, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		06/15/06	\$ 901,469
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		07/15/06	128,984
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		10/15/06	144,638
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		01/15/07	120,225
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		06/15/06	525,031
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		07/15/06	426,641
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		02/15/07	603,919
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		11/15/07	194,688
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		01/15/08	194,313
Federal National Mortgage Association Global Benchmark Notes	AAA	S&P		06/15/08	142,359
Total Federal National Mortgage Association			23.3%		\$ 3,382,267
Federal Home Loan Mortgage Corporation Global Reference Notes					
Federal Home Loan Mortgage Corporation Global Reference Notes	AAA	S&P		01/15/06	\$ 865,270
Federal Home Loan Mortgage Corporation Global Reference Notes	AAA	S&P		04/15/06	496,875
Federal Home Loan Mortgage Corporation Global Reference Notes	AAA	S&P		12/15/06	132,638
Federal Home Loan Mortgage Corporation Global Reference Notes	AAA	S&P		03/15/07	125,156
Federal Home Loan Mortgage Corporation Global Reference Notes	AAA	S&P		01/15/06	700,219
Federal Home Loan Mortgage Corporation Global Reference Notes	AAA	S&P		04/15/06	665,813
Federal Home Loan Mortgage Corporation Global Reference Notes	AAA	S&P		09/15/07	196,125
Federal Home Loan Mortgage Corporation Global Reference Notes	AAA	S&P		03/15/08	215,859
Total Federal Home Loan Mortgage Corporation			23.4%		\$ 3,397,955

**CROW WING COUNTY  
BRainerd, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Federal Home Loan Bank Notes	AAA	S&P		02/15/06	\$ 713,213
Federal Home Loan Bank Global Notes	AAA	S&P		03/15/06	567,506
Federal Home Loan Bank Tap Notes	AAA	S&P		05/15/06	520,078
Federal Home Loan Bank Tap Notes	AAA	S&P		08/15/06	143,006
Federal Home Loan Bank Global Notes	AAA	S&P		09/15/06	143,233
Federal Home Loan Bank Tap Notes	AAA	S&P		11/15/06	132,722
Federal Home Loan Bank Tap Notes	AAA	S&P		02/15/07	107,731
Federal Home Loan Bank Notes	AAA	S&P		02/15/06	299,250
Federal Home Loan Bank Global Notes	AAA	S&P		03/15/06	686,981
Federal Home Loan Bank Tap Notes	AAA	S&P		05/15/06	569,609
Federal Home Loan Bank Tap Notes	AAA	S&P		08/15/06	355,050
Federal Home Loan Bank Global Notes	AAA	S&P		09/15/06	632,200
Federal Home Loan Bank Global Notes	AAA	S&P		09/15/06	493,906
Federal Home Loan Bank Tap Notes	AAA	S&P		11/15/06	974,794
Federal Home Loan Bank Tap Notes	AAA	S&P		08/15/08	683,375
Total Federal Home Loan Bank			48.4%		\$ 7,022,654
Bonds					
Series E Bonds					\$ 21,544
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	N/A	N/A	\$ 481,138
Fiscal agent					
First American Mutual Fund	N/R	N/A	N/A	N/A	\$ 84,369
U.S. Treasury Note	N/R	N/A	N/A	N/A	106,971
Total fiscal agent					\$ 191,340
Total investments					\$ 14,496,898
Deposits					47,828,645
Petty cash					3,315
Total Cash and Investments					\$ 62,328,858

N/R – Not Rated  
N/A – Not Applicable  
S&P – Standards and Poor

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

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:

	Deferred Unavailable	Deferred Unearned
Delinquent property taxes receivable	\$ 680,931	\$ -
Special assessments not yet due (unorganized townships)	50,367	-
Contracts receivable	631,492	-
Charges for services	83,906	-
Fines and forfeits	400	-
Grants receivable that do not provide current financial resources	758,246	-
Advance on state-aid allotments and SCORE grant	-	325,936
	<u>\$ 2,205,342</u>	<u>\$ 325,936</u>
Total Deferred Revenue for Governmental Funds	<u>\$ 2,205,342</u>	<u>\$ 325,936</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,486,850	\$ 1,369,113	\$ -	\$ 2,855,963
Construction in progress	18,647,710	33,205,036	8,848,328	43,004,418
Infrastructure - right-of-way	1,645,349	47,603	-	1,692,952
Total capital assets not depreciated	<u>\$ 21,779,909</u>	<u>\$ 34,621,752</u>	<u>\$ 8,848,328</u>	<u>\$ 47,553,333</u>
Capital assets depreciated				
Buildings	\$ 16,241,102	\$ 268,133	\$ 746,673	\$ 15,762,562
Machinery, furniture, and equipment	8,907,917	1,193,142	872,345	9,228,714
Infrastructure	60,185,146	10,298,340	-	70,483,486
Total capital assets depreciated	<u>\$ 85,334,165</u>	<u>\$ 11,759,615</u>	<u>\$ 1,619,018</u>	<u>\$ 95,474,762</u>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 6,696,949	\$ 285,906	\$ 266,320	\$ 6,716,535
Machinery, furniture, and equipment	5,989,026	795,573	699,852	6,084,747
Infrastructure	11,515,936	1,383,631	-	12,899,567
Total accumulated depreciation	\$ 24,201,911	\$ 2,465,110	\$ 966,172	\$ 25,700,849
Total capital assets depreciated, net	\$ 61,132,254	\$ 9,294,505	\$ 652,846	\$ 69,773,913
Governmental Activities Capital Assets, Net	\$ 82,912,163	\$ 43,916,257	\$ 9,501,174	\$ 117,327,246

Business-Type Activities

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Construction in progress	\$ 225,619	\$ -	\$ 225,619	\$ -
Capital assets depreciated				
Buildings	\$ 605,528	\$ 275,650	\$ 105,280	\$ 775,898
Landfill	8,076,874	71,280	7,975	8,140,179
Machinery, furniture, and equipment	238,257	-	22,580	215,677
Total capital assets depreciated	\$ 8,920,659	\$ 346,930	\$ 135,835	\$ 9,131,754
Less: accumulated depreciation for				
Buildings	\$ 137,266	\$ 21,648	\$ 105,280	\$ 53,634
Landfill	6,346,180	383,428	1,596	6,728,012
Machinery, furniture, and equipment	152,185	12,194	20,371	144,008
Total accumulated depreciation	\$ 6,635,631	\$ 417,270	\$ 127,247	\$ 6,925,654
Total capital assets depreciated, net	\$ 2,285,028	\$ (70,340)	\$ 8,588	\$ 2,206,100
Business-Type Activities Capital Assets, Net	\$ 2,510,647	\$ (70,340)	\$ 234,207	\$ 2,206,100

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation expense for 2005 was charged to functions of the primary government as follows:

Governmental Activities		
General government	\$	167,621
Public safety		440,942
Highways and streets, including depreciation of infrastructure assets		1,774,193
Human services		31,372
Health		10,834
Culture and recreation		14,426
Conservation of natural resources		25,722
		25,722
Total Depreciation Expense - Governmental Activities	\$	2,465,110
Business-Type Activities		
Solid waste	\$	417,270

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Extension Grants Road and Bridge Human Services Land Management	\$ 1,931 1,000,000 3,109 316,879
Total Due to General Fund		\$ 1,321,919
Road and Bridge	General Human Services Land Management Solid Waste SCORE	\$ 45,892 5,105 1,178 1,225 396
Total Due to Road and Bridge Fund		\$ 53,796

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
County Building	Human Services	\$ 260,000
	Land Management	451,997
Total Due to County Building Fund		\$ 711,997
Solid Waste	Land Management	\$ 647
	SCORE	8,139
Total Due to Solid Waste Fund		\$ 8,786
Total Due To/From Other Funds		\$ 2,096,498

Balances at year-end are indicative of lending/borrowing arrangements or are receivable/payable for goods or services.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to Building Fund from SCORE Fund	\$ 350,000	Returned funding
Transfers to Solid Waste Fund from SCORE Fund	45,000	Demolition Trust Fund transfer
Transfer to General Fund from Solid Waste Fund	56,324	Return of interest
Total Interfund Transfers	\$ 451,324	

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Other Postemployment 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 7 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 2005, 50 employees had retired with 25 or more years of continuous service and were receiving the 100 percent premium coverage benefit. Thirty-two 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 7 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, 2005, the County recognized \$663,642 of expenditures.

Additionally, the County also contributes to those retired employees and their spouses who elect to take Medicare supplement policies. At year-end 2005, 12 employees with 15 to 24 years of continuous service were receiving the 67 percent premium coverage benefits. Seven employees had retired with 7 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, 2005, the County recognized \$41,992 of Medicare supplement premium expenditures.

Therefore, for the year ended December 31, 2005, the County recognized \$705,634 in post-retiree health benefit expenditures in total.

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2005. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
County facilities	\$ 41,440,367	\$ 15,552,620
Roads and bridges	1,792,340	25,068

3. Leases

Operating Leases

The County leases office facilities under operating leases. Total costs for such leases were \$74,790 for the year ended December 31, 2005. The future minimum lease payments for these leases are \$42,480, due in 2006.

Capital Leases

Crow Wing County has entered into a sub-lease with the City of Crosslake for financing a joint public works facility (County's share in equity – 53 percent). This sub-lease agreement qualifies as a capital lease for accounting purposes and, therefore, was recorded at the present value of the future minimum lease payments as of the inception date. The present value of the building at the inception date was \$1,688,050. It is recorded as a governmental activity.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

3. Leases

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

Year Ending December 31	Governmental Activities
2006	\$ 114,808
2007	116,099
2008	117,179
2009	115,401
2010	116,126
2011 - 2015	596,718
2016 - 2020	620,848
2021 - 2024	518,626
Total minimum lease payments	\$ 2,315,805
Less: amount representing interest	(733,755)
Present Value of Minimum Lease Payments	\$ 1,582,050

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
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	1,655,000
2002A G.O. Airport Improvement Bonds	2022	\$35,000 - \$200,000	3.50 - 5.00	2,500,000	2,275,000
Total General Obligation Bonds and Notes				<u>\$ 55,930,000</u>	<u>\$ 54,900,000</u>
1999A Facility Lease Revenue Bonds	2014	\$165,000 - \$450,000	4.00 - 5.05	<u>\$ 4,625,000</u>	<u>\$ 3,050,000</u>
1997 Certificates of Participation	2007	\$50,000 - \$75,000	5.00 - 5.50	<u>\$ 630,000</u>	<u>\$ 150,000</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2005, 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
2006	\$ 2,675,000	\$ 2,356,328	\$ 75,000	\$ 8,175	\$ -	\$ 73,654
2007	2,820,000	2,327,788	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	2,130,000	2,075,101	-	-	370,000	91,772
2011 - 2015	11,750,000	8,931,477	-	-	1,675,000	172,513
2016 - 2020	14,245,000	6,034,462	-	-	-	-
2021 - 2025	17,175,000	2,196,375	-	-	-	-
Total	<u>\$ 54,900,000</u>	<u>\$ 28,326,246</u>	<u>\$ 150,000</u>	<u>\$ 12,300</u>	<u>\$ 3,050,000</u>	<u>\$ 711,470</u>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 55,800,000	\$ -	\$ 900,000	\$ 54,900,000	\$ 2,675,000
Certificates of participation	220,000	-	70,000	150,000	75,000
Facility lease revenue bonds	3,355,000	-	305,000	3,050,000	-
Plus: deferred amounts for issuance premiums (discounts)	246,044	-	18,464	227,580	-
Total bonds payable	\$ 59,621,044	\$ -	\$ 1,293,464	\$ 58,327,580	\$ 2,750,000
Capital lease	1,635,050	-	53,000	1,582,050	53,000
Compensated absences	1,895,303	-	51,236	1,844,067	1,442,239
Governmental Activities Long-Term Liabilities	<u>\$ 63,151,397</u>	<u>\$ -</u>	<u>\$ 1,397,700</u>	<u>\$ 61,753,697</u>	<u>\$ 4,245,239</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure and postclosure	\$ 980,380	\$ 262,085	\$ -	\$ 1,242,465	\$ -
Compensated absences	8,294	982	-	9,276	8,348
Business-Type Activities Long-Term Liabilities	<u>\$ 988,674</u>	<u>\$ 263,067</u>	<u>\$ -</u>	<u>\$ 1,251,741</u>	<u>\$ 8,348</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.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

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 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

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Employee Retirement Systems and Pension Plans

a. Defined Benefit Plans

Plan Description (Continued)

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.

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

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

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Employee Retirement Systems and Pension Plans

a. Defined Benefit Plans (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members 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 in 2005 and 2006:

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

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Employee Retirement Systems and Pension Plans

a. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2005	\$ 884,598	\$ 181,459	\$ 178,444
2004	860,482	167,891	163,929
2003	843,024	168,392	160,792

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

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Employee Retirement Systems and Pension Plans

b. Defined Contribution Plan (Continued)

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, 2005, 2004, and 2003, were \$4,624, \$4,630, and \$4,357, 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 \$1,242,465 landfill closure and postclosure care liability at December 31, 2005, represents the cumulative amount reported to date based on the use of 47.2 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,430,983 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. The County expects to close the landfill in 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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, 2005, investments of \$3,944,117 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

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

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

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

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

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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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 2005, the County made an appropriation of \$138,300 for the Airport Commission. At December 31, 2005, the airport had net assets of \$26,767,385. In 2005, there was an increase in net assets of \$8,653,206. 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, valued at \$24,667,052 on December 31, 2005.

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

Brainerd City Hall  
502 Laurel Street  
Brainerd, Minnesota 56401

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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, 2004 (the most recent information available), the Agency had net assets of \$405,687. In 2004, there was a decrease in net assets of \$229,041.

The Central Minnesota Community Corrections Agency is funded through state grants and contributions from its member counties. Crow Wing County had expenditures of \$299,778 for community corrections to the Agency for 2005.

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.

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

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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 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.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Crow Wing County Family Service Collaborative (Continued)

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 \$431,756 to the Library for the year ended December 31, 2005.

D. Subsequent Events

On June 27, 2006, the County Board approved the issuance and sale of \$3,210,000 General Obligation Capital Notes, Series 2006A, to finance the purchase of capital equipment and computer hardware and software.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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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.

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 relationships, 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.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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5. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

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.

Cash and pooled investments for the 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, 2005.

B. Detailed Notes

1. Assets

Cash and Investments - Serpent Lake Sanitary Sewer District

In accordance with Minnesota statutes, the Serpent Lake Sanitary Sewer District maintains deposits at financial institutions which are authorized by the Board of Directors. All such depositories are members of the Federal Reserve System.

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota statutes for deposits.

Minnesota statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposit not covered by insurance or corporate surety bonds.

Authorized collateral includes U.S. government treasury bills, notes or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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5. Component Unit Disclosures

B. Detailed Notes

1. Assets

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

The District's deposits in banks at December 31, 2005, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

The District does not have an investment policy.

At December 31, 2005, the District had no investments.

Capital Assets - Serpent Lake Sanitary Sewer District

A summary of capital asset activity for the year ended December 31, 2005, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Plant and improvements	5,937,986	24,809	-	5,962,795
Office equipment	2,661	891	-	3,552
Total	\$ 5,975,647	\$ 25,700	\$ -	\$ 6,001,347
Less: accumulated depreciation	(2,397,001)	(157,071)	-	(2,554,072)
Net Capital Assets	<u>\$ 3,578,646</u>	<u>\$ (131,371)</u>	<u>\$ -</u>	<u>\$ 3,447,275</u>

Depreciation expense of \$157,071 was charged to the Serpent Lake Sanitary Sewer District.

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes (Continued)

2. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2005, for the Serpent Lake Sanitary Sewer District and the Crow Wing County HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
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	\$ 565,000
Housing and Redevelopment Authority Tax Increment Financing (TIF) Notes 1996 Housing Redevelopment Authority TIF Notes	2015	\$2,006 - \$8,205	9.00	71,500	55,243
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 Sewer District and the Crow Wing County HRA are as follows:

Year Ending December 31	Serpent Lake Sanitary Sewer District		Housing and Redevelopment Authority	
	Principal	Interest	Principal	Interest
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	-	-	15,769	66,761
2011 - 2015	-	-	120,864	316,493
2016 - 2020	-	-	140,000	285,227
2021 - 2025	-	-	245,000	242,013
2026 - 2030	-	-	375,000	166,370
2031 - 2035	-	-	400,000	54,599
Total	<u>\$ 565,000</u>	<u>\$ 28,183</u>	<u>\$ 1,335,243</u>	<u>\$ 1,405,108</u>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

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5. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the long-term debt transactions of the Serpent Lake Sanitary Sewer District and the Crow Wing County HRA for the year ended December 31, 2005.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Serpent Lake Sanitary Sewer District					
General obligation bonds - refunding	\$ 700,000	\$ -	\$ 135,000	\$ 565,000	\$ 135,000
Deferred amounts - issuance discounts	(3,498)	-	(711)	(2,787)	-
<b>Total Bonds Payable</b>	<b>\$ 696,502</b>	<b>\$ -</b>	<b>\$ 134,289</b>	<b>\$ 562,213</b>	<b>\$ 135,000</b>
Housing and Redevelopment Authority					
Tax Increment Financing Notes	\$ 58,958	\$ -	\$ 3,715	\$ 55,243	\$ 4,058
General Obligation Housing Revenue Bonds	1,280,000	-	-	1,280,000	-
<b>Total</b>	<b>\$ 1,338,958</b>	<b>\$ -</b>	<b>\$ 3,715</b>	<b>\$ 1,335,243</b>	<b>\$ 4,058</b>

**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, 2005**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 14,186,892	\$ 14,186,892	\$ 13,066,755	\$ (1,120,137)
Licenses and permits	599,675	599,675	814,620	214,945
Intergovernmental	3,073,993	3,073,993	4,749,617	1,675,624
Charges for services	2,049,690	2,049,690	2,286,979	237,289
Fines and forfeits	-	-	27,057	27,057
Gifts and contributions	-	-	18,004	18,004
Investment earnings	580,000	580,000	1,217,672	637,672
Miscellaneous	773,371	773,371	1,054,350	280,979
<b>Total Revenues</b>	<b>\$ 21,263,621</b>	<b>\$ 21,263,621</b>	<b>\$ 23,235,054</b>	<b>\$ 1,971,433</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 197,219	\$ 199,397	\$ 197,169	\$ 2,228
Courts	113,605	113,605	166,339	(52,734)
Personnel coordinator	62,021	62,021	45,800	16,221
County auditor	1,350,727	1,370,687	1,220,753	149,934
County treasurer	307,911	311,845	300,378	11,467
County assessor	981,035	998,532	981,869	16,663
Elections	54,458	55,331	60,409	(5,078)
Purchasing	99,437	100,314	101,721	(1,407)
Data processing	631,762	639,226	629,252	9,974
Central administration	1,001,520	999,970	1,020,077	(20,107)
Attorney	1,184,460	1,200,688	1,148,089	52,599
Law library	80,000	80,000	81,913	(1,913)
Recorder	468,153	476,798	503,768	(26,970)
Surveyor	311,294	316,998	278,853	38,145
Planning and zoning	689,545	698,400	719,137	(20,737)
Buildings and plant	1,101,916	1,106,445	1,050,524	55,921
Veterans service officer	204,010	207,219	209,073	(1,854)
Incidental	160,000	160,000	130,846	29,154
Appropriations	234,988	234,318	234,318	-
GIS	98,082	100,170	54,972	45,198
County administrator	183,268	186,726	170,145	16,581
Administration to board	63,304	64,305	63,352	953
County transit appropriation	50,955	50,955	29,235	21,720
Other general government	560,000	302,290	2,662	299,628
<b>Total general government</b>	<b>\$ 10,189,670</b>	<b>\$ 10,036,240</b>	<b>\$ 9,400,654</b>	<b>\$ 635,586</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**Schedule 1**  
**(Continued)**

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 4,317,117	\$ 4,391,093	\$ 4,638,895	\$ (247,802)
Dog ordinance	75,000	75,000	81,365	(6,365)
Boat and water safety	192,626	195,426	149,244	46,182
Coroner	153,527	153,527	163,426	(9,899)
E-911 system	114,500	114,500	19,302	95,198
County jail	2,782,745	2,827,087	3,270,213	(443,126)
Juvenile detention	328,000	328,000	403,016	(75,016)
Sentence to serve	67,500	67,500	66,395	1,105
Corrections	179,065	179,065	271,065	(92,000)
CWC tower	8,215	8,215	6,244	1,971
Mining inspector	3,225	3,225	425	2,800
Emergency management	105,474	106,071	95,899	10,172
Sheriff's contingent	1,250	1,250	5,277	(4,027)
Appropriations	2,500	2,500	2,500	-
<b>Total public safety</b>	<b>\$ 8,330,744</b>	<b>\$ 8,452,459</b>	<b>\$ 9,173,266</b>	<b>\$ (720,807)</b>
<b>Health</b>				
Health	\$ 1,862,624	\$ 1,890,546	\$ 1,892,892	\$ (2,346)
<b>Culture and recreation</b>				
Parks	\$ 244,973	\$ 247,899	\$ 225,828	\$ 22,071
County/regional library	431,756	431,756	431,756	-
Appropriations	50,000	50,000	50,000	-
<b>Total culture and recreation</b>	<b>\$ 726,729</b>	<b>\$ 729,655</b>	<b>\$ 707,584</b>	<b>\$ 22,071</b>
<b>Conservation of natural resources</b>				
County extension	\$ 117,434	\$ 117,817	\$ 83,176	\$ 34,641
Weed control	31,340	31,824	17,464	14,360
Appropriations	90,580	90,580	90,580	-
<b>Total conservation of natural resources</b>	<b>\$ 239,354</b>	<b>\$ 240,221</b>	<b>\$ 191,220</b>	<b>\$ 49,001</b>
<b>Total Expenditures</b>	<b>\$ 21,349,121</b>	<b>\$ 21,349,121</b>	<b>\$ 21,365,616</b>	<b>\$ (16,495)</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*Schedule 1*  
*(Continued)*

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (85,500)</b>	<b>\$ (85,500)</b>	<b>\$ 1,869,438</b>	<b>\$ 1,954,938</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 56,324	\$ 56,324
Proceeds from sale of capital assets	-	-	18,761	18,761
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 75,085</b>	<b>\$ 75,085</b>
<b>Change in Fund Balance</b>	<b>\$ (85,500)</b>	<b>\$ (85,500)</b>	<b>\$ 1,944,523</b>	<b>\$ 2,030,023</b>
<b>Fund Balance - January 1</b>	<b>8,486,860</b>	<b>8,486,860</b>	<b>8,486,860</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b><u>8,401,360</u></b>	<b><u>8,401,360</u></b>	<b><u>10,431,383</u></b>	<b><u>2,030,023</u></b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*Schedule 2*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,381,268	\$ 2,381,268	\$ 2,231,024	\$ (150,244)
Intergovernmental	4,528,434	4,528,434	5,700,951	1,172,517
Charges for services	536,090	536,090	1,044,659	508,569
Miscellaneous	235,100	235,100	27,786	(207,314)
<b>Total Revenues</b>	<b>\$ 7,680,892</b>	<b>\$ 7,680,892</b>	<b>\$ 9,004,420</b>	<b>\$ 1,323,528</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 786,852	\$ 786,852	\$ 769,828	\$ 17,024
Maintenance	1,708,372	1,708,372	1,742,562	(34,190)
Construction	4,482,476	4,482,476	6,072,459	(1,589,983)
Equipment maintenance and shop	1,217,292	1,217,292	1,217,974	(682)
<b>Total highways and streets</b>	<b>\$ 8,194,992</b>	<b>\$ 8,194,992</b>	<b>\$ 9,802,823</b>	<b>\$ (1,607,831)</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 53,000	\$ (53,000)
Interest	-	-	63,132	(63,132)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 116,132</b>	<b>\$ (116,132)</b>
<b>Total Expenditures</b>	<b>\$ 8,194,992</b>	<b>\$ 8,194,992</b>	<b>\$ 9,918,955</b>	<b>\$ (1,723,963)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (514,100)</b>	<b>\$ (514,100)</b>	<b>\$ (914,535)</b>	<b>\$ (400,435)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	203,850	203,850
<b>Change in Fund Balance</b>	<b>\$ (514,100)</b>	<b>\$ (514,100)</b>	<b>\$ (710,685)</b>	<b>\$ (196,585)</b>
<b>Fund Balance - January 1</b>	<b>756,976</b>	<b>756,976</b>	<b>756,976</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(6,851)</b>	<b>(6,851)</b>
<b>Fund Balance - December 31</b>	<b>\$ 242,876</b>	<b>\$ 242,876</b>	<b>\$ 39,440</b>	<b>\$ (203,436)</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*Schedule 3*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,967,093	\$ 5,967,093	\$ 5,473,202	\$ (493,891)
Intergovernmental	10,434,750	10,434,750	11,327,162	892,412
Charges for services	55,000	55,000	62,838	7,838
Miscellaneous	792,915	792,915	758,263	(34,652)
<b>Total Revenues</b>	<b>\$ 17,249,758</b>	<b>\$ 17,249,758</b>	<b>\$ 17,621,465</b>	<b>\$ 371,707</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 3,731,153	\$ 3,731,153	\$ 4,147,012	\$ (415,859)
Social services	13,518,605	13,518,605	13,403,994	114,611
<b>Total Expenditures</b>	<b>\$ 17,249,758</b>	<b>\$ 17,249,758</b>	<b>\$ 17,551,006</b>	<b>\$ (301,248)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,459</b>	<b>\$ 70,459</b>
<b>Fund Balance - January 1</b>	<b>9,004,956</b>	<b>9,004,956</b>	<b>9,004,956</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,004,956</b>	<b>\$ 9,004,956</b>	<b>\$ 9,075,415</b>	<b>\$ 70,459</b>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
LAND MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 601,500	\$ 601,500	\$ 989,146	\$ 387,646
Intergovernmental	59,900	59,900	61,323	1,423
Charges for services	1,500	1,500	1,332	(168)
Sales	270,000	270,000	565,775	295,775
Miscellaneous	58,700	58,700	45,680	(13,020)
<b>Total Revenues</b>	<b>\$ 991,600</b>	<b>\$ 991,600</b>	<b>\$ 1,663,256</b>	<b>\$ 671,656</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other	\$ -	\$ 350,000	\$ 1,098,393	\$ (748,393)
<b>Conservation of natural resources</b>				
Other	993,957	643,957	614,587	29,370
<b>Total Expenditures</b>	<b>\$ 993,957</b>	<b>\$ 993,957</b>	<b>\$ 1,712,980</b>	<b>\$ (719,023)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,357)</b>	<b>\$ (2,357)</b>	<b>\$ (49,724)</b>	<b>\$ (47,367)</b>
<b>Fund Balance - January 1</b>	<b>254,505</b>	<b>254,505</b>	<b>254,505</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 252,148</b>	<b>\$ 252,148</b>	<b>\$ 204,781</b>	<b>\$ (47,367)</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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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 Trust 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 15, 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, 2005, expenditures exceeded appropriations in the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, and the Land Management Special Revenue Fund by \$16,495, \$1,723,963, \$301,248, and \$719,023, respectively. These expenditures in excess of the budget were funded by greater than anticipated revenues.

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**REQUIRED 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, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,837,393	\$ 5,837,393	\$ 5,282,352	\$ (555,041)
Intergovernmental	104,420	104,420	604,744	500,324
Miscellaneous	57,619	57,619	57,619	-
<b>Total Revenues</b>	<b>\$ 5,999,432</b>	<b>\$ 5,999,432</b>	<b>\$ 5,944,715</b>	<b>\$ (54,717)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,205,000	\$ 1,205,000	\$ 1,205,000	\$ -
Interest	2,805,673	2,805,673	2,805,673	-
Administrative - fiscal charges	1,750	1,750	1,526	224
<b>Total Expenditures</b>	<b>\$ 4,012,423</b>	<b>\$ 4,012,423</b>	<b>\$ 4,012,199</b>	<b>\$ 224</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,987,009</b>	<b>\$ 1,987,009</b>	<b>\$ 1,932,516</b>	<b>\$ (54,493)</b>
<b>Fund Balance - January 1</b>	<b>2,691,166</b>	<b>2,691,166</b>	<b>2,691,166</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,678,175</b>	<b>\$ 4,678,175</b>	<b>\$ 4,623,682</b>	<b>\$ (54,493)</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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

	<u>SCORE</u>	<u>Tobacco Compliance</u>	<u>Special Revenue County Building</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,269,775	\$ 11,316	\$ 3,224,151
Taxes receivable			
Prior	-	-	5,801
Special assessments receivable			
Noncurrent	-	-	-
Accounts receivable	160	400	-
Accrued interest receivable	-	-	-
Due from other funds	-	-	711,997
Due from other governments	-	-	-
<b>Total Assets</b>	<b><u>\$ 1,269,935</u></b>	<b><u>\$ 11,716</u></b>	<b><u>\$ 3,941,949</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,635	\$ -	\$ -
Salaries payable	3,520	-	-
Accrued payroll taxes payable	440	-	-
Due to other funds	8,535	-	-
Deferred revenue - unavailable	-	400	5,801
Deferred revenue - unearned	66,570	-	-
<b>Total Liabilities</b>	<b><u>\$ 82,700</u></b>	<b><u>\$ 400</u></b>	<b><u>\$ 5,801</u></b>
<b>Fund Balances</b>			
Reserved for environmental uses	\$ -	\$ -	\$ -
Reserved for SCORE	1,253,805	-	-
Unreserved			
Undesignated	(66,570)	11,316	3,936,148
<b>Total Fund Balances</b>	<b><u>\$ 1,187,235</u></b>	<b><u>\$ 11,316</u></b>	<b><u>\$ 3,936,148</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,269,935</u></b>	<b><u>\$ 11,716</u></b>	<b><u>\$ 3,941,949</u></b>

**Statement 1**

<b>Funds</b>			<b>Permanent Fund</b>	<b>Total Nonmajor</b>
<b>Unorganized</b>	<b>Extension</b>	<b>Total</b>	<b>Environmental</b>	<b>Governmental</b>
<b>Townships</b>	<b>Grants</b>		<b>Trust</b>	<b>Funds</b>
				<b>(Exhibit 3)</b>
\$ 973,293	\$ -	\$ 5,478,535	\$ 1,868,144	\$ 7,346,679
13,427	-	19,228	-	19,228
50,367	-	50,367	-	50,367
-	-	560	4,462	5,022
-	-	-	10,987	10,987
-	-	711,997	-	711,997
-	14,609	14,609	-	14,609
<b>\$ 1,037,087</b>	<b>\$ 14,609</b>	<b>\$ 6,275,296</b>	<b>\$ 1,883,593</b>	<b>\$ 8,158,889</b>
\$ -	\$ -	\$ 3,635	\$ -	\$ 3,635
-	-	3,520	-	3,520
-	-	440	-	440
-	1,931	10,466	-	10,466
63,794	-	69,995	-	69,995
-	-	66,570	-	66,570
<b>\$ 63,794</b>	<b>\$ 1,931</b>	<b>\$ 154,626</b>	<b>\$ -</b>	<b>\$ 154,626</b>
\$ -	\$ -	\$ -	\$ 1,846,499	\$ 1,846,499
-	-	1,253,805	-	1,253,805
973,293	12,678	4,866,865	37,094	4,903,959
<b>\$ 973,293</b>	<b>\$ 12,678</b>	<b>\$ 6,120,670</b>	<b>\$ 1,883,593</b>	<b>\$ 8,004,263</b>
<b>\$ 1,037,087</b>	<b>\$ 14,609</b>	<b>\$ 6,275,296</b>	<b>\$ 1,883,593</b>	<b>\$ 8,158,889</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

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

	SCORE	Tobacco Compliance	Special Revenue County Building
<b>Revenues</b>			
Taxes	\$ -	\$ -	\$ 1,729
Special assessments	542,125	-	-
Intergovernmental	132,313	-	2
Charges for services	358,448	-	-
Fines and forfeits	-	3,000	-
Investment earnings	-	-	-
Miscellaneous	37,738	-	1,146,731
<b>Total Revenues</b>	<b>\$ 1,070,624</b>	<b>\$ 3,000</b>	<b>\$ 1,148,462</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ -	\$ -	\$ 84,552
Public safety	-	-	-
Highways and streets	-	-	-
Conservation of natural resources	590,565	-	-
<b>Capital outlay</b>			
Conservation of natural resources	43,271	-	-
<b>Debt service</b>			
Principal	-	-	70,000
Interest	-	-	11,885
Administrative - fiscal charges	-	-	1,250
<b>Total Expenditures</b>	<b>\$ 633,836</b>	<b>\$ -</b>	<b>\$ 167,687</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ 436,788</b>	<b>\$ 3,000</b>	<b>\$ 980,775</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ 350,000
Transfers out	(395,000)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (395,000)</b>	<b>\$ -</b>	<b>\$ 350,000</b>
<b>Net Change in Fund Balance</b>	<b>\$ 41,788</b>	<b>\$ 3,000</b>	<b>\$ 1,330,775</b>
<b>Fund Balance - January 1</b>	<b>1,145,447</b>	<b>8,316</b>	<b>2,605,373</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,187,235</b>	<b>\$ 11,316</b>	<b>\$ 3,936,148</b>

**Statement 2**

<b>Funds</b>			<b>Permanent Fund</b>	<b>Total Nonmajor</b>
<b>Unorganized</b>	<b>Extension</b>	<b>Total</b>	<b>Environmental</b>	<b>Governmental</b>
<b>Townships</b>	<b>Grants</b>		<b>Trust</b>	<b>Funds</b>
				<b>(Exhibit 5)</b>
\$ 460,808	\$ -	\$ 462,537	\$ -	\$ 462,537
24,899	-	567,024	-	567,024
91,352	30,994	254,661	-	254,661
-	500	358,948	-	358,948
-	-	3,000	-	3,000
-	-	-	71,004	71,004
5,059	-	1,189,528	-	1,189,528
<b>\$ 582,118</b>	<b>\$ 31,494</b>	<b>\$ 2,835,698</b>	<b>\$ 71,004</b>	<b>\$ 2,906,702</b>
\$ 23,507	\$ -	\$ 108,059	\$ -	\$ 108,059
149,221	-	149,221	-	149,221
174,124	-	174,124	-	174,124
-	30,919	621,484	57,229	678,713
-	-	43,271	-	43,271
-	-	70,000	-	70,000
-	-	11,885	-	11,885
-	-	1,250	-	1,250
<b>\$ 346,852</b>	<b>\$ 30,919</b>	<b>\$ 1,179,294</b>	<b>\$ 57,229</b>	<b>\$ 1,236,523</b>
<b>\$ 235,266</b>	<b>\$ 575</b>	<b>\$ 1,656,404</b>	<b>\$ 13,775</b>	<b>\$ 1,670,179</b>
\$ -	\$ -	\$ 350,000	\$ -	\$ 350,000
-	-	(395,000)	-	(395,000)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (45,000)</b>	<b>\$ -</b>	<b>\$ (45,000)</b>
<b>\$ 235,266</b>	<b>\$ 575</b>	<b>\$ 1,611,404</b>	<b>\$ 13,775</b>	<b>\$ 1,625,179</b>
<b>738,027</b>	<b>12,103</b>	<b>4,509,266</b>	<b>1,869,818</b>	<b>6,379,084</b>
<b>\$ 973,293</b>	<b>\$ 12,678</b>	<b>\$ 6,120,670</b>	<b>\$ 1,883,593</b>	<b>\$ 8,004,263</b>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

*Schedule 6*

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 526,500	\$ 526,500	\$ 542,125	\$ 15,625
Intergovernmental	116,500	116,500	132,313	15,813
Charges for services	317,500	317,500	358,448	40,948
Miscellaneous	30,000	30,000	37,738	7,738
<b>Total Revenues</b>	<b>\$ 990,500</b>	<b>\$ 990,500</b>	<b>\$ 1,070,624</b>	<b>\$ 80,124</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
SCORE	\$ 960,575	\$ 960,575	\$ 590,565	\$ 370,010
<b>Capital outlay</b>				
Conservation of natural resources	-	-	43,271	(43,271)
<b>Total Expenditures</b>	<b>\$ 960,575</b>	<b>\$ 960,575</b>	<b>\$ 633,836</b>	<b>\$ 326,739</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 29,925</b>	<b>\$ 29,925</b>	<b>\$ 436,788</b>	<b>\$ 406,863</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(395,000)	(395,000)	(395,000)	-
<b>Change in Fund Balance</b>	<b>\$ (365,075)</b>	<b>\$ (365,075)</b>	<b>\$ 41,788</b>	<b>\$ 406,863</b>
<b>Fund Balance - January 1</b>	<b>1,145,447</b>	<b>1,145,447</b>	<b>1,145,447</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 780,372</b>	<b>\$ 780,372</b>	<b>\$ 1,187,235</b>	<b>\$ 406,863</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 1,729	\$ 1,729
Intergovernmental	-	-	2	2
Miscellaneous	162,178	162,178	1,146,731	984,553
<b>Total Revenues</b>	<b>\$ 162,178</b>	<b>\$ 162,178</b>	<b>\$ 1,148,462</b>	<b>\$ 986,284</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Buildings and plant	\$ 37,000	\$ 37,000	\$ 84,552	\$ (47,552)
<b>Debt service</b>				
Principal	70,000	70,000	70,000	-
Interest	11,885	11,885	11,885	-
Administrative - fiscal charges	2,000	2,000	1,250	750
<b>Total Expenditures</b>	<b>\$ 120,885</b>	<b>\$ 120,885</b>	<b>\$ 167,687</b>	<b>\$ (46,802)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 41,293</b>	<b>\$ 41,293</b>	<b>\$ 980,775</b>	<b>\$ 939,482</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	395,000	395,000	350,000	(45,000)
<b>Change in Fund Balance</b>	<b>\$ 436,293</b>	<b>\$ 436,293</b>	<b>\$ 1,330,775</b>	<b>\$ 894,482</b>
<b>Fund Balance - January 1</b>	<b>2,605,373</b>	<b>2,605,373</b>	<b>2,605,373</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,041,666</b>	<b>\$ 3,041,666</b>	<b>\$ 3,936,148</b>	<b>\$ 894,482</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED TOWNSHIPS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 526,750	\$ 526,750	\$ 460,808	\$ (65,942)
Special assessments	30,000	30,000	24,899	(5,101)
Intergovernmental	23,000	23,000	91,352	68,352
Miscellaneous	-	-	5,059	5,059
<b>Total Revenues</b>	<b>\$ 579,750</b>	<b>\$ 579,750</b>	<b>\$ 582,118</b>	<b>\$ 2,368</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other - general government	\$ 113,000	\$ 113,000	\$ 23,507	\$ 89,493
<b>Public safety</b>				
Other - public safety	149,693	149,693	149,221	472
<b>Highways and streets</b>				
Other - highways and streets	201,750	201,750	174,124	27,626
<b>Total Expenditures</b>	<b>\$ 464,443</b>	<b>\$ 464,443</b>	<b>\$ 346,852</b>	<b>\$ 117,591</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 115,307</b>	<b>\$ 115,307</b>	<b>\$ 235,266</b>	<b>\$ 119,959</b>
<b>Fund Balance - January 1</b>	<b>738,027</b>	<b>738,027</b>	<b>738,027</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 853,334</b>	<b>\$ 853,334</b>	<b>\$ 973,293</b>	<b>\$ 119,959</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
EXTENSION GRANTS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 60,795	\$ 60,795	\$ 30,994	\$ (29,801)
Charges for services	-	-	500	500
<b>Total Revenues</b>	<b>\$ 60,795</b>	<b>\$ 60,795</b>	<b>\$ 31,494</b>	<b>\$ (29,301)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Cooperative extension	45,000	45,000	30,919	14,081
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 15,795</b>	<b>\$ 15,795</b>	<b>\$ 575</b>	<b>\$ (15,220)</b>
<b>Fund Balance - January 1</b>	<b>12,103</b>	<b>12,103</b>	<b>12,103</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 27,898</b>	<b>\$ 27,898</b>	<b>\$ 12,678</b>	<b>\$ (15,220)</b>

**CROW WING COUNTY  
BRainerd, MINNESOTA**

*Statement 3*

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

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>CROW WING THIRTY LAKES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 14,828	\$ -	\$ 12,039	\$ 2,789
<b><u>Liabilities</u></b>				
Due to other governments	\$ 14,828	-	\$ 12,039	2,789
 <b><u>CENTRAL MINNESOTA COMMUNITY CORRECTIONS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 268,211	\$ 3,488,955	\$ 3,356,252	\$ 400,914
Petty cash and change fund	500	-	350	150
Due from other governments	151,459	806,432	853,357	104,534
<b>Total Assets</b>	<b>\$ 420,170</b>	<b>\$ 4,295,387</b>	<b>\$ 4,209,959</b>	<b>\$ 505,598</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 22,633	-	\$ 22,633	-
Salaries payable	94,929	99,132	94,929	99,132
Due to other governments	302,608	4,196,255	4,092,397	406,466
<b>Total Liabilities</b>	<b>\$ 420,170</b>	<b>\$ 4,295,387</b>	<b>\$ 4,209,959</b>	<b>\$ 505,598</b>

**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, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,730,244	\$ 1,614,176	\$ 1,256,535	\$ 2,087,885
Due from other governments	374,859	268,675	374,859	268,675
<b>Total Assets</b>	<b><u>\$ 2,105,103</u></b>	<b><u>\$ 1,882,851</u></b>	<b><u>\$ 1,631,394</u></b>	<b><u>\$ 2,356,560</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 2,105,103</u></b>	<b><u>\$ 1,882,851</u></b>	<b><u>\$ 1,631,394</u></b>	<b><u>\$ 2,356,560</u></b>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b><u>\$ 1,981,570</u></b>	<b><u>\$ 91,597,009</u></b>	<b><u>\$ 91,432,535</u></b>	<b><u>\$ 2,146,044</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 1,981,570</u></b>	<b><u>\$ 91,597,009</u></b>	<b><u>\$ 91,432,535</u></b>	<b><u>\$ 2,146,044</u></b>
 <b><u>SELECT TRUST</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b><u>\$ 47,229</u></b>	<b><u>\$ 283,215</u></b>	<b><u>\$ 305,985</u></b>	<b><u>\$ 24,459</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	<b><u>\$ 47,229</u></b>	<b><u>\$ 283,215</u></b>	<b><u>\$ 305,985</u></b>	<b><u>\$ 24,459</u></b>

**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, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>BLACK BEAR-MILLER LAKES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 12,197	\$ 1,021	\$ -	\$ 13,218
<b><u>Liabilities</u></b>				
Due to other governments	\$ 12,197	\$ 1,021	\$ -	\$ 13,218
 <b><u>4-H PLAT BOOKS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 960	\$ 28,999	\$ 25,769	\$ 4,190
<b><u>Liabilities</u></b>				
Accounts payable	\$ 960	\$ 28,999	\$ 25,769	\$ 4,190
 <b><u>LAKES AREA WELCOME CENTER</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 46,684	\$ 336,652	\$ 340,158	\$ 43,178
<b><u>Liabilities</u></b>				
Accounts payable	\$ 46,684	\$ 336,652	\$ 340,158	\$ 43,178

**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, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
 <b><u>SNOWMOBILE TRAILS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 16,677	\$ 252,455	\$ 265,907	\$ 3,225
<b><u>Liabilities</u></b>				
Accounts payable	\$ 16,677	\$ 252,455	\$ 265,907	\$ 3,225
 <b><u>MIF LOAN DEPOSITS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 4,000	\$ 4,000	\$ -
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 4,000	\$ 4,000	\$ -
 <b><u>ROUND LAKE IMPROVEMENT DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 16,124	\$ 6,451	\$ 9,673
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 16,124	\$ 6,451	\$ 9,673

**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, 2005**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>GAME AND FISH</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,411	\$ 7,662	\$ 7,613	\$ 1,460
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,411	\$ 7,662	\$ 7,613	\$ 1,460
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 4,120,011	\$ 97,630,268	\$ 97,013,244	\$ 4,737,035
Petty cash and change fund	500	-	350	150
Due from other governments	526,318	1,075,107	1,228,216	373,209
<b>Total Assets</b>	<b>\$ 4,646,829</b>	<b>\$ 98,705,375</b>	<b>\$ 98,241,810</b>	<b>\$ 5,110,394</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 134,183	\$ 921,445	\$ 970,903	\$ 84,725
Salaries payable	94,929	99,132	94,929	99,132
Due to other governments	4,417,717	97,684,798	97,175,978	4,926,537
<b>Total Liabilities</b>	<b>\$ 4,646,829</b>	<b>\$ 98,705,375</b>	<b>\$ 98,241,810</b>	<b>\$ 5,110,394</b>

**OTHER SCHEDULE**

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**CROW WING COUNTY  
BRainerd, MINNESOTA**

*Schedule 10*

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

	Governmental Funds	Enterprise Fund	Total Primary Government	Component Units
<b>Shared Revenue</b>				
<b>State</b>				
Highway users tax	\$ 4,516,374	\$ -	\$ 4,516,374	\$ -
PERA rate reimbursement	72,992	595	73,587	-
Disparity reduction aid	12,720	-	12,720	-
Police aid	167,891	-	167,891	-
County program aid	1,927,663	-	1,927,663	-
Market value credit	1,988,848	-	1,988,848	3,379
Taconite credit	461,031	-	461,031	884
Enhanced 911	121,765	-	121,765	-
<b>Total Shared Revenue</b>	<b>\$ 9,269,284</b>	<b>\$ 595</b>	<b>\$ 9,269,879</b>	<b>\$ 4,263</b>
<b>Reimbursement for Services</b>				
<b>State</b>				
Minnesota Department of Human Services	\$ 4,840,336	\$ -	\$ 4,840,336	\$ -
<b>Payments</b>				
<b>Local</b>				
Other contributions	\$ 104,584	\$ -	\$ 104,584	\$ -
Local contributions	123,141	-	123,141	-
Payments in lieu of taxes	190,000	-	190,000	-
<b>Total Payments</b>	<b>\$ 417,725</b>	<b>\$ -</b>	<b>\$ 417,725</b>	<b>\$ -</b>
<b>Grants</b>				
<b>State</b>				
Minnesota Department of Public Safety	\$ 26,226	\$ -	\$ 26,226	\$ -
Transportation	389,902	-	389,902	-
Health	311,830	-	311,830	-
Natural Resources	73,623	-	73,623	-
Human Services	2,983,426	-	2,983,426	-
Water and Soil Resources Board	23,292	-	23,292	-
Office of Environmental Assistance	132,313	-	132,313	-
Veterans Affairs	4,200	-	4,200	-
<b>Total State</b>	<b>\$ 3,944,812</b>	<b>\$ -</b>	<b>\$ 3,944,812</b>	<b>\$ -</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*Schedule 10  
(Continued)*

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

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Units</u>
<b>Grants (Continued)</b>				
<b>Federal</b>				
Department of Agriculture	\$ 297,085	\$ -	\$ 297,085	\$ -
Transportation	524,735	-	524,735	-
Health and Human Services	3,178,500	-	3,178,500	-
Homeland Security	225,981	-	225,981	-
<b>Total Federal</b>	<b>\$ 4,226,301</b>	<b>\$ -</b>	<b>\$ 4,226,301</b>	<b>\$ -</b>
<b>Total State and Federal Grants</b>	<b>\$ 8,171,113</b>	<b>\$ -</b>	<b>\$ 8,171,113</b>	<b>\$ -</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 22,698,458</b>	<b>\$ 595</b>	<b>\$ 22,699,053</b>	<b>\$ 4,263</b>

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.

Special Supplemental Nutrition Program for Women, Infants, and Children	CFDA #10.557	\$ 19,271
State Domestic Preparedness Equipment Support Program	CFDA #97.004	49,583
<b>Total</b>		<b>\$ 68,854</b>



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**CROW WING COUNTY  
BRAINERD, MINNESOTA**

**Schedule 11**

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

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses an unqualified opinion on the basic financial statements of Crow Wing County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Crow Wing County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It was not a material weakness.
- 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:
- |  |              |
|--|--------------|
| Temporary Assistance for Needy Families (TANF) | CFDA #93.558 |
| Foster Care Title IV-E                         | CFDA #93.658 |
| Title XX Social Services Block Grant           | CFDA #93.667 |
- 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**

**ITEM ARISING THIS YEAR**

05-1 **Bank Account Reconciliation**

During 2005, the County's checking account at Bremer Bank was not completely reconciled to the book value. As of December 31, 2005, the unreconciled amount was \$3,965.

We recommend that the book value of all bank accounts be completely reconciled to the bank balance on a monthly basis. All variances should be identified.

**Client's Response:**

*Daily the money coming in from the various departments is reconciled to the bank deposit. Daily reports and copies of the deposits are given to the County Auditor's accountants. They do the fund accounting into the IFS system. They have been working hard with this new system to get the figures to balance at the end of the month with bank statements. We will continue to work on this. Usually, the bank is ahead of the books in the amount.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### MINNESOTA LEGAL COMPLIANCE

##### ITEMS ARISING THIS YEAR

##### 05-2 Declaration of Payments

Minn. Stat. § 471.38 requires that a declaration for payment be signed by the vendor to the effect that such account, claim, or demand is just and correct and that no part of it has been paid. The County complies with this requirement for most disbursements by printing the required endorsement on the back of its checks. However, for certain construction payments, the County makes the payments using wire transfers and, in these cases, the required declaration is not obtained.

We recommend that the County review Minn. Stat. § 471.38 and implement new procedures in order to comply with the statute when paying vendors by wire transfers.

##### Client's Response:

*Crow Wing County has discontinued making wire transfer payments to our construction project manager and our construction architect per the Office of the State Auditor's recommendation. These two vendors were the only two that were applicable to this finding.*

##### 05-3 Collateral Assignment

Minn. Stat. § 118A.03, subd. 3, requires that the total amount of collateral pledged, computed at its market value, shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day. The County perfects its interest in the assigned collateral, in compliance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), by requiring that the written assignment be approved by the depository's board of directors or loan committee. However, the written assignment for deposits at Deerwood Bank requires only that the collateral equals the deposit amounts. This written assignment is not in compliance with Minn. Stat. § 118A.03, subd. 3, as the statute requires the collateral be at least ten percent more than the amount on deposit plus accrued interest.

We recommend that the County obtain a new written assignment which complies with Minn. Stat. § 118A.03, subd. 3.

Client's Response:

*Deerwood Bank has used the same Bank Board Resolution since 2002 without comment from the state auditors. Their collateral coverage since 1986 has been at more than ten percent of the amount on deposit. I will request a wording change for their 2007 resolution.*

OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

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

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

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

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

**Schedule 11**  
***(Continued)***

- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

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

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## **OTHER REQUIRED REPORTS**

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Crow Wing County

We have audited the 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 as of and for the year ended December 31, 2005, and have issued our report thereon dated October 12, 2006. 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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, except as described in the Schedule of Findings and Questioned costs as items 05-2 and 05-3.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 12, 2006

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
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, 2005. 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, 2005.

### 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 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 as of and for the year ended December 31, 2005, and have issued our report thereon dated October 12, 2006. 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: October 12, 2006

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**CROW WING COUNTY  
BRAINERD, MINNESOTA**

*Schedule 12*

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 283,900	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	32,456	-
<b>Total U.S. Department of Agriculture</b>		<b>\$ 316,356</b>	<b>\$ -</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 488,955	\$ -
State and Community Highway Safety	20.600	35,780	-
<b>Total U.S. Department of Transportation</b>		<b>\$ 524,735</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 69,913	\$ -
Assistance Programs for Chronic Disease Prevention and Control	93.945	28,048	-
Block Grant - Prevention/Treatment of Substance Abuse	93.959	108,568	-
Maternal and Child Health Services Block Grant	93.994	72,858	-
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	663,266	-
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	608,044	569,404
Block Grant - Child Care and Development	93.575	851,318	-
Community Based Child Abuse Prevention Grant	93.590	33,483	-
Foster Care Title IV-E	93.658	324,387	-
Social Services Block Grant Title XX	93.667	394,722	-
Chafee Foster Care Independence Program	93.674	23,893	-
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 3,178,500</b>	<b>\$ 569,404</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	\$ 238,188	\$ -
Boating Safety Financial Assistance	97.012	13,730	-
Homeland Security Grant Program	97.067	23,646	-
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 275,564</b>	<b>\$ -</b>
<b>Total Federal Awards</b>		<b>\$ 4,295,155</b>	<b>\$ 569,404</b>

**CROW WING COUNTY  
BRAINERD, MINNESOTA**

***Schedule 12***  
***(Continued)***

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

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.