

WRIGHT COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2011

**WRIGHT COUNTY, MINNESOTA
BUFFALO, MINNESOTA
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INTRODUCTORY SECTION

**WRIGHT COUNTY, MINNESOTA
BUFFALO, MINNESOTA
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2011**

Office	Name	Term Expires
Commissioners		
1st District	Rose Thelen	January 2013
2nd District	Pat Sawatzke	January 2015
3rd District	Jack Russek*	January 2013
4th District	Elmer Eichelberg	January 2015
5th District	Richard Mattson	January 2015
Officers		
Elected		
Attorney	Tom Kelly	January 2015
Auditor-Treasurer	Robert J. Hiivala	January 2015
Sheriff	Joe Hagerty	January 2015
Appointed		
Coordinator	Richard Norman	Indefinite
Assessor	Greg Kramber	December 2012
Court Administrator	Peggy Gentles	Indefinite
Highway Engineer	Wayne Fingalson	May 2014
Human Services Director	Don Mleziva	Indefinite
Recorder/Registrar of Titles	Larry Unger	Indefinite

* Chairperson

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Wright County
Buffalo, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County (the County), Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wright County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the County adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Report and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. Adoption of this statement results in significant changes to the classification of the components of fund balance in its governmental fund types.

Board of County Commissioners
Wright County

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of Wright County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedule of funding progress on pages 4 through 14, 50 through 54, and 55, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wright County's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of intergovernmental revenue are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the schedule of intergovernmental revenue, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 7, 2012

REQUIRED SUPPLEMENTARY INFORMATION

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

This section of the Wright County (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended December 31, 2011. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year, 2011, and the prior year, 2010, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- County-wide net assets increased 4.1 percent in 2011 over the prior year due primarily to an increase in the County's investment in capital assets and paying off long-term debt
- Overall governmental fund-level revenues totaled \$98,210,436 and were \$2,165,344 less than expenditures in 2011. This overage of expenditures was primarily due to a planned use of fund balance for debt service payments and the highway construction expenditures that are offset by a large receivable and deferred revenue at the end of the year.
- The General Fund's fund balance increased \$2,284,008 from the prior year as a result of expenditures coming in under budget, primarily general government and public safety expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

- The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:
 - The first two statements are government-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
 - The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short-term as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

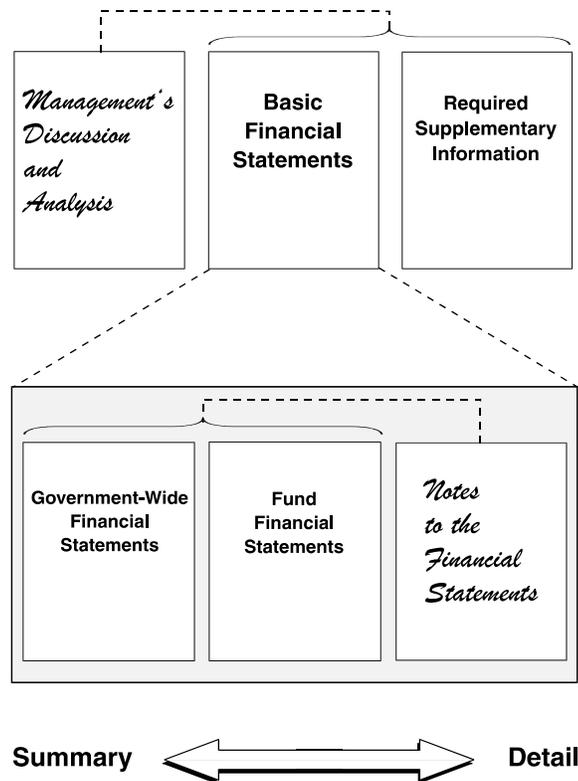
**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

**Figure A-1
Annual Report Format**



**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Government-Wide Statements

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

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

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

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

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

Fund Financial Statements

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

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

The County has two kinds of funds:

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's total net assets were \$234,741,207 on December 31, 2011, an increase of \$9,312,869 from the prior year. The main reason for this increase is the County's investment in capital assets and paying off long-term debt (see Table A-1).

Table A-1
The County's Net Assets

	Governmental Activities	
	2011	2010
Current and Other Assets	\$ 57,450,527	\$ 58,722,960
Capital Assets	248,546,151	242,910,729
Total Assets	<u>305,996,678</u>	<u>301,633,689</u>
Current Liabilities	12,282,605	11,374,001
Long-Term Liabilities	58,972,866	64,831,350
Total Liabilities	<u>71,255,471</u>	<u>76,205,351</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	185,845,782	176,096,211
Restricted	8,937,428	5,288,015
Unrestricted	39,957,997	44,044,112
Total Net Assets	<u>\$ 234,741,207</u>	<u>\$ 225,428,338</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

CHANGE IN NET ASSETS

The government-wide total revenues were \$98,334,710 for the year ended December 31, 2011 (a decrease of \$1,568,510). This decrease is primarily attributable to decreased state aid allotments and decreased capital grants and contributions. Property taxes, operating grants and contributions, and capital grants and contributions accounted for 87percent of total revenue for the year (see Table A-2).

Table A-2
Change in Net Assets

	Governmental Activities		Total % Change
	2011	2010	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 19,532,554	\$ 19,240,824	1.5 %
Operating Grants and Contributions	18,775,737	18,923,830	(0.8)
Capital Grants and Contributions	5,705,296	8,384,642	(32.0)
<u>General Revenues</u>			
Property Taxes	46,974,250	46,150,880	1.8
Other	7,346,873	7,203,044	2.0
Total Revenues	<u>98,334,710</u>	<u>99,903,220</u>	(1.6)
EXPENSES			
General Government	21,850,395	21,796,688	0.2
Public Safety	26,291,092	25,477,543	3.2
Highways and Streets	11,950,462	9,740,054	22.7
Sanitation	898,208	751,181	19.6
Human Services	19,452,503	18,560,148	4.8
Health	3,756,495	3,510,419	7.0
Culture and Recreation	1,560,045	2,257,509	(30.9)
Conservation of Natural Resources	441,475	455,188	(3.0)
Interest	2,821,166	2,933,453	(3.8)
Total Expenses	<u>89,021,841</u>	<u>85,482,183</u>	4.1
CHANGE IN NET ASSETS	9,312,869	14,421,037	(35.4)
Net Assets - Beginning of Year	225,428,338	211,007,301	6.8
NET ASSETS - END OF YEAR	<u>\$ 234,741,207</u>	<u>\$ 225,428,338</u>	4.1

Total revenues surpassed expenses, increasing net assets \$9,312,869 over last year.

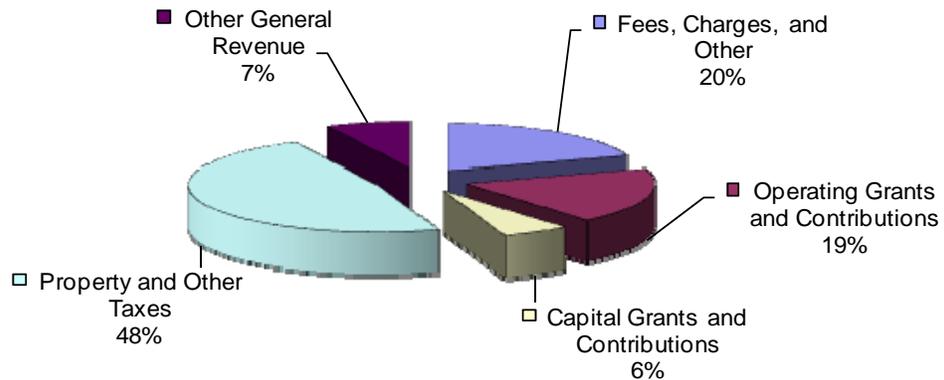
**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

CHANGE IN NET ASSETS (CONTINUED)

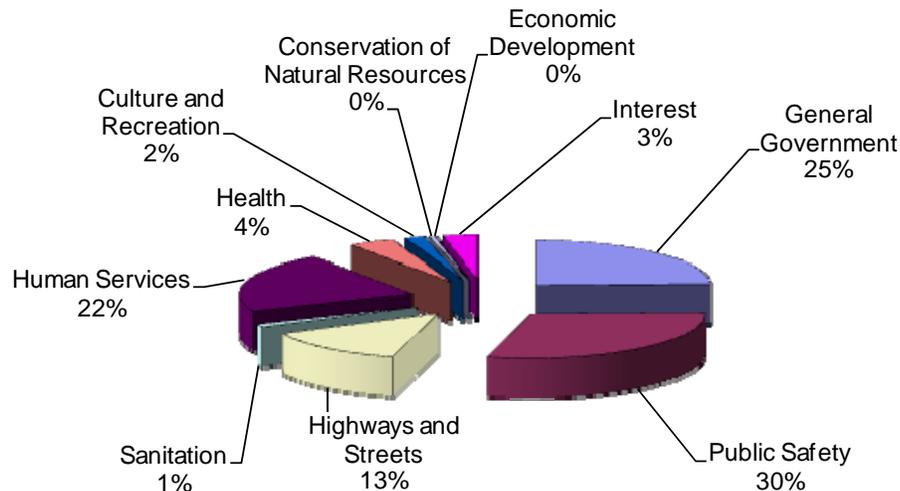
The government-wide cost of all governmental activities this year was \$89,021,841

- Some of the cost was paid by the users of the County's programs (\$19,532,554).
- The federal and state governments subsidized certain programs with grants and contributions (\$24,481,033).
- The remainder of the County's governmental activities costs (\$45,008,254) however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities and the increase in net assets was covered by \$46,974,250 in property taxes, \$5,334,938 of state aid, \$1,604,533 of investment earnings, and other general revenues.

Governmental Activities Revenues by Source 2011



Governmental Activities Expenses by Type 2011



**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

CHANGE IN NET ASSETS (CONTINUED)

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

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

	Total Cost of Services		Percentage Change	Net (Revenue) Cost of Services		Percentage Change
	2011	2010		2011	2010	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 21,850,395	\$ 21,796,688	0.2 %	\$ 11,748,684	\$ 11,387,478	3.2 %
Public Safety	26,291,092	25,477,543	3.2	18,695,793	17,365,678	7.7
Highways and Streets	11,950,462	9,740,054	22.7	2,406,973	(1,082,353)	322.4
Sanitation	898,208	751,181	19.6	(746,684)	(1,029,560)	(27.5)
Human Services	19,452,503	18,560,148	4.8	7,137,417	6,168,644	15.7
Health	3,756,495	3,510,419	7.0	2,040,618	1,299,034	57.1
Culture and Recreation	1,560,045	2,257,509	(30.9)	741,895	1,517,072	(51.1)
Conservation of Natural Resources	441,475	455,188	(3.0)	344,068	377,158	(8.8)
Economic Development	-	-	-	(181,676)	(3,717)	4787.7
Interest	2,821,166	2,933,453	(3.8)	2,821,166	2,933,453	(3.8)
Total	<u>\$ 89,021,841</u>	<u>\$ 85,482,183</u>	4.1	<u>\$ 45,008,254</u>	<u>\$ 38,932,887</u>	15.6

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County, as a whole, is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$50,290,075. Revenues for the County's governmental funds were \$98,210,436, while total expenditures were \$100,375,780 – revenues decreased from the 2010 amount while expenditures increased.

The General Fund includes the primary operations of the County in providing services to citizens. Fund balance increased by \$2,284,008 during 2011. This increase is primarily due to expenditures coming in under budget.

The Road and Bridge Fund has a total fund balance of \$7,113,893. The fund balance decreased in 2011 primarily due to state funding received after the period of availability for construction costs incurred in the current year.

The Human Services Fund has a total fund balance of \$5,060,423. It increased \$36,812 from 2010 due to increased grant revenues.

The Debt Service Fund has a total fund balance of \$2,703,333. It increased \$466,150 from 2010 primarily due to a planned transfer from the capital projects fund for unused 800 MHz funds.

The Capital Project Fund has a total fund balance of \$1,481,179. It decreased \$4,322,773 from 2010 due to transfers out to other funds for capital outlay expenditures per the 2009 equipment note.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

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

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
Taxes	\$ 27,327,764	\$ 27,147,047	\$ 180,717	0.7 %
Intergovernmental	5,958,906	6,150,967	(192,061)	(3.1)
Charges for Services	7,831,219	7,645,123	186,096	2.4
Interest	1,400,787	1,504,053	(103,266)	(6.9)
Miscellaneous and Other	5,786,914	5,514,731	272,183	4.9
Total General Fund Revenues	<u>\$ 48,305,590</u>	<u>\$ 47,961,921</u>	<u>\$ 343,669</u>	0.7

Total General Fund revenues increased by \$343,669, or 0.7 percent, from the previous year due primarily to increases in tax levy, charges for services, and miscellaneous revenues.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
General Government	\$ 19,837,260	\$ 19,358,369	\$ 478,891	2.5 %
Public Safety	24,535,550	23,766,872	768,678	3.2
Culture and Recreation	1,246,053	1,205,561	40,492	3.4
Conservation	379,447	403,216	(23,769)	(5.9)
Intergovernmental	1,839,017	1,955,570	(116,553)	(6.0)
Total Expenditures	<u>\$ 47,837,327</u>	<u>\$ 46,689,588</u>	<u>\$ 1,147,739</u>	2.5

The increase in General Fund expenditures is due primarily to an increase in personnel expenditures in 2011.

General Fund Budgetary Highlights

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

- Actual revenues were \$820,748 less than expected; this is primarily due the State of Minnesota unallotment of shared revenue and market value credit intergovernmental revenues.
- The actual expenditures were \$3,312,676 less than budget due primarily to position vacancies and conservative spending.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

CONSTRUCTION PROJECTS AND DEBT SERVICE

In addition to a number of road projects, the County made a significant investment in park land.

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

CAPITAL ASSETS

By the end of 2011, the County had invested approximately \$328,000,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements). Total depreciation expense for the year was \$7,285,811.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2011	2010	
Land	\$ 24,639,023	\$ 23,092,460	6.7 %
Construction-in-Progress	4,283,324	2,078,653	106.1
Buildings	99,279,182	99,104,627	0.2
Machinery, Furniture, and Equipment	20,163,816	18,710,139	7.8
Infrastructure	179,168,341	172,035,300	4.1
Less: Accumulated Depreciation	(78,987,535)	(72,110,450)	9.5
Total	<u>\$ 248,546,151</u>	<u>\$ 242,910,729</u>	2.3

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

LONG-TERM LIABILITIES

At year-end, the County had \$67,249,343 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt decreased \$5,575,904 during the fiscal year, due primarily to the repayment of bonds according to the repayment schedules.

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

	2011	2010	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds - Net of Discounts	\$ 57,477,405	\$ 60,670,025	(5.3)%
General Obligation Capital Notes	2,525,000	4,950,000	(49.0)
Contract for Deed	-	32,000	(100.0)
Loans Payable	2,929,342	3,200,000	(8.5)
Compensated Absences Payable	3,499,348	3,367,767	3.9
Other Postemployment Benefit Plan	818,248	605,455	35.1
Total	<u>\$ 67,249,343</u>	<u>\$ 72,825,247</u>	(7.7)

FACTORS BEARING ON THE COUNTY'S FUTURE

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

**WRIGHT COUNTY
BUFFALO, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

ASSETS		
Cash and Pooled Investments		\$ 49,364,625
Petty Cash and Change Funds		2,560
Taxes Receivable - Delinquent		2,152,220
Special Assessments Receivable		
Delinquent		162,219
Noncurrent		406,716
Accounts Receivable - Net		208,650
Accrued Interest Receivable		105,203
Loans Receivable		250,114
Due from Other Governments		3,508,997
Inventory		1,018,332
Deferred Charges		262,615
Advances to Other Governments		8,276
Non-Depreciable Capital Assets		
Land		24,639,023
Construction-in-Progress		4,283,324
Depreciable Capital Assets - Net of Accumulated Depreciation		
Buildings		73,968,529
Machinery, Furniture, and Equipment		8,244,383
Infrastructure		137,410,892
		305,996,678
Total Assets		
LIABILITIES		
Accounts Payable		1,404,747
Salaries Payable		909,247
Contracts Payable		901,008
Other Accrued Liabilities		19,107
Due to Other Governments		434,078
Deferred Revenue - Unearned		31,031
Accrued Interest Payable		306,910
General Obligation Bonds Payable - Due Within One Year		3,345,000
General Obligation Notes Payable - Due Within One Year		2,525,000
Loans Payable - Due Within One Year		450,000
Compensated Absences Payable - Due Within One Year		1,956,477
General Obligation Bonds Payable - Due in More Than One Year		54,132,405
Septic Loans Payable - Due in More Than One Year		179,342
Loans Payable - Due in More Than One Year		2,300,000
Other Postemployment Benefits Payable - Due in More Than One Year		818,248
Compensated Absences Payable - Due in More Than One Year		1,542,871
		71,255,471
Total Liabilities		
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		185,845,782
Restricted For:		
General Government		1,595,845
Public Safety		939,017
Culture and Recreation		41,877
Economic Development		343,965
Capital Projects		2,651,297
Debt Service		3,058,808
Sanitation		306,619
Unrestricted		39,957,997
		39,957,997
Total Net Assets		\$ 234,741,207

See accompanying Notes to Financial Statements.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General Government	\$ 21,850,395	\$ 9,270,376	\$ 817,944	\$ 13,391	\$ (11,748,684)
Public Safety	26,291,092	5,880,045	1,486,488	228,766	(18,695,793)
Highways and Streets	11,950,462	1,264,462	3,424,385	4,854,642	(2,406,973)
Sanitation	898,208	1,342,521	302,371	-	746,684
Human Services	19,452,503	1,146,133	11,168,953	-	(7,137,417)
Health	3,756,495	322,537	1,393,340	-	(2,040,618)
Culture and Recreation	1,560,045	124,530	85,123	608,497	(741,895)
Conservation of Natural Resources	441,475	274	97,133	-	(344,068)
Economic Development	-	181,676	-	-	181,676
Interest	2,821,166	-	-	-	(2,821,166)
Total Governmental Activities	\$ 89,021,841	\$ 19,532,554	\$ 18,775,737	\$ 5,705,296	(45,008,254)
GENERAL REVENUES					
Property Taxes					46,974,250
Gravel Taxes					186,316
Mortgage Registry and Deed Tax					93,318
Grants and Contributions not Restricted for a Particular Purpose					5,334,938
Investment Earnings					1,604,533
Miscellaneous					70,246
Gain on Sale of Capital Assets					57,522
Total General Revenues					54,321,123
CHANGE IN NET ASSETS					
Net Assets - Beginning of Year					225,428,338
NET ASSETS - END OF YEAR					\$ 234,741,207

See accompanying Notes to Financial Statements.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
ASSETS			
Cash and Pooled Investments	\$ 29,616,487	\$ 6,514,953	\$ 5,135,233
Petty Cash and Change Funds	2,350	150	60
Taxes Receivable			
Delinquent	1,232,799	321,632	376,765
Special Assessments Receivable			
Delinquent	53,358	-	-
Deferred	-	-	-
Accounts Receivable	51,494	67,691	75,471
Accrued Interest Receivable	105,203	-	-
Loans Receivable	-	-	-
Due from Other Funds	4,244	107,353	-
Due from Other Governments	258,295	1,011,490	1,017,687
Inventories	-	1,018,332	-
Advances to Other Governments	-	-	-
Advances to Other Funds	17,400	-	-
	<u>\$ 31,341,630</u>	<u>\$ 9,041,601</u>	<u>\$ 6,605,216</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 456,459	\$ 116,179	\$ 751,486
Salaries Payable	591,568	56,068	261,067
Contracts Payable	-	901,008	-
Other Accrued Liabilities	-	-	19,107
Due to Other Funds	103,516	-	3,912
Due to Other Governments	157,497	-	166,527
Deferred Revenue - Unavailable	1,045,150	854,453	342,694
Deferred Revenue - Unearned	31,031	-	-
Advance from Other Funds	-	-	-
	<u>2,385,221</u>	<u>1,927,708</u>	<u>1,544,793</u>
FUND BALANCES			
Nonspendable	17,400	1,018,332	-
Restricted	-	-	-
Committed	-	515,000	-
Assigned	2,435,766	5,580,561	5,060,423
Unassigned	26,503,243	-	-
	<u>28,956,409</u>	<u>7,113,893</u>	<u>5,060,423</u>
Total Fund Balances	<u>\$ 31,341,630</u>	<u>\$ 9,041,601</u>	<u>\$ 6,605,216</u>
Total Liabilities and Fund Balances	<u>\$ 31,341,630</u>	<u>\$ 9,041,601</u>	<u>\$ 6,605,216</u>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,643,957	\$ 359,038	\$ 5,094,957	\$ 49,364,625
-	-	-	2,560
219,320	-	1,704	2,152,220
107,215	-	1,646	162,219
395,226	-	11,490	406,716
-	2,167	11,827	208,650
-	-	-	105,203
-	-	250,114	250,114
-	-	-	111,597
-	1,119,974	101,551	3,508,997
-	-	-	1,018,332
-	8,276	-	8,276
-	-	-	17,400
<u>\$ 3,365,718</u>	<u>\$ 1,489,455</u>	<u>\$ 5,473,289</u>	<u>\$ 57,316,909</u>
\$ -	\$ -	\$ 80,623	\$ 1,404,747
-	-	544	909,247
-	-	-	901,008
-	-	-	19,107
-	-	4,169	111,597
-	-	110,054	434,078
662,385	8,276	264,752	3,177,710
-	-	-	31,031
-	-	17,400	17,400
<u>662,385</u>	<u>8,276</u>	<u>477,542</u>	<u>7,005,925</u>
-	-	-	1,035,732
2,703,333	-	3,092,548	5,795,881
-	-	515,515	1,030,515
-	1,481,179	1,387,684	15,945,613
-	-	-	26,503,243
<u>2,703,333</u>	<u>1,481,179</u>	<u>4,995,747</u>	<u>50,310,984</u>
<u>\$ 3,365,718</u>	<u>\$ 1,489,455</u>	<u>\$ 5,473,289</u>	<u>\$ 57,316,909</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 50,310,984
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		248,546,151
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		3,177,710
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Bonds and Any Related Unamortized Discounts or Premiums	\$ (57,477,405)	
General Obligation Notes and Any Related Unamortized Discounts or Premiums	(2,525,000)	
Deferred Debt Issuance Charges	262,615	
Accrued Interest Payable	(306,910)	
Loans Payable	(2,750,000)	
Septic Loans Payable	(179,342)	
Other Postemployment Benefits	(818,248)	
Compensated Absences	(3,499,348)	(67,293,638)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 234,741,207</u></u>

See accompanying Notes to Financial Statements.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge	Human Services
REVENUES			
Taxes	\$ 27,327,764	\$ 6,869,854	\$ 8,126,423
Special Assessments	-	-	-
Licenses and Permits	83,586	-	-
Intergovernmental	5,958,906	8,132,551	13,259,369
Charges for Services	7,831,219	1,110,476	1,232,033
Fines and Forfeits	168,119	-	-
Gifts and Contributions	2,500	-	22,171
Interest on Investments	1,400,787	-	8,365
Miscellaneous	5,532,709	763,829	293,210
Total Revenues	48,305,590	16,876,710	22,941,571
EXPENDITURES			
CURRENT			
General Government	19,837,260	-	-
Public Safety	24,535,550	-	-
Highways and Streets	-	17,651,989	-
Sanitation	-	-	-
Human Services	-	-	19,429,857
Health	-	-	3,743,402
Culture and Recreation	1,246,053	-	-
Conservation of Natural Resources	379,447	-	-
INTERGOVERNMENTAL			
Culture and Recreation	1,839,017	-	-
CAPITAL OUTLAY			
General Government	-	-	-
DEBT SERVICE			
Principal	-	450,000	-
Interest	-	47,400	-
Bond Issue Costs	-	-	-
Total Expenditures	47,837,327	18,149,389	23,173,259
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	468,263	(1,272,679)	(231,688)
OTHER FINANCING SOURCES (USES)			
Transfers In	1,758,427	608,240	268,500
Transfers Out	-	-	-
Loan Proceeds	-	-	-
Refunding Bonds Issued	-	-	-
Payment on Refunded Bonds	-	-	-
Discount on Refunding Bonds Issued	-	-	-
Payment to Refunding Bond Escrow Agent	-	-	-
Proceeds from Sale of Assets	57,318	10,773	-
Total Other Financing Sources (Uses)	1,815,745	619,013	268,500
NET CHANGE IN FUND BALANCES	2,284,008	(653,666)	36,812
Fund Balances - Beginning of Year	26,672,401	7,903,429	5,023,611
DECREASE IN INVENTORY	-	(135,870)	-
FUND BALANCES - END OF YEAR	<u>\$ 28,956,409</u>	<u>\$ 7,113,893</u>	<u>\$ 5,060,423</u>

See accompanying Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,640,534	\$ -	\$ 139,897	\$ 48,104,472
1,339,852	-	4,656	1,344,508
-	-	64,390	147,976
327,590	-	641,777	28,320,193
-	311,235	592,697	11,077,660
-	-	162,896	331,015
-	-	643	25,314
190,237	1,251	7,027	1,607,667
243	618,277	43,363	7,251,631
<u>7,498,456</u>	<u>930,763</u>	<u>1,657,346</u>	<u>98,210,436</u>
353	-	36,214	19,873,827
-	-	742,163	25,277,713
-	-	84,376	17,736,365
-	-	433,671	433,671
-	-	-	19,429,857
-	-	-	3,743,402
-	-	6,623	1,252,676
-	-	225,870	605,317
-	-	-	1,839,017
-	1,203,911	-	1,203,911
5,625,000	32,000	-	6,107,000
2,786,386	-	-	2,833,786
39,238	-	-	39,238
<u>8,450,977</u>	<u>1,235,911</u>	<u>1,528,917</u>	<u>100,375,780</u>
(952,521)	(305,148)	128,429	(2,165,344)
1,382,458	-	-	4,017,625
-	(4,017,625)	-	(4,017,625)
-	-	179,342	179,342
1,495,000	-	-	1,495,000
(1,420,000)	-	-	(1,420,000)
(10,604)	-	-	(10,604)
(28,183)	-	-	(28,183)
-	-	-	68,091
<u>1,418,671</u>	<u>(4,017,625)</u>	<u>179,342</u>	<u>283,646</u>
466,150	(4,322,773)	307,771	(1,881,698)
2,237,183	5,803,952	4,687,976	52,328,552
-	-	-	(135,870)
<u>\$ 2,703,333</u>	<u>\$ 1,481,179</u>	<u>\$ 4,995,747</u>	<u>\$ 50,310,984</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (1,881,698)**

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

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

Expenditures for General Capital Assets and Infrastructure	\$ 12,961,136	
Net book Value of Disposed Assets	(39,903)	
Current Year Depreciation	<u>(7,285,811)</u>	5,635,422

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		96,086
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Long-Term Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The new proceeds for debt issuance are:

Septic Loans Payable	(179,342)	
General Obligation Refunding Bonds	(1,495,000)	
Discount on Bond Issued	10,604	
Bond Issuance Costs	<u>36,213</u>	(1,627,525)

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	4,620,000	
General Obligation Notes	2,425,000	
Contract for Deed	32,000	
Loans Payable	<u>450,000</u>	7,527,000

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

Change in Other Postemployment Benefit Plan	(212,793)	
Change in Accrued Interest Payable	11,731	
Amortization of Premiums and Deferred Issuance Charges	32,097	
Change in Compensated Absences	(131,581)	
Change in Inventories	<u>(135,870)</u>	<u>(436,416)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 9,312,869**

**WRIGHT COUNTY
BUFFALO, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2011**

ASSETS

Cash and Pooled Investments	<u>\$ 2,850,418</u>
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LIABILITIES

Funds Held in Trust	\$ 223,951
Due to Other Governments	<u>2,626,467</u>
Total Liabilities	<u>\$ 2,850,418</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Joint Ventures

The County participates in joint ventures which are described in Note 6.C. The County also participates in jointly-governed organizations which are described in Note 6.D.

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net assets are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of the governmental fund financial statements are on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Property taxes and intergovernmental revenues are the primary funds committed for these projects.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs which are funded primarily by property taxes and intergovernmental revenues.

The Debt Service Fund is used to account for payment of principal and interest on debt, which are financed by property tax revenue restricted through bond documents.

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities. Financing is provided by bonds issued by the County, state aid, and levy dollars.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at year end, based on market prices. Pursuant to *Minnesota Statutes* §385.07, investment earnings on cash and pooled investments are credited to the general fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the case of the initial capitalization of general infrastructure reported in governmental activities, the County chose to include all such items acquired since 1980. The County was able to record the capital assets at cost dating back to 1980.

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

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

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

Assets	Years
Buildings	50
Infrastructure	50
Furniture, Equipment, and Machinery	5 - 15

5. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance

At December 31, 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This standard changed fund balance classifications within the fund level statements.

In the fund financial statements, governmental funds report nonspendable, restricted, committed, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, and long term receivables, as applicable. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Commissioners. The Board passed a resolution authorizing the County Auditor-Treasurer to assign fund balances and their intended uses. Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in other classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2011:

	<u>Expenditures</u>	<u>Budgets</u>	<u>Excess</u>
Road and Bridge Fund	\$ 18,149,389	\$ 17,700,685	\$ 448,704
Lake Improvement Districts	57,758	43,420	14,338

The additional expenditures were financed by greater than anticipated charges for services revenues, existing fund balance, and other additional revenues for the Road and Bridge Fund and existing fund balance for the Lake Improvement Districts.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Pursuant to *Minnesota Statutes* §385.07, investment earnings on cash and pooled investments are credited to the general fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

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

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

TOTAL CASH AND INVESTMENTS

Government-Wide Statement of Net Assets	
Cash and Pooled Investments	\$ 49,364,625
Petty Cash and Change Funds	2,560
Statement of Fiduciary Net Assets	
Cash and Pooled Investments	<u>2,850,418</u>
Total Cash and Investments	<u>\$ 52,217,603</u>
Deposits	\$ 15,732,162
Change Funds	2,560
Investments	<u>36,482,881</u>
Total Deposits, Cash and Investments	<u>\$ 52,217,603</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

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

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

The County's deposits in banks at December 31, 2011 totaled \$17,479,677 per banks. All deposits as of December 31, 2011 were fully insured with FDIC insurance.

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

- (a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statutes* §118a.04, Subd. 6;
- (b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) General obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (d) Bankers' acceptances of United States banks;
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk

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

As of December 31, 2011, the County had the following investments:

Type	Fair Value	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Government Securities	\$ 25,593,857	\$ 450,514	\$ 1,030,284	\$ 997,720	\$ 23,115,339
Treasury Notes/Bonds	736,774	-	-	-	736,774
Investment Pool/MAGIC Fund	959,726	959,726	-	-	-
Negotiable Certificates of Deposit	9,192,524	1,916,515	2,711,915	3,318,728	1,245,365
Total	<u>\$ 36,482,881</u>	<u>\$ 3,326,755</u>	<u>\$ 3,742,199</u>	<u>\$ 4,316,448</u>	<u>\$ 25,097,478</u>

Credit Risk

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

The County's exposure to credit risk as of December 31, 2011, is as follows:

Type	Credit Quality Rating *	Fair Value
U.S. Government Securities	AAA	\$ 12,097,223
U.S. Government Securities	AA	3,958,622
Treasury Notes/Bonds	Not Rated	736,774
Municipal Securities	AAA	2,046,003
Municipal Securities	AA	4,723,451
Municipal Securities	A	1,423,357
Municipal Securities	Not Rated	1,345,202
Investment Pool/MAGIC Fund	Not Rated	959,726
Negotiable Certificates of Deposit	Not Rated	9,192,523
Total		<u>\$ 36,482,881</u>

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration Credit Risk

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

As of December 31, 2011, investments in any one issuer that represent five percent or more of the County's investments are as follows:

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Federal Home Loan Bank	\$ 4,681,426	8.9 %
Federal Home Mortgage Corporation	4,142,315	7.9
Federal National Mortgage Association	4,335,972	8.3
Federal Farm Credit Bank	2,896,133	5.5

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of failure by the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a specific policy for custodial credit risk. As of December 31, 2011, the County's investments were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2011 for the County are as follows:

	<u>County Receivable</u>	<u>Amounts Not Received During the Period of Availability</u>
Taxes	\$ 2,152,220	\$ 1,728,117
Special Assessments	568,935	556,702
Accounts	208,650	-
Loans Receivable	250,114	258,390
Advances to Other Governments	8,276	-
Interest	105,203	-
Due from Other Governments	3,508,997	634,501
Total	<u>\$ 6,802,395</u>	<u>\$ 3,177,710</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 23,092,460	\$ 1,546,563	\$ -	\$ 24,639,023
Construction-in-Progress	2,078,653	9,533,644	7,328,973	4,283,324
Total Capital Assets, No Being Depreciated	25,171,113	11,080,207	7,328,973	28,922,347
Capital Assets, Being Depreciated				
Buildings	99,104,627	174,555	-	99,279,182
Machinery and Equipment	18,710,139	1,902,306	448,629	20,163,816
Infrastructure	172,035,300	7,133,041	-	179,168,341
Total Capital Assets, Being Depreciated	289,850,066	9,209,902	448,629	298,611,339
Less Accumulated Depreciation for				
Buildings	23,293,865	2,016,788	-	25,310,653
Machinery, Furniture, and Equipment	10,585,272	1,742,887	408,726	11,919,433
Infrastructure	38,231,313	3,526,136	-	41,757,449
Total Accumulated Depreciation	72,110,450	7,285,811	408,726	78,987,535
Total Capital Assets, Being Depreciated, Net	217,739,616	1,924,091	39,903	219,623,804
Governmental Activities Capital Assets, Net	<u>\$ 242,910,729</u>	<u>\$ 13,004,298</u>	<u>\$ 7,368,876</u>	<u>\$ 248,546,151</u>

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

Governmental Activities	
General Government	\$ 1,079,750
Public Safety	1,612,152
Highways and Streets, Including Depreciation of Infrastructure Assets	4,150,634
Human Services	57,459
Culture and Recreation	84,214
Sanitation	301,602
Total Depreciation Expense - Governmental Activities	<u>\$ 7,285,811</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds - Ditch	\$ 4,169
Road and Bridge	Human Services General	3,912 <u>103,516</u>
Total Due to Road and Bridge		<u>107,428</u>
Total Due To/From Other Funds		<u><u>\$ 111,597</u></u>

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

2. Advances From/To Other Funds

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

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

	Amount	Description
Transfers to General Fund from Capital Projects Fund	\$ 1,758,427	To Provide Funding for Capital Outlay
Transfer to Road and Bridge from Capital Projects Fund	608,240	To Provide Funding for Capital Outlay
Transfer to Debt Service from Capital Projects Fund	1,382,458	To Close Excess Bond Proceeds to Debt Service Accounts
Transfer to Human Services Fund from Capital Projects Fund	<u>268,500</u>	To Provide Funding for Capital Outlay
Total Interfund Transfers	<u><u>\$ 4,017,625</u></u>	

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2011. The projects include the following:

Governmental Activities	Spent-to-Date	Remaining Commitment
Roads and Bridges	\$ 21,136,421	\$ 1,507,574

2. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2011
General Obligation Bonds and Notes					
2001A G.O. Sewer Revenue Bonds	2022	\$ 40,000 - 175,000	3.625 - 4.750	\$ 2,295,000	\$ 110,000
2003A G.O. Capital Improvement Bonds	2023	95,000 - 180,000	2.000 - 4.200	2,515,000	1,710,000
2004C G.O. Solid Waste Revenue Refunding Bonds	2012	840,000 - 1,185,000	3.350	8,285,000	1,185,000
2007A GO Jail Bond	2029	1,665,000 - 4,205,000	4.000 - 5.000	52,235,000	50,570,000
2008A GO Capital Note	2012	725,000 - 2,525,000	2.000 - 2.850	8,050,000	2,525,000
2009A GO CIP Refunding Bonds	2018	190,000 - 245,000	2.000 - 3.375	1,725,000	1,535,000
2011A G.O. Sewer Revenue Refunding Bonds	2022	140,000 - 170,000	0.650 3.400	1,495,000	1,495,000
Total General Obligation Bonds and Notes				\$76,600,000	\$59,130,000
Add: Unamortized Premium					912,628
Less: Unamortized Discount					(40,223)
Total General Obligation Bonds, Net					\$ 60,002,405

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Year Ending December 31,	General Obligation Bonds		General Obligation Capital Notes	
	Principal	Interest	Principal	Interest
2012	\$ 3,345,000	\$ 2,551,183	\$ 2,525,000	\$ 71,963
2013	2,265,000	2,381,869	-	-
2014	2,355,000	2,299,381	-	-
2015	2,445,000	2,211,731	-	-
2016	2,540,000	2,120,029	-	-
2017-2021	14,425,000	8,985,156	-	-
2022-2026	17,145,000	5,379,275	-	-
2027-2029	12,085,000	1,164,700	-	-
Total	\$ 56,605,000	\$ 27,093,324	\$ 2,525,000	\$ 71,963

Year Ending December 31,	Loans Payable		Septic Loans	
	Principal	Interest	Principal	Interest
2012	\$ 450,000	\$ 39,500	\$ -	\$ -
2013	450,000	31,600	-	-
2014	450,000	23,700	8,145	1,793
2015	450,000	15,800	16,535	3,342
2016	450,000	7,900	16,867	3,009
2017-2021	500,000	-	89,560	9,823
2022-2026	-	-	48,235	1,457
2027-2029	-	-	-	-
Total	\$ 2,750,000	\$ 118,500	\$ 179,342	\$ 19,424

4. Loans Payable

The County is involved in construction projects with the following entities with remaining balances as indicated: City of Albertville (\$350,000); the City of Monticello (\$1,000,000); and the City of St. Michael (\$1,400,000). The County has agreed to pay a portion of the total construction costs. The payment schedule is noted above.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 59,730,000	\$ 1,495,000	\$ 4,620,000	\$ 56,605,000	\$ 3,345,000
General Obligation Capital Notes	4,950,000	-	2,425,000	2,525,000	2,525,000
Add: Amount of Unamortized Premiums	981,393	-	68,765	912,628	-
Less: Deferred Amounts for Discounts	(41,368)	(10,604)	(11,749)	(40,223)	-
Total Bonds Payable	65,620,025	1,484,396	7,102,016	60,002,405	5,870,000
Contract for Deed	32,000	-	32,000	-	-
Loans Payable	3,200,000	-	450,000	2,750,000	450,000
Septic Loans Payable	-	179,342	-	179,342	-
Compensated Absences	3,367,767	3,766,309	3,634,728	3,499,348	1,956,477
Other Postemployment Benefits	605,455	343,314	130,521	818,248	-
Governmental Activity Long-Term Liabilities	<u>\$ 72,825,247</u>	<u>\$ 5,773,361</u>	<u>\$ 11,349,265</u>	<u>\$ 67,249,343</u>	<u>\$ 8,276,477</u>

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

6. Debt Refunding

In 2010, Wright County issued \$1,495,000 General Obligation Sewer Revenue Advance Crossover Refunding Bonds, Series 2011A with interest rates of 0.650 to 3.400 percent to currently refund the \$2,295,000 General Obligation Sewer Revenue Bonds, Series 2001A with a refunding date of February 1, 2012.

The net proceeds of \$1,448,183 were deposited into the County's savings account and paid the remaining portion of the General Obligation Sewer Revenue Bonds, Series 2001A on their call date of February 1, 2012.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

6. Debt Refunding (Continued)

As a result of the 2011 current refunding, the County reduced its total debt service requirements by \$95,169, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt service) of \$82,147.

7. Septic Loans

The County entered into a revolving loan program during 2011 to finance septic system upgrades for individuals. The County entered into a loan agreement for \$300,000 with the Minnesota Pollution Control Agency to finance this program. The loans are secured by special assessments placed on the individual parcels requesting installation/repair of septic systems. The loans bear interest at two percent. During 2011, loans issued to residents totaled \$179,342. The state does not provide a repayment schedule on the loans until the full loan amount of \$300,000 is borrowed. Repayment of these loans is set to start in 2014.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balances

At December 31, 2011, portions of the County's fund balance are not available for appropriation due to legal restrictions (Restricted), County Board action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General Fund	Road and Bridge Fund	Human Services Fund	Debt Service Fund	Capital Project Funds	Other Governmental Funds	Total Funds
Nonspendable:							
Advances to Other Funds	\$ 17,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,400
Inventories	-	1,018,332	-	-	-	-	1,018,332
Total Nonspendable	17,400	1,018,332	-	-	-	-	1,035,732
Restricted:							
Debt Service	-	-	-	2,703,333	-	-	2,703,333
Law Library	-	-	-	-	-	155,504	155,504
Victim Witness	-	-	-	-	-	17,236	17,236
Richard Ahlers	-	-	-	-	-	2,182	2,182
Juvenile Restitution	-	-	-	-	-	26,128	26,128
Attorney Drive Wright Program	-	-	-	-	-	37,307	37,307
Attorney Seizure	-	-	-	-	-	40,217	40,217
Attorney DWI Seizure	-	-	-	-	-	15,877	15,877
Recorders' Technology	-	-	-	-	-	1,188,164	1,188,164
Gravel	-	-	-	-	-	169,853	169,853
Sheriff Contingency	-	-	-	-	-	583	583
Gun Permits	-	-	-	-	-	180,213	180,213
E-911	-	-	-	-	-	543,186	543,186
Drug Abuse Prevention	-	-	-	-	-	60,403	60,403
Sheriff's Seizure	-	-	-	-	-	46,945	46,945
Sheriff's Narcotic Grant	-	-	-	-	-	4,594	4,594
Jail Canteen	-	-	-	-	-	11,490	11,490
Sheriff DUI	-	-	-	-	-	74,369	74,369
Septic Loans	-	-	-	-	-	16,407	16,407
Gifts & Donations - Ney Park	-	-	-	-	-	39,695	39,695
Economic Development Loans	-	-	-	-	-	171,983	171,983
Landfill closure/postclosure	-	-	-	-	-	290,212	290,212
Total Restricted	-	-	-	2,703,333	-	3,092,548	5,795,881
Committed:							
Encumbrances	-	515,000	-	-	-	-	515,000
County Parks	-	-	-	-	-	515,515	515,515
Total Committed	-	515,000	-	-	-	515,515	1,030,515

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balances (Continued)

	General Fund	Road and Bridge Fund	Human Services Fund	Debt Service Fund	Capital Project Funds	Other Governmental Funds	Total Funds
Assigned:							
Compensated Absences	\$ 2,435,766	\$ 287,780	\$ 527,125	\$ -	\$ -	\$ -	\$ 3,250,671
Road and Bridge Operations	-	5,292,781	-	-	-	-	5,292,781
Human Service Operations	-	-	4,533,298	-	-	-	4,533,298
Capital Project Operations	-	-	-	-	1,481,179	-	1,481,179
Lake Improvement District Operations	-	-	-	-	-	142,430	142,430
Solid Waste Operations	-	-	-	-	-	1,154,347	1,154,347
Ditch Operations	-	-	-	-	-	82,883	82,883
Clearwater River Watershed District Operations	-	-	-	-	-	8,024	8,024
Total Assigned	<u>2,435,766</u>	<u>5,580,561</u>	<u>5,060,423</u>	<u>-</u>	<u>1,481,179</u>	<u>1,387,684</u>	<u>15,945,613</u>
Unassigned	<u>26,503,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,503,243</u>
Total Fund Balances	<u>\$28,956,409</u>	<u>\$ 7,113,893</u>	<u>\$5,060,423</u>	<u>\$2,703,333</u>	<u>\$ 1,481,179</u>	<u>\$ 4,995,747</u>	<u>\$50,310,984</u>

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Defined Benefit Plan

1. Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year.

Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members.

For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2011. PECF members are required to contribute 5.83 percent of their annual covered salary. Wright County is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan PERF members, 14.40 percent for PEPFF members, and 8.75 percent for PECF members.

The County's contributions to the General Employees Retirement Fund, Public Employees Police & Fire Fund, and Public Employees Correctional Fund, for the years ending December 31, 2011, 2010, and 2009 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2011	\$ 1,783,624	\$ 1,268,664	\$ 250,117	\$ 6,281
2010	1,675,667	1,197,182	239,178	6,289
2009	1,617,595	1,200,268	235,554	6,519

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Defined Contribution Plan

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

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

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by *Minnesota Statutes* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to 100 percent of the total premium cost. As of January 1, 2011, there were eighteen retirees receiving health benefits from the County's health plan.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 352,969
Interest on Net OPEB Obligation	27,245
Adjustment to ARC	<u>(36,900)</u>
Annual OPEB Cost	343,314
Contributions during the year	<u>(130,521)</u>
Increase in Net OPEB Obligation	212,793
Net OPEB - Beginning of the Year	<u>605,455</u>
Net OPEB - End of the Year	<u><u>\$ 818,248</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011, 2010, and 2009 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2011	\$ 343,314	\$ 130,521	38.0 %	\$ 818,248
December 31, 2010	347,559	89,046	25.6	605,455
December 31, 2009	259,705	102,445	39.4	346,942

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

B. Funding Status

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

The Schedule of Funding Progress – Other Postemployment Benefits, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	\$ -	\$ 2,252,205	\$ 2,252,205	-	\$ 35,840,320	6.28 %
1/1/2008	-	1,743,959	1,743,959	-	34,099,672	5.1

C. Actuarial Methods and Assumptions

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

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

In the January 1, 2010 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.50 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 3.00 percent. The annual healthcare cost trend rate is 8.50 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after seven years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty year period.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

The County is a defendant in various lawsuits and has received notice of other possible claims. Although the outcome of these lawsuits and other possible claims is not presently determinable, in the opinion of the county attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County. One lawsuit was settled for \$72,500 during 2011 and another was settled in February 2012 for \$114,995 that related to 2011.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures

Crow River Joint Powers Agreement

In 1999, Wright County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Pope, Renville, Sibley, and Stearns Counties, creating the Crow River Joint Powers Agreement. The Agreement is authorized by *Minnesota Statutes* §§103B.311 and 103B.315. The Prairie County Resource Conservation and Development council is the fiscal agent for this joint powers agreement.

The purpose of this agreement is the joint exercise of powers by counties to promote orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination and related support to member counties by assisting in the implementing and goal achievement of comprehensive water plans which counties may develop and implement. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial statements are not available.

D. Jointly Governed Organizations

Wright County, in conjunction with other governmental entities and various private organizations, has formed the following jointly-governed organizations:

Great River Regional Library

The Great River Regional Library operates under a joint powers agreement and according to the authority granted by *Minnesota Statutes*. The specific operating framework is set forth in a service agreement which has been entered into by each of the seven members. The membership consists of six counties including Wright County and the City of St. Cloud. The Board of Directors consists of 15 people. The Wright Board of County Commissioners is entitled to appoint three people to the Board. The County's 2011 contribution to the Great River Regional Library of \$1,839,017 is included in the expenditures of the General Fund. Separate financial information can be obtained from: Great River Regional Library, 1300 W. St. Germain Street, St. Cloud, MN 56301.

Counties Computer Cooperative

The Counties Computer Cooperative was established to provide computer programming to member counties. During the year, Wright County expended \$73,972 to the Cooperative.

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 29,052,259	\$ 27,377,166	\$ 27,327,764	\$ (49,402)
Licenses and Permits	122,950	122,950	83,586	(39,364)
Intergovernmental	5,225,506	6,900,599	5,958,906	(941,693)
Charges for Services	8,072,675	8,072,675	7,831,219	(241,456)
Fines and Forfeits	177,500	177,500	168,119	(9,381)
Gifts and Contributions	-	-	2,500	2,500
Investment Earnings	1,300,000	1,300,000	1,400,787	100,787
Miscellaneous	5,175,447	5,175,448	5,532,709	357,261
Total Revenues	49,126,337	49,126,338	48,305,590	(820,748)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	329,618	332,388	311,191	21,197
Courts	610,057	610,057	628,096	(18,039)
Court Services	3,182,985	3,261,434	3,152,031	109,403
County Administration	904,862	929,804	845,625	84,179
County Auditor-Treasurer	2,100,794	2,187,327	1,966,962	220,365
County Assessor	1,293,950	1,350,219	1,279,778	70,441
Elections	13,200	13,200	1,503	11,697
Information Technology	1,594,685	1,634,021	1,678,176	(44,155)
Attorney	2,576,338	2,618,338	2,454,952	163,386
Recorder	712,542	669,062	548,946	120,116
Surveyor	1,118,060	1,129,494	902,067	227,427
Planning and Zoning	1,250,323	1,251,812	1,136,578	115,234
Buildings and Plant	2,923,803	2,988,191	2,699,882	288,309
Veterans Service Officer	133,753	138,975	129,705	9,270
Other General Government	3,953,310	2,951,975	2,101,768	850,207
Total General Government	22,698,280	22,066,297	19,837,260	2,229,037
PUBLIC SAFETY				
Sheriff	17,173,114	17,700,268	17,080,942	619,326
Coroner	341,258	341,258	341,258	-
County Jail	7,325,410	7,400,774	6,983,891	416,883
Civil Defense	127,692	132,110	129,459	2,651
Total Public Safety	24,967,474	25,574,410	24,535,550	1,038,860

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CULTURE AND RECREATION				
Parks	\$ 1,225,126	\$ 1,243,659	\$ 1,246,053	\$ (2,394)
CONSERVATION OF NATURAL RESOURCES				
County Extension	295,944	302,459	254,846	47,613
Soil and Water Conservation	124,161	124,161	124,601	(440)
Total Conservation of Natural Resources	420,105	426,620	379,447	47,173
INTERGOVERNMENTAL				
Culture and Recreation	1,839,017	1,839,017	1,839,017	-
Total Expenditures	51,150,002	51,150,003	47,837,327	3,312,676
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,023,665)	(2,023,665)	468,263	2,491,928
OTHER FINANCING SOURCES (USES)				
Transfers In	1,983,665	1,983,665	1,758,427	(225,238)
Proceeds from Sale of Assets	40,000	40,000	57,318	17,318
Total Other Financing Sources (Uses)	2,023,665	2,023,665	1,815,745	(207,920)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	2,284,008	\$ 2,284,008
Fund Balance - Beginning of Year			26,672,401	
FUND BALANCE - END OF YEAR			<u>\$ 28,956,409</u>	

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,204,644	\$ 6,777,558	\$ 6,869,854	\$ 92,296
Intergovernmental	8,632,195	9,059,281	8,132,551	(926,730)
Charges for Services	830,000	830,000	1,110,476	280,476
Miscellaneous	465,400	465,400	763,829	298,429
Total Revenues	17,132,239	17,132,239	16,876,710	(255,529)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	631,685	631,685	597,617	34,068
Maintenance	4,046,286	4,046,286	3,896,762	149,524
Construction	10,437,943	10,437,943	11,194,162	(756,219)
Equipment and Maintenance Shops	2,087,371	2,087,371	1,963,448	123,923
Total Highways and Streets	17,203,285	17,203,285	17,651,989	(448,704)
DEBT SERVICE				
Principal	450,000	450,000	450,000	-
Interest	47,400	47,400	47,400	-
Total Debt Service	497,400	497,400	497,400	-
Total Expenditures	17,700,685	17,700,685	18,149,389	(448,704)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(568,446)	(568,446)	(1,272,679)	(704,233)
OTHER FINANCING SOURCES (USES)				
Transfers In	568,446	568,446	608,240	39,794
Proceeds from Sale of Assets	-	-	10,773	10,773
Total Other Financing Sources (Uses)	568,446	568,446	619,013	50,567
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(653,666)	\$ (653,666)
Fund Balance - Beginning of Year			7,903,429	
Decrease in Inventory			(135,870)	
FUND BALANCE - END OF YEAR			<u>\$ 7,113,893</u>	

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,825,070	\$ 8,310,720	\$ 8,126,423	\$ (184,297)
Intergovernmental	12,490,064	13,004,414	13,259,369	254,955
Charges for Services	1,329,500	1,329,500	1,232,033	(97,467)
Gifts and Contributions	10,500	10,500	22,171	11,671
Investment Earnings	8,000	8,000	8,365	365
Miscellaneous	381,500	381,500	293,210	(88,290)
Total Revenues	23,044,634	23,044,634	22,941,571	(103,063)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	5,692,630	5,692,630	5,716,857	(24,227)
Social Services	13,926,204	13,926,204	13,713,000	213,204
Total Human Services	19,618,834	19,618,834	19,429,857	188,977
HEALTH				
Nursing Services	3,674,400	3,674,400	3,743,402	(69,002)
Total Expenditures	23,293,234	23,293,234	23,173,259	119,975
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(248,600)	(248,600)	(231,688)	16,912
OTHER FINANCING SOURCES (USES)				
Transfers In	248,600	248,600	268,500	19,900
NET CHANGE IN FUND BALANCE	\$ -	\$ -	36,812	\$ 36,812
Fund Balance - Beginning of Year			5,023,611	
FUND BALANCE - END OF YEAR			\$ 5,060,423	

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2011**

I. BUDGETARY INFORMATION

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

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-apportioned and honored during the subsequent year.

II. EXCESS OF EXPENDITURES OVER BUDGET

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2011:

	<u>Expenditures</u>	<u>Budgets</u>	<u>Excess</u>
Road and Bridge Fund	\$ 18,149,389	\$ 17,700,685	\$ 448,704

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
YEAR ENDED DECEMBER 31, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	\$ -	\$ 2,252,205	\$ 2,252,205	- %	\$ 35,840,320	6.28 %
1/1/2008	-	1,743,959	1,743,959	-	34,099,672	5.1

SUPPLEMENTARY INFORMATION

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011**

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

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

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

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

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011**

	Nonmajor Special Revenue Funds					Total Nonmajor Funds
	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	Reserve Fund	
ASSETS						
Cash and Pooled Investments	\$ 142,228	\$ 1,494,060	\$ 101,216	\$ 12,624	\$ 3,344,829	\$ 5,094,957
Taxes Receivable - Delinquent	1,704	-	-	-	-	1,704
Special Assessments Receivable						
Delinquent	-	-	403	1,243	-	1,646
Deferred	-	-	11,490	-	-	11,490
Accounts Receivable	-	8,152	-	-	3,675	11,827
Loans Receivable	-	-	-	-	250,114	250,114
Due from Other Governments	-	-	-	-	101,551	101,551
Total Assets	<u>\$ 143,932</u>	<u>\$ 1,502,212</u>	<u>\$ 113,109</u>	<u>\$ 13,867</u>	<u>\$ 3,700,169</u>	<u>\$ 5,473,289</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ -	\$ 22,144	\$ 590	\$ -	\$ 57,889	\$ 80,623
Salaries Payable	-	-	-	-	544	544
Due to Other Funds	-	-	4,169	-	-	4,169
Due to Other Governments	-	35,509	774	-	73,771	110,054
Deferred Revenue - Unavailable	1,502	-	11,893	1,243	250,114	264,752
Advances from Other Funds	-	-	12,800	4,600	-	17,400
Total Liabilities	1,502	57,653	30,226	5,843	382,318	477,542
FUND BALANCES						
Restricted	-	290,212	-	-	2,802,336	3,092,548
Committed	-	-	-	-	515,515	515,515
Assigned	142,430	1,154,347	82,883	8,024	-	1,387,684
Total Fund Balances	142,430	1,444,559	82,883	8,024	3,317,851	4,995,747
Total Liabilities and Fund Balances	<u>\$ 143,932</u>	<u>\$ 1,502,212</u>	<u>\$ 113,109</u>	<u>\$ 13,867</u>	<u>\$ 3,700,169</u>	<u>\$ 5,473,289</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011**

	Nonmajor Special Revenue Funds					Total Nonmajor Funds
	Lake Improvement Districts	Solid Waste	Ditch	Clearwater River Watershed District	Reserve Fund	
REVENUES						
Taxes	\$ 42,186	\$ -	\$ -	\$ -	\$ 97,711	\$ 139,897
Special Assessments	-	-	4,066	590	-	4,656
Licenses and Permits	-	-	-	-	64,390	64,390
Intergovernmental	-	302,371	47,472	-	291,934	641,777
Charges for Services	-	60,873	-	-	531,824	592,697
Fines and Forfeits	-	-	-	-	162,896	162,896
Investment Earnings	-	2,653	-	-	4,374	7,027
Gifts and Contributions	-	-	-	-	643	643
Miscellaneous	-	-	-	-	43,363	43,363
Total Revenues	42,186	365,897	51,538	590	1,197,135	1,657,346
EXPENDITURES						
CURRENT						
General Government	-	-	-	-	36,214	36,214
Public Safety	-	-	-	-	742,163	742,163
Highways and Streets	-	-	-	-	84,376	84,376
Sanitation	-	433,671	-	-	-	433,671
Culture and Recreation	-	-	-	-	6,623	6,623
Conservation of Natural Resources	57,758	-	5,177	-	162,935	225,870
Total Expenditures	57,758	433,671	5,177	-	1,032,311	1,528,917
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(15,572)	(67,774)	46,361	590	164,824	128,429
OTHER FINANCING SOURCES (USES)						
Loan Proceeds	-	-	-	-	179,342	179,342
NET CHANGE IN FUND BALANCES	(15,572)	(67,774)	46,361	590	344,166	307,771
Fund Balance (Deficit) - Beginning of Year	158,002	1,512,333	36,522	7,434	2,973,685	4,687,976
FUND BALANCE - END OF YEAR	\$ 142,430	\$ 1,444,559	\$ 82,883	\$ 8,024	\$ 3,317,851	\$ 4,995,747

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
LAKE IMPROVEMENT DISTRICTS SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ -	\$ 42,186	\$ 42,186
EXPENDITURES				
CURRENT				
Conservation of Natural Resources	<u>43,420</u>	<u>43,420</u>	<u>57,758</u>	<u>(14,338)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (43,420)</u>	<u>\$ (43,420)</u>	(15,572)	<u>\$ 27,848</u>
Fund Balance - Beginning of Year			<u>158,002</u>	
FUND BALANCE - END OF YEAR			<u>\$ 142,430</u>	

**WRIGHT COUNTY
BUFFALO, MINNESOTA
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2011**

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

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

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

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

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

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

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

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

Jail Inmate Fund is used to account for the collection and payment of funds for the County Jail's inmates.

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
PREPAID TAXES				
ASSETS				
Cash and Pooled Investments	\$ 1,203,645	\$ 205,065	\$ 203,990	\$ 1,204,720
LIABILITIES				
Due to Other Governments	\$ 1,203,645	\$ 205,065	\$ 203,990	\$ 1,204,720
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	\$ 468,609	\$ 9,909,827	\$ 9,998,237	\$ 380,199
LIABILITIES				
Due to Other Governments	\$ 468,609	\$ 9,909,827	\$ 9,998,237	\$ 380,199
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 2,145,474	\$ 175,879,926	\$ 177,365,521	\$ 659,879
LIABILITIES				
Due to Other Governments	\$ 2,145,474	\$ 175,879,926	\$ 177,365,521	\$ 659,879
TOWNS, CITIES, SCHOOLS, AND SPECIAL DISTRICTS				
ASSETS				
Cash and Pooled Investments	\$ 120,670	\$ 4,217	\$ 10,436	\$ 114,451
LIABILITIES				
Due to Other Governments	\$ 120,670	\$ 4,217	\$ 10,436	\$ 114,451
FAMILY SERVICES COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 195,014	\$ 433,682	\$ 394,232	\$ 234,464
LIABILITIES				
Due to Other Governments	\$ 195,014	\$ 433,682	\$ 394,232	\$ 234,464

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	\$ 136,989	\$ 1,546,696	\$ 1,509,886	\$ 173,799
LIABILITIES				
Funds Held in Trust	\$ 136,989	\$ 1,546,696	\$ 1,509,886	\$ 173,799
HIGHWAY 55 CORRIDOR				
ASSETS				
Cash and Pooled Investments	\$ 23,455	\$ 19,131	\$ 9,832	\$ 32,754
LIABILITIES				
Due to Other Governments	\$ 23,455	\$ 19,131	\$ 9,832	\$ 32,754
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	\$ 22,049	\$ 485,512	\$ 484,522	\$ 23,039
LIABILITIES				
Funds Held in Trust	\$ 22,049	\$ 485,512	\$ 484,522	\$ 23,039
CAFETERIA TRUST				
ASSETS				
Cash and Pooled Investments	\$ 26,235	\$ 628,772	\$ 627,894	\$ 27,113
LIABILITIES				
Funds Held in Trust	\$ 26,235	\$ 628,772	\$ 627,894	\$ 27,113
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 4,342,140	\$ 189,112,828	\$ 190,604,550	\$ 2,850,418
LIABILITIES				
Funds Held in Trust	\$ 185,273	\$ 2,660,980	\$ 2,622,302	\$ 223,951
Due to Other Governments	4,156,867	186,451,848	187,982,248	2,626,467
Total Liabilities	\$ 4,342,140	\$ 189,112,828	\$ 190,604,550	\$ 2,850,418

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2011**

SHARED REVENUE

STATE

Highway Users Tax	\$	7,166,717
HACA		3,354,458
Market Value Credit		1,725,444
PERA Rate Reimbursement		81,912
Disparity Reduction Aid		5,391
Police Aid		920,766
Enhanced 911		193,289
		13,447,977
Total Shared Revenue		13,447,977

REIMBURSEMENT FOR SERVICES

STATE

Minnesota Department of Human Services		2,600,613
Minnesota Department of Corrections		174,999
		2,775,612
Total Reimbursement for Services		2,775,612

PAYMENTS IN LIEU OF TAX

170,624

GRANTS

STATE

Minnesota Department of		
Corrections		557,661
Public Safety		135,735
Health		572,039
Natural Resources		127,895
Human Services		3,212,827
Veteran Affairs		1,000
Pollution Control Agency		302,371
Water and Soil Resources Board		176,026
Peace Officer Standards and Training Board		51,507
		5,137,061
Total State		5,137,061

FEDERAL

Department of		
Agriculture		400,489
Commerce		19,528
Justice		28,711
Transportation		231,998
Energy		13,391
Health and Human Services		5,830,298
Homeland Security		264,504
		6,788,919
Total Federal		6,788,919
Total State and Federal Grants		11,925,980
Total Intergovernmental Revenue	\$	28,320,193

**REPORTS RELATED TO
GOVERNMENT AUDITING STANDARDS
AND SINGLE AUDIT (A-133)**



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

Board of County Commissioners
Wright County
Buffalo, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County (the County), Minnesota, as of and for the year ended December 31, 2011, which collectively comprise Wright County's basic financial statements and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wright County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wright County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wright County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 06-1 through 06-3 to be material weaknesses.

Compliance and Other Matters

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

Wright County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 7, 2012



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Wright County
Buffalo, Minnesota

Compliance

We have audited the compliance of Wright County (the County), Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Wright County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 11-5.

Internal Control Over Compliance

Management of Wright 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 internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wright County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We identified a deficiency in internal control over compliance that we consider to be a material weakness, as defined above. This item is described in the accompanying schedule of findings and questioned costs as item 11-1.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We identified items 11-2 to 11-4, described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Wright County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 7, 2012

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Wright County (the County), Minnesota.
2. Deficiencies in internal control were disclosed during the audit of the basic financial statements for the County and reported in the "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*". Deficiencies 06-1 to 06-3 are considered material weaknesses.
3. No instances of noncompliance material to the basic financial statements of the County were disclosed during the audit.
4. Instances involving internal control over compliance relating to the audit of the major federal award program was reported in the "Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and Internal Control of Compliance with OMB Circular A-133". We consider item 11-1 to be a material weaknesses and findings 11-2 to 11-4 to be significant deficiencies.
5. The auditors' report on compliance for the major federal award programs for the County expresses an unqualified opinion on all major federal programs.
6. Finding 11-5 relative to the major federal award programs for the County was disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:
 - State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP) CFDA No. 10.561
 - Temporary Assistance for Needy Families (TANF) CFDA No. 93.558, 93.714
 - Social Services Block Grant Title XX CFDA No. 93.667
 - Medical Assistance Grant Cluster CFDA No. 93.778
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The County does not qualify, under federal guidelines, as a low-risk auditee.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2011**

MATERIAL WEAKNESSES - FINANCIAL REPORTING

06-1 SEGREGATION OF DUTIES

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

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

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

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

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

CLIENT RESPONSE:

The County will continue to review accounting functions and segregate them as it deems cost beneficial.

06-2 AUDIT ADJUSTMENTS

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

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

Cause: Not known.

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

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

CLIENT RESPONSE:

The County will continue to work at eliminating the need for audit adjustments.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2011**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)

06-3 FINANCIAL REPORTING PROCESS

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

Condition: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements from the County's general ledger system.

Cause: The County has a limited number of personnel.

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

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

CLIENT RESPONSE:

The County understands that this is required communications for the preparation of the financial statements and will continue to work at this area to achieve the overall goal.

SIGNIFICANT DEFICIENCIES - FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEMS RESOLVED:

10-1 CONTROLS OVER GENERAL DISBURSEMENTS

During prior year testing of controls, two disbursements did not have departmental approval prior to payment by the Auditor-Treasurer office.

RESOLUTION

The County has implemented a process to ensure all disbursements have departmental approval prior to payment.

10-2 CAPITAL ASSET POLICY

During prior year testing of capital asset additions, eight of the twelve building additions did not have the correct useful lives per the capital asset policy.

RESOLUTION

The County has amended their capital asset policy to better reflect useful lives.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2011**

MAJOR PROGRAM MATERIAL WEAKNESS:

DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH THE MINNESOTA DEPARTMENT OF HEALTH

11-1 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES CLUSTER (TANF) - (CFDA #93.558, 93.714 ARRA); GRANT PERIOD – YEAR ENDED DECEMBER 31, 2011

Criteria: State and Federal requirements relating to the TANF grant require the County to verify income of those applying for assistance.

Condition and Context: During our review of the case files it was noted that the one public health client was not in the MAXIS system. Per Public Health procedures, Public Health TANF clients must be in MAXIS or another program to verify income.

Cause: Unknown.

Effect: The County could be approving benefits for individuals that are not eligible for the program.

Recommendation: We recommend the County implement procedures to ensure that all clients are entered into the MAXIS system and they meet income guidelines before receiving benefits.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Carol Shefers, Director of Public Health.

Corrective Action Planned: The Human Services department will implement procedures to ensure all clients are in MAXIS before receiving benefits.

Anticipated Completion Date: December 31, 2012.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2011**

MAJOR PROGRAM SIGNIFICANT DEFICIENCIES:

**DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH THE MINNESOTA
DEPARTMENT OF HUMAN SERVICES**

11-2 SOCIAL SERVICES BLOCK GRANT - (CFDA #93.667); GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2011

Criteria: Standard internal control procedures recommend that all reports generated for federal awards be reviewed by someone other than the preparer.

Condition and Context: During our testing of controls over the quarterly SEAGR reports filed, we noted no documentation of review on the quarterly reports.

Cause: Unknown.

Effect: If reports are not reviewed, errors or omissions could occur in the reports filed with the State.

Recommendation: We recommend the County implement procedures to ensure that someone other than the preparer review and approve all quarterly reports prior to submitting the report.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Larry DeMars, Fiscal Manager.

Corrective Action Planned: The Human Services department will implement procedures to ensure all quarterly reports receive supervisor review.

Anticipated Completion Date: December 31, 2012.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2011**

MAJOR PROGRAM SIGNIFICANT DEFICIENCIES (CONTINUED):

**DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH THE MINNESOTA
DEPARTMENT OF HUMAN SERVICES (CONTINUED)**

11-3 MEDICAL ASSISTANCE (MA) - (CFDA #93.778); GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2011

Criteria: All quarterly income maintenance reports should tie to the expenditures reported in the IFS general ledger system.

Condition and Context: During our testing of quarterly income maintenance reports, it was noted that the previous quarter's expenditures were reported in quarters two and three during 2011.

Cause: Error in preparation of the report.

Effect: Incorrect expenditures reported on the income maintenance reports could result in the County receiving the incorrect reimbursement amount from the State and Federal governments.

Recommendation: We recommend the County resubmit the quarterly income maintenance reports with the correct amounts for quarters two and three of 2011. In addition, we recommend a close review of the quarterly reports be performed prior to submission.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Larry DeMars, Fiscal Manager.

Corrective Action Planned: The Human Services department will implement procedures to ensure all quarterly reports receive supervisor review. The quarterly reports with errors in 2011 have already been resubmitted.

Anticipated Completion Date: December 31, 2012.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2011**

MAJOR PROGRAM SIGNIFICANT DEFICIENCIES (CONTINUED):

**DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH THE MINNESOTA
DEPARTMENT OF HUMAN SERVICES (CONTINUED)**

11-4 MEDICAL ASSISTANCE (MA) - (CFDA #93.778); GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2011

Criteria: Standard internal control procedures over the Medical Assistance program suggest County personnel obtain proof of U.S. Citizenship or proof of qualified alien status documentation.

Condition and Context: One of forty applications tested did not have citizenship or qualified alien documentation.

Cause: Unknown.

Effect: Benefits could be provided to an ineligible client.

Recommendation: We recommend the County take proper steps to ensure that all approved applications have proper citizenship documentation.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Larry DeMars, Fiscal Manager.

Corrective Action Planned: The Human Services department will review all case files prior to allowing benefits to new programs.

Anticipated Completion Date: December 31, 2012.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2011**

MAJOR PROGRAM COMPLIANCE FINDING:

**DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH THE MINNESOTA
DEPARTMENT OF HUMAN SERVICES**

11-5 MEDICAL ASSSITANACE (MA) - (CFDA #93.778); GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2011

Criteria: Federal requirements relating to Medical Assistance require individuals to be a U.S. Citizen or provide documentation qualified alien status.

Condition and Context: During our review of case files it was noted on 1 of 40 tested that the individual was on another program as a non-citizen and was allowed to receive benefits under Medical Assistance without additional requirements being met.

Cause: Unknown.

Effect: The individual received benefits under Medical Assistance when not eligible.

Recommendation: We recommend the County review all individuals on other programs prior to allowing them to receive benefits with different requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Larry DeMars, Fiscal Manager.

Corrective Action Planned: The Human Services department will review all case files prior to allowing benefits to new programs.

Anticipated Completion Date: December 31, 2012.

PREVIOUSLY REPORTED ITEM RESOLVED:

10-3 SUPERVISOR APPROVAL ON APPLICATIONS FOR TANF GRANT (CFDA #93.558)

During prior year testing of controls over Temporary Assistance of Needy Families, we noted that the County did not have a process in place to ensure that applications were reviewed by supervisory personnel.

RESOLUTION

The County has implemented a process to ensure all applications receive supervisor approval prior to payment.

10-4 ENERGY EFFICIENCY CONSERVATION BLOCK GRANT (CFDA #81.128)

During prior year testing of controls over the Energy Efficiency Conservation Block Grant, we noted that the County did not have a process in place to verify the contractor hired was not on the EPLS website.

RESOLUTION

The County has implemented a process to ensure contractors are verified against the EPLS website.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2011**

OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

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

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

Condition: Twenty-five of forty-five individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2011.

Cause: Past practice.

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

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

CLIENT RESPONSE:

The County has reviewed the statute and will review future levies for necessary changes in order to ensure future compliance.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	\$ 400,489
U.S. Department of Commerce Passed Through City of St. Cloud Public Safety Interoperable Communications Grant Program	11.555	19,528
U.S. Department of Justice Pass Through Minnesota Department of Public Safety Juvenile Accountability Block Grant	16.523	7,095
Direct State Criminal Alien Assistance Program	16.606	15,475
Edward Byrne Memorial Justice Assistance Grant Program	16.738	6,141
Total Department of Justice		28,711
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Highway Planning and Construction (Highway Planning Cluster)	20.205	190,131
Passed Through Minnesota Department of Public Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	27,824
Safety Belt Performance Grants	20.609	14,043
Total Department of Transportation		231,998
U.S. Department of Energy Direct ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	13,391

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 232,641
Universal Newborn Hearing Screening	93.251	925
Immunization	93.268	17,997
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	34,660
PPHF 2012 National Public Health Improvement Initiative	93.507	2,500
Temporary Assistance for Needy Families (TANF cluster)	93.558	90,477
Maternal and Child Health Services Block Grant	93.994	82,848
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families - Title IV-B	93.556	64,606
Temporary Assistance for Needy Families (TANF cluster)	93.558	661,722
Child Support Enforcement	93.563	1,597,329
Child Care and Development Block Grant (Child Care cluster)	93.575	16,917
Child Care Mandatory and Matching Funds (Child Care cluster)	93.596	22,181
Foster Care Title IV-E	93.658	545,788
Social Services Block Grant Title XX	93.667	390,021
Chafee Foster Care Independent Living	93.674	9,370
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (TANF cluster)	93.714	11,748
State Children's Insurance Program	93.767	267
Medical Assistance	93.778	2,031,607
Block Grant for Community Mental Health Service	93.958	11,823
Passed Through Stearns County		
Immunization Grants	93.268	4,871
Total Department of Health and Human Services		5,830,298
U.S. Department of Homeland Security		
Direct		
Port Security Grant Program	97.056	78,097
Pass Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	10,528
Pass Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.042	50,879
Passed Through City of St. Cloud		
Homeland Security Grant Program	97.067	125,000
Total Department of Homeland Security		264,504
Total Cash Type Federal Awards		\$ 6,788,919

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011**

Notes to the Schedule of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the federal award programs expended by Wright County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wright County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.
3. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2011, Wright County did not pass any federal money to subrecipients.
5. ARRA denotes the program has received funding provided by the American Recovery and Reinvestment Act of 2010.

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Wright County
Buffalo, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County (the County), Minnesota, as of and for the year ended December 31, 2011, and have issued our report thereon dated September 7, 2012.

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

The *Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, county and city miscellaneous provisions and tax increment financing. Our study included all of the listed categories, except we did not test for tax increment financing because the County does not have any tax increment financing districts.

The results of our tests indicate that for the items tested, the County complied with the material terms and conditions of applicable legal provisions except for the item described in detail in the attached schedule of findings and questioned costs as item 06-9.

Wright County's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

CliftonLarsonAllen LLP

Brainerd, Minnesota
September 7, 2012