

WRIGHT COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2014

**WRIGHT COUNTY, MINNESOTA
BUFFALO, MINNESOTA
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DECEMBER 31, 2014**

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INTRODUCTORY SECTION

**WRIGHT COUNTY, MINNESOTA
BUFFALO, MINNESOTA
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2014**

Office	Name	Term Expires
Commissioners		
1st District	Christine Husom*	January 2015
2nd District	Pat Sawatzke	January 2017
3rd District	Mark Daleiden	January 2015
4th District	Mike Potter	January 2017
5th District	Charlie Borrell	January 2017
Officers		
Elected		
Attorney	Tom Kelly	January 2015
Auditor-Treasurer	Robert J. Hiivala	January 2015
Sheriff	Joe Hagerty	January 2015
Appointed		
Coordinator	Lee Kelly	Indefinite
	Tony Rasmuson -	
Assessor	Interim	Indefinite
Court Administrator	Peggy Gentles	Indefinite
Highway Engineer	Virgil Hawkins	February 2017
Human Services Director	Jami Schwartz	Indefinite
Recorder/Registrar of Titles	Barb Gabrelcik	Indefinite

* Chairperson

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Wright County
Buffalo, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, Minnesota (the County), as of and for the year ended December 31, 2014, and the related notes of the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 6 to the financial statements, the Road and Bridge Fund's beginning fund balance and the Governmental Activities' beginning net position were restated to properly reflect deferred inflows and revenue from the prior year. Our opinion was not modified with regards to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Funding Progress – Other Postemployment Benefits, on pages 5-15, 52-55 and 57, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wright County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information 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 basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2015, on our consideration of Wright County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wright County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 18, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

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, 2014. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34. Certain comparative information between the current year, 2014, and the prior year, 2013, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- County-wide net position increased 6.3 percent in 2014 over the prior year (after accounting for the prior period adjustment) due primarily to grant funding received to purchase park land.
- Overall governmental fund-level revenues totaled \$107,233,617 and were \$8,447,218 more than expenditures in 2014. This overage of expenditures was primarily due to increased investment earnings and intergovernmental revenue and decreased highway construction expenditures.
- The General Fund's fund balance increased \$3,343,448 from the prior year as a result of expenditures coming in under budget, primarily general government and public safety expenditures and by revenues coming in over budget.

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.

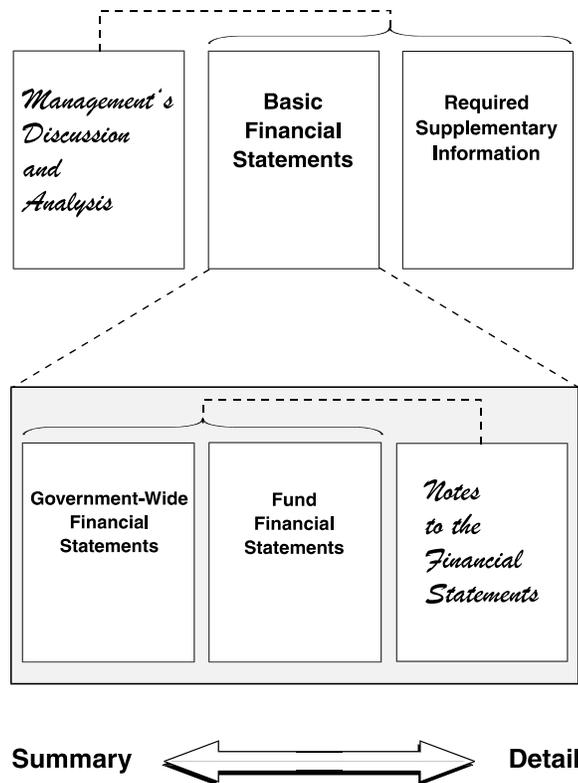
**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

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, 2014**

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 position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of changes in fiduciary net position.
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, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 position includes all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

The two government-wide statements report the County's net position and how it has changed. Net position – the difference between the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position is 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 County 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 position. 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, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's total net position was \$270,939,378 on December 31, 2014, an increase of \$16,063,061 from the prior year. The main reason for this increase is due to grant funding received to purchase park land. (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities	
	2014	2013
Current and Other Assets	\$ 68,557,147	\$ 63,436,242
Capital Assets	264,794,420	258,622,442
Total Assets	<u>333,351,567</u>	<u>322,058,684</u>
Current Liabilities	7,692,399	7,848,053
Long-Term Liabilities	53,920,311	56,501,798
Total Liabilities	<u>61,612,710</u>	<u>64,349,851</u>
Deferred Inflows of Resources	<u>799,479</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	212,664,819	203,547,704
Restricted	8,830,045	8,497,233
Unrestricted	49,444,514	45,663,896
Total Net Position	<u>\$ 270,939,378</u>	<u>\$ 257,708,833</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

CHANGE IN NET POSITION

The government-wide total revenues were \$104,886,561 for the year ended December 31, 2014 (an increase of \$2,753,993). This increase is primarily attributable to increased other general revenues. Property taxes, operating grants and contributions, and capital grants and contributions accounted for 78 percent of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Total % Change
	2014	2013	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 13,712,405	\$ 14,674,825	(6.6)%
Operating Grants and Contributions	21,776,186	22,361,661	(2.6)
Capital Grants and Contributions	9,696,944	10,275,697	(5.6)
<u>General Revenues</u>			
Property Taxes	50,740,492	50,322,828	0.8
Other	8,960,534	4,497,552	99.2
Total Revenues	<u>104,886,561</u>	<u>102,132,563</u>	2.7
EXPENSES			
General Government	21,221,246	21,060,826	0.8
Public Safety	24,199,046	24,563,663	(1.5)
Highways and Streets	13,537,749	15,840,685	(14.5)
Sanitation	755,221	723,063	4.4
Human Services	19,599,633	19,408,975	1.0
Health	3,402,064	3,372,922	0.9
Culture and Recreation	3,310,397	2,856,740	15.9
Conservation of Natural Resources	551,942	612,276	(9.9)
Economic Development	-	100,000	(100.0)
Interest	2,246,202	2,652,264	(15.3)
Total Expenses	<u>88,823,500</u>	<u>91,191,414</u>	(2.6)
CHANGE IN NET POSITION	16,063,061	10,941,149	46.8
Net Position - Beginning of Year	257,708,833	246,767,684	4.4
Prior Period Adjustment	(2,832,516)	-	(100.0)
Net Position - Beginning of Year, as Restated	<u>254,876,317</u>	<u>246,767,684</u>	3.3
NET POSITION - END OF YEAR	<u>\$ 270,939,378</u>	<u>\$ 257,708,833</u>	5.1

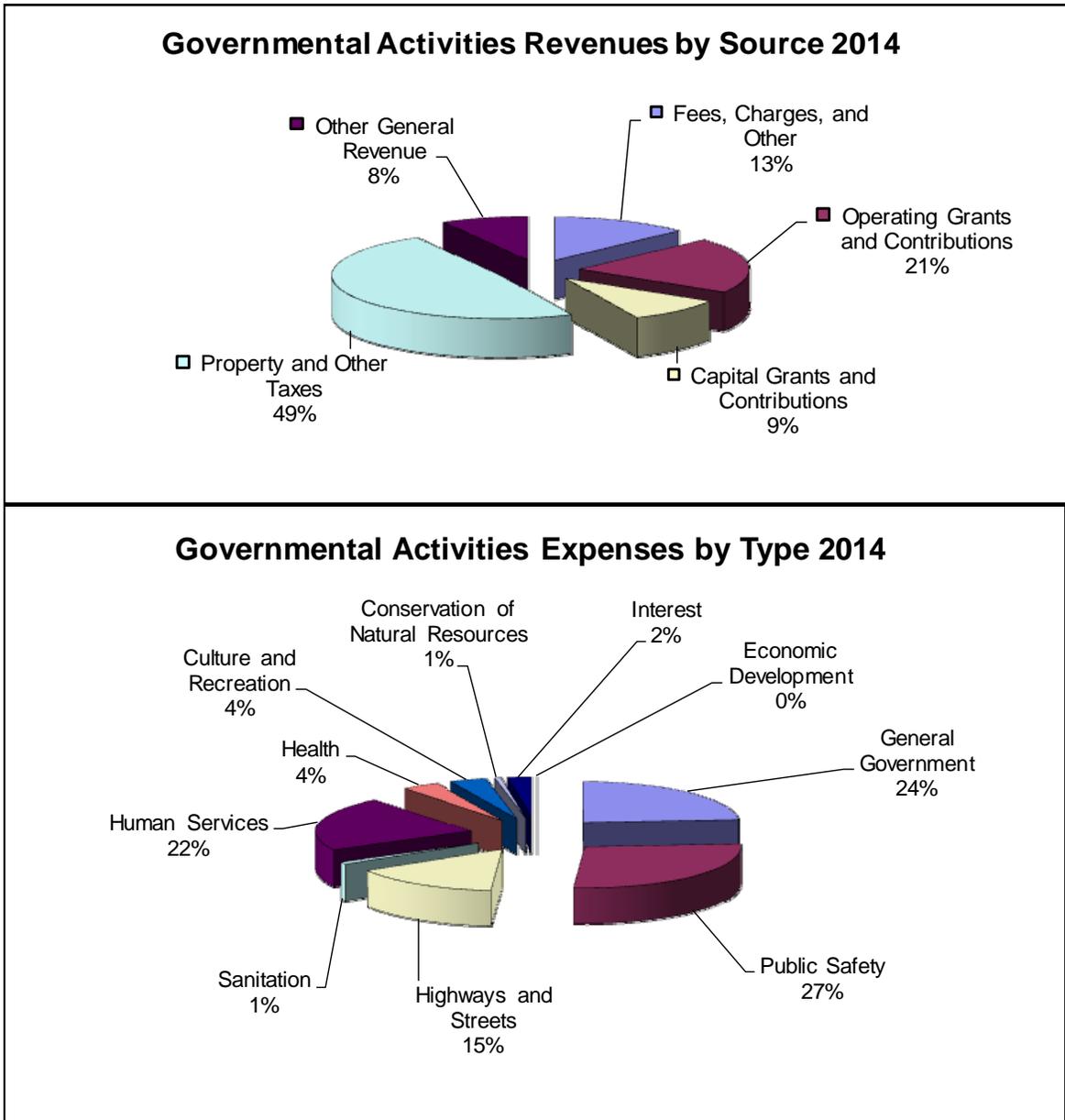
Total revenues surpassed expenses, increasing net position \$16,063,061 over last year.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

CHANGE IN NET POSITION (CONTINUED)

The government-wide cost of all governmental activities this year was \$88,823,500.

- Some of the cost was paid by the users of the County's programs (\$13,712,705).
- The federal and state governments subsidized certain programs with grants and contributions (\$31,473,130).
- The remainder of the County's governmental activities costs (\$43,637,965) however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities and the increase in net position was covered by \$51,058,751 in taxes, \$5,791,438 of state aid, and other general revenues.



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**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

CHANGE IN NET POSITION (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
	2014	2013		2014	2013	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 21,221,246	\$ 21,060,826	0.8 %	\$ 16,091,324	\$ 15,033,676	7.0 %
Public Safety	24,199,046	24,563,663	(1.5)	15,545,661	16,617,594	(6.5)
Highways and Streets	13,537,749	15,840,685	(14.5)	1,034,138	(1,696,801)	(160.9)
Sanitation	755,221	723,063	4.4	328,213	318,362	(3.1)
Human Services	19,599,633	19,408,975	1.0	5,919,302	6,273,146	(5.6)
Health	3,402,064	3,372,922	0.9	1,853,321	1,780,884	4.1
Culture and Recreation	3,310,397	2,856,740	15.9	338,510	2,528,183	(86.6)
Conservation of Natural Resources	551,942	612,276	(9.9)	289,223	417,948	(30.8)
Economic Development	-	100,000	(100.0)	(7,929)	(46,025)	82.8
Interest	2,246,202	2,652,264	(15.3)	2,246,202	2,652,264	(15.3)
Total	<u>\$ 88,823,500</u>	<u>\$ 91,191,414</u>	(2.6)	<u>\$ 43,637,965</u>	<u>\$ 43,879,231</u>	(0.5)

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County, as a whole, is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$61,205,647. Revenues for the County's governmental funds were \$107,233,617, while total expenditures were \$98,786,399 – revenues increased and expenditures decreased from the 2013.

The General Fund includes the primary operations of the County in providing services to citizens. Fund balance increased by \$3,343,448 during 2014. This increase is primarily due to expenditures coming in under budget and revenues coming in over budget.

The Road and Bridge Fund has a total fund balance of \$9,618,513. The fund balance increased in 2014 primarily due decreased Highways and Streets expenditures.

The Human Services Fund has a total fund balance of \$7,407,228. The fund balance increased \$1,724,776 from 2013 due to timing of reimbursements from the state and federal grants.

The Debt Service Fund has a total fund balance of \$3,246,413. The fund balance increased \$161,606 from 2013 due to revenues slightly exceeding debt payments.

The Capital Project Fund has a total fund balance of \$2,322,104. The fund balance increased \$947,330 from 2013 due to transfers in from other funds for capital outlay expenditures incurred.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

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, 2014	December 31, 2013	Increase (Decrease)	Percent
Taxes	\$ 31,134,661	\$ 30,727,367	\$ 407,294	1.3 %
Intergovernmental	6,605,257	5,783,045	822,212	14.2
Charges for Services	8,827,570	8,495,508	332,062	3.9
Investment Earnings (Loss)	2,754,376	(569,061)	3,323,437	584.0
Miscellaneous and Other	1,899,663	5,793,377	(3,893,714)	(67.2)
Total General Fund Revenues	\$ 51,221,527	\$ 50,230,236	\$ 991,291	2.0

Total General Fund revenues increased by \$991,291, or 2.0 percent, from the previous year due primarily to increases in tax levy, charges for services, and intergovernmental revenues.

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2014	December 31, 2013	Increase (Decrease)	Percent
General Government	\$ 20,504,311	\$ 20,595,206	\$ (90,895)	(0.4)%
Public Safety	22,456,902	25,313,163	(2,856,261)	(11.3)
Culture and Recreation	1,297,411	1,320,776	(23,365)	(1.8)
Conservation	376,048	403,468	(27,420)	(6.8)
Intergovernmental	1,844,029	1,756,341	87,688	5.0
Total Expenditures	\$ 46,478,701	\$ 49,388,954	\$ (2,910,253)	(5.9)

The decrease in Public Safety expenditures coincides with the decrease in miscellaneous revenue as a result of a reclassification in 2014 to eliminate intrafund rent reimbursements.

General Fund Budgetary Highlights

Over the course of the year, the County did not revise the annual operating budget for the General Fund.

- Actual revenues were \$2,167,556 more than expected; this is primarily due to the market value adjustment to investments in 2014.
- The actual expenditures were \$2,759,020 less than budget due primarily to conservative spending.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

CONSTRUCTION PROJECTS AND DEBT SERVICE

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

CAPITAL ASSETS

By the end of 2014, the County had invested approximately \$363,000,000 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 \$7,974,006.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2014	2013	
Land	\$ 28,724,209	\$ 26,068,416	10.2 %
Construction-in-Progress	2,427,311	9,947,676	(75.6)
Buildings	100,296,379	99,837,176	0.5
Machinery, Furniture, and Equipment	23,506,064	21,157,586	11.1
Infrastructure	207,637,096	191,783,952	8.3
Less: Accumulated Depreciation	(97,796,639)	(90,172,364)	8.5
Total	<u>\$ 264,794,420</u>	<u>\$ 258,622,442</u>	2.4

**WRIGHT COUNTY
BUFFALO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

LONG-TERM LIABILITIES

At year-end, the County had \$57,805,930 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt decreased \$2,498,757 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

	2014	2013	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds - Net	\$ 49,412,930	\$ 51,834,919	(4.7)%
Loans Payable	3,186,157	3,581,272	(11.0)
Compensated Absences Payable	3,609,883	3,638,963	(0.8)
Other Postemployment Benefit	1,596,960	1,249,533	27.8
Total	<u>\$ 57,805,930</u>	<u>\$ 60,304,687</u>	(4.1)

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 POSITION
DECEMBER 31, 2014**

ASSETS		
Cash and Pooled Investments	\$	61,448,037
Petty Cash and Change Funds		4,310
Taxes Receivable - Delinquent		1,216,708
Special Assessments Receivable		
Delinquent		64,981
Noncurrent		231,084
Accounts Receivable - Net		75,305
Accrued Interest Receivable		692,956
Loans Receivable		597,116
Due from Other Governments		2,983,644
Prepaid Items		218,975
Inventory		1,024,031
Non-Depreciable Capital Assets		
Land		28,724,209
Construction-in-Progress		2,427,311
Depreciable Capital Assets - Net of Accumulated Depreciation		
Buildings		68,880,868
Machinery, Furniture, and Equipment		8,520,717
Infrastructure		156,241,315
Total Assets		333,351,567
LIABILITIES		
Accounts Payable		1,252,129
Salaries Payable		1,404,470
Contracts Payable		320,493
Other Accrued Liabilities		25,125
Due to Other Governments		539,151
Unearned Revenue		48,104
Accrued Interest Payable		217,308
General Obligation Bonds Payable - Due Within One Year		2,460,000
Loans Payable - Due Within One Year		523,148
Compensated Absences Payable - Due Within One Year		902,471
General Obligation Bonds Payable - Due in More Than One Year		46,952,930
Septic Loans Payable - Due in More Than One Year		469,486
Loans Payable - Due in More Than One Year		2,193,523
Other Postemployment Benefits Payable - Due in More Than One Year		1,596,960
Compensated Absences Payable - Due in More Than One Year		2,707,412
Total Liabilities		61,612,710
DEFERRED INFLOWS OF RESOURCES		
Advanced Allotments		799,479
NET POSITION		
Net Investment in Capital Assets		212,664,819
Restricted For:		
General Government		2,441,563
Public Safety		795,769
Highways and Streets		1,040,623
Culture and Recreation		38,602
Economic Development		731,866
Debt Service		3,385,788
Conservation		104,976
Sanitation		290,858
Unrestricted		49,444,514
Total Net Position	\$	270,939,378

See accompanying Notes to Financial Statements.

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**WRIGHT COUNTY
BUFFALO, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General Government	\$ 21,221,246	\$ 4,429,190	\$ 700,732	\$ -	\$ (16,091,324)
Public Safety	24,199,046	6,997,334	1,644,833	11,218	(15,545,661)
Highways and Streets	13,537,749	905,547	4,609,483	6,988,581	(1,034,138)
Sanitation	755,221	74,650	352,358	-	(328,213)
Human Services	19,599,633	611,862	13,068,469	-	(5,919,302)
Health	3,402,064	385,840	1,162,903	-	(1,853,321)
Culture and Recreation	3,310,397	196,169	78,573	2,697,145	(338,510)
Conservation of Natural Resources	551,942	103,884	158,835	-	(289,223)
Economic Development	-	7,929	-	-	7,929
Interest	2,246,202	-	-	-	(2,246,202)
Total Governmental Activities	\$ 88,823,500	\$ 13,712,405	\$ 21,776,186	\$ 9,696,944	(43,637,965)
GENERAL REVENUES					
Property Taxes					50,740,492
Gravel Taxes					195,474
Mortgage Registry and Deed Tax					122,785
Grants and Contributions not Restricted for a Particular Purpose					5,791,438
Investment Earnings (Loss)					2,761,256
Miscellaneous					65,969
Gain on Sale of Capital Assets					23,612
Total General Revenues					59,701,026
CHANGE IN NET POSITION					
Net Position - Beginning of Year					257,708,833
Prior Period Adjustment					(2,832,516)
Net Position - Beginning of Year, as Restated					254,876,317
NET POSITION - END OF YEAR					\$ 270,939,378

See accompanying Notes to Financial Statements.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

ASSETS	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Cash and Pooled Investments	\$ 33,920,369	\$ 9,478,307	\$ 6,929,274
Petty Cash and Change Funds	4,100	150	60
Taxes Receivable			
Delinquent	711,562	173,936	209,433
Special Assessments Receivable			
Delinquent	17,889	-	-
Noncurrent	-	-	-
Accounts Receivable	25,949	43,451	57
Accrued Interest Receivable	692,956	-	-
Loans Receivable	-	-	-
Due from Other Funds	25,416	73,075	-
Due from Other Governments	323,317	1,041,467	1,589,237
Inventories	-	1,024,031	-
Prepaid Items	-	218,975	-
Advances to Other Funds	12,800	-	-
Total Assets	<u>\$ 35,734,358</u>	<u>\$ 12,053,392</u>	<u>\$ 8,728,061</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 377,047	\$ 283,321	\$ 494,628
Salaries Payable	917,900	97,526	387,787
Contracts Payable	-	46,543	-
Other Accrued Liabilities	-	-	25,125
Due to Other Funds	69,803	-	14,464
Due to Other Governments	165,695	30,849	209,189
Unearned Revenue	48,104	-	-
Advance from Other Funds	-	-	-
Total Liabilities	1,578,549	458,239	1,131,193
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	554,788	136,538	164,411
Unavailable Special Assessments	17,714	-	-
Unavailable Grants	54,826	1,040,623	25,229
Unavailable Loans	-	-	-
Advanced Allotments	-	799,479	-
Total Deferred Inflows of Resources	627,328	1,976,640	189,640
FUND BALANCES			
Nonspendable	12,800	1,243,006	-
Restricted	104,976	-	-
Committed	-	3,095,871	-
Assigned	2,577,100	5,279,636	7,407,228
Unassigned	30,833,605	-	-
Total Fund Balances	<u>33,528,481</u>	<u>9,618,513</u>	<u>7,407,228</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 35,734,358</u>	<u>\$ 12,053,392</u>	<u>\$ 8,728,061</u>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 3,219,381	\$ 2,600,177	\$ 5,300,529	\$ 61,448,037
-	-	-	4,310
121,777	-	-	1,216,708
45,603	-	1,489	64,981
216,785	-	14,299	231,084
-	1,232	4,616	75,305
-	-	-	692,956
-	-	597,116	597,116
-	-	-	98,491
-	-	29,623	2,983,644
-	-	-	1,024,031
-	-	-	218,975
-	-	-	12,800
<u>\$ 3,603,546</u>	<u>\$ 2,601,409</u>	<u>\$ 5,947,672</u>	<u>\$ 68,668,438</u>
\$ 450	\$ 5,355	\$ 91,328	\$ 1,252,129
-	-	1,257	1,404,470
-	273,950	-	320,493
-	-	-	25,125
-	-	14,224	98,491
-	-	133,418	539,151
-	-	-	48,104
-	-	12,800	12,800
<u>450</u>	<u>279,305</u>	<u>253,027</u>	<u>3,700,763</u>
87,010	-	-	942,747
269,673	-	14,621	302,008
-	-	-	1,120,678
-	-	597,116	597,116
-	-	-	799,479
<u>356,683</u>	<u>-</u>	<u>611,737</u>	<u>3,762,028</u>
-	-	-	1,255,806
3,246,413	-	3,701,542	7,052,931
-	-	596,532	3,692,403
-	2,322,104	871,556	18,457,624
-	-	(86,722)	30,746,883
<u>3,246,413</u>	<u>2,322,104</u>	<u>5,082,908</u>	<u>61,205,647</u>
<u>\$ 3,603,546</u>	<u>\$ 2,601,409</u>	<u>\$ 5,947,672</u>	<u>\$ 68,668,438</u>

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**WRIGHT COUNTY
BUFFALO, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 61,205,647
Total net position reported for governmental activities in the statement of net position 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.		264,794,420
Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		2,962,549
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	\$ (49,412,930)	
Accrued Interest Payable	(217,308)	
Loans Payable	(2,716,671)	
Septic Loans Payable	(469,486)	
Other Postemployment Benefits	(1,596,960)	
Compensated Absences	(3,609,883)	<u>(58,023,238)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 270,939,378</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, 2014**

	General	Road and Bridge	Human Services
REVENUES			
Taxes	\$ 31,134,661	\$ 7,189,167	\$ 8,541,506
Special Assessments	-	-	-
Licenses and Permits	96,188	-	-
Intergovernmental	6,605,257	12,541,501	15,723,209
Charges for Services	8,827,570	766,524	990,497
Fines and Forfeits	136,842	-	-
Gifts and Contributions	100	-	18,421
Investment Earnings (Loss)	2,754,376	-	5,398
Miscellaneous	1,666,533	159,022	221,665
Total Revenues	51,221,527	20,656,214	25,500,696
EXPENDITURES			
CURRENT			
General Government	20,504,311	-	-
Public Safety	22,456,902	-	-
Highways and Streets	-	16,870,767	-
Sanitation	-	-	-
Human Services	-	-	20,147,137
Health	-	-	3,628,783
Culture and Recreation	1,297,411	-	-
Conservation of Natural Resources	376,048	-	-
INTERGOVERNMENTAL			
Highways and Streets	-	448,808	-
Culture and Recreation	1,844,029	-	-
CAPITAL OUTLAY			
General Government	-	-	-
Culture and Recreation	-	-	-
Public Safety	-	-	-
DEBT SERVICE			
Principal	-	523,148	-
Interest	-	41,490	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	46,478,701	17,884,213	23,775,920
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,742,826	2,772,001	1,724,776
OTHER FINANCING SOURCES (USES)			
Transfers In	59,090	-	-
Transfers Out	(1,500,000)	-	-
Loan Proceeds	-	-	-
Proceeds from Sale of Assets	41,532	2,502	-
Total Other Financing Sources (Uses)	(1,399,378)	2,502	-
NET CHANGE IN FUND BALANCES	3,343,448	2,774,503	1,724,776
Fund Balances - Beginning of Year	30,185,033	9,630,013	5,682,452
Prior Period Adjustment	-	(2,832,516)	-
Fund Balances - Beginning of Year, as Restated	30,185,033	6,797,497	5,682,452
INCREASE IN INVENTORY	-	46,513	-
FUND BALANCES - END OF YEAR	\$ 33,528,481	\$ 9,618,513	\$ 7,407,228

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 4,695,650	\$ -	\$ 103,079	\$ 51,664,063
94,338	-	154,334	248,672
-	-	128,865	225,053
21,499	2,695,591	713,061	38,300,118
-	243,518	713,419	11,541,528
-	-	173,404	310,246
-	-	6,967	25,488
406	-	8,592	2,768,772
-	1,554	100,903	2,149,677
<u>4,811,893</u>	<u>2,940,663</u>	<u>2,102,624</u>	<u>107,233,617</u>
6,323	-	209,080	20,719,714
-	-	1,076,977	23,533,879
-	-	76,189	16,946,956
-	-	453,619	453,619
-	-	-	20,147,137
-	-	-	3,628,783
-	-	47,627	1,345,038
-	-	426,850	802,898
-	-	-	448,808
-	-	-	1,844,029
-	802,610	-	802,610
-	2,664,829	-	2,664,829
-	116,804	-	116,804
2,370,000	-	122,693	3,015,841
2,270,889	-	-	2,312,379
3,075	-	-	3,075
<u>4,650,287</u>	<u>3,584,243</u>	<u>2,413,035</u>	<u>98,786,399</u>
161,606	(643,580)	(310,411)	8,447,218
-	1,650,000	-	1,709,090
-	(59,090)	(150,000)	(1,709,090)
-	-	250,726	250,726
-	-	-	44,034
-	1,590,910	100,726	294,760
161,606	947,330	(209,685)	8,741,978
3,084,807	1,374,774	5,292,593	55,249,672
-	-	-	(2,832,516)
3,084,807	1,374,774	5,292,593	52,417,156
-	-	-	46,513
<u>\$ 3,246,413</u>	<u>\$ 2,322,104</u>	<u>\$ 5,082,908</u>	<u>\$ 61,205,647</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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 8,741,978**

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	\$ 14,166,406	
Net book Value of Disposed Assets	(20,422)	
Current Year Depreciation	<u>(7,974,006)</u>	6,171,978

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (1,413,428)

Long-Term Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The new proceeds for debt issuance are:

Septic Loans Payable		(250,726)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments		
General Obligation Bonds	2,370,000	
Septic Loans	122,693	
Loans Payable	<u>523,148</u>	3,015,841

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	(347,427)	
Change in Accrued Interest Payable	17,263	
Amortization of Premiums and Discounts	51,989	
Change in Compensated Absences	29,080	
Change in Inventories	<u>46,513</u>	<u>(202,582)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 16,063,061**

**WRIGHT COUNTY
BUFFALO, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014**

ASSETS

Cash and Pooled Investments	\$ 3,071,918
Due from Other Governments	<u>83,847</u>
Total Assets	<u><u>\$ 3,155,765</u></u>

LIABILITIES

Funds Held in Trust	\$ 247,257
Due to Other Governments	<u>2,908,508</u>
Total Liabilities	<u><u>\$ 3,155,765</u></u>

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**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position 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.

The government-wide statement of net position is presented on a consolidated basis by column and is 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 position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, 2014**

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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 nonspendable fund balance 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, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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 vacation 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 Outflows of Resources

The County reports decreases in net position or fund balance, that relate to future periods as deferred outflows of resources in a separate section of its government-wide or governmental fund balance sheet. The County will not recognize the related outflow until a future event occurs.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

7. Deferred Inflows of Resources

The County's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has two types of items which occur relating to revenue recognition: Unavailable revenue and advanced allotments.

The unavailable revenue occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The advanced allotment occurs when allotments are received in advance of the period they are for in both the modified accrual and full accrual basis of accounting. Unavailable revenue and advanced allotments are reported in the governmental funds balance sheet, while advanced allotments are also reported in the statement of net position.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net position. Bond premiums and discounts are 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 expensed in the year of bond issuance.

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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

9. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, 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.

10. Use of Estimates

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 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 Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, 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 Position

Cash and Pooled Investments	\$ 61,448,037
Petty Cash and Change Funds	4,310
Statement of Fiduciary Net Position	
Cash and Pooled Investments	3,071,918
Total Cash and Investments	\$ 64,524,265
Deposits	\$ 29,124,723
Change Funds	4,310
Investments	35,395,232
Total Deposits, Cash and Investments	\$ 64,524,265

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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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, 2014 totaled \$31,188,502 per banks. All deposits as of December 31, 2014, were covered by insurance or collateral. All collateral pledged for Wright County is held by pledging financial institutions.

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, 2014**

NOTE 2 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, 2014, 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	\$ 5,147,925	\$ -	\$ -	\$ -	\$ 5,147,925
Treasury Notes/Bonds	685,594	-	-	-	685,594
Municipal Securities	26,234,196	525,554	797,798	10,488,084	14,422,760
Investment Pool/MAGIC Fund	301,298	301,298	-	-	-
Money Market Mutual Funds	627,328	627,328	-	-	-
Negotiable Certificates of Deposit	2,398,891	-	-	2,300,035	98,855
Total	<u>\$ 35,395,232</u>	<u>\$ 1,454,180</u>	<u>\$ 797,798</u>	<u>\$ 12,788,119</u>	<u>\$ 20,355,134</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, 2014, is as follows:

Type	Credit Quality Rating *	Fair Value
U.S. Government Securities	AAA	\$ 5,147,925
Treasury Notes/Bonds	Not Rated	685,594
Municipal Securities	AAA	3,846,838
Municipal Securities	AA	9,435,123
Municipal Securities	A	9,440,532
Municipal Securities	Not Rated	3,511,704
Money Market Mutual Funds	Not Rated	627,328
Investment Pool/MAGIC Fund	Not Rated	301,298
Negotiable Certificates of Deposit	Not Rated	2,398,890
Total		<u>\$ 35,395,232</u>

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 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, 2014, 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	\$ 2,333,266	6.6 %
Federal National Mortgage Association	2,012,538	5.7

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, 2014, the County's investments were not exposed to custodial credit risk.

2. Receivables

Receivables as of December 31, 2014 for the County are as follows:

	<u>County Receivable</u>	<u>Amounts Not Received During the Period of Availability</u>
Taxes	\$ 1,216,708	\$ 942,747
Special Assessments	296,065	302,008
Accounts	75,305	-
Loans Receivable	597,116	597,116
Advances to Other Governments	218,975	-
Interest	692,956	-
Due from Other Governments	2,983,644	1,120,678
Total	<u>\$ 6,080,769</u>	<u>\$ 2,962,549</u>

Significant portions of the taxes, special assessments, and loans receivable are not expected to be collected within one year due to the nature of the receivables.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 26,068,416	\$ 2,655,793	\$ -	\$ 28,724,209
Construction-in-Progress	9,947,676	8,332,779	15,853,144	2,427,311
Total Capital Assets, No Being Depreciated	36,016,092	10,988,572	15,853,144	31,151,520
Capital Assets, Being Depreciated				
Buildings	99,837,176	459,203	-	100,296,379
Machinery and Equipment	21,157,586	2,718,631	370,153	23,506,064
Infrastructure	191,783,952	15,853,144	-	207,637,096
Total Capital Assets, Being Depreciated	312,778,714	19,030,978	370,153	331,439,539
Less Accumulated Depreciation for				
Buildings	29,369,737	2,045,774	-	31,415,511
Machinery, Furniture, and Equipment	13,532,178	1,802,900	349,731	14,985,347
Infrastructure	47,270,449	4,125,332	-	51,395,781
Total Accumulated Depreciation	90,172,364	7,974,006	349,731	97,796,639
Total Capital Assets, Being Depreciated, Net	222,606,350	11,056,972	20,422	233,642,900
Governmental Activities Capital Assets, Net	<u>\$ 258,622,442</u>	<u>\$ 22,045,544</u>	<u>\$ 15,873,566</u>	<u>\$ 264,794,420</u>

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

Governmental Activities	
General Government	\$ 1,024,883
Public Safety	1,695,659
Highways and Streets, Including Depreciation of Infrastructure Assets	4,689,085
Human Services	60,128
Culture and Recreation	202,649
Sanitation	301,602
Total Depreciation Expense - Governmental Activities	<u>\$ 7,974,006</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 11,192
	Other Governmental Funds - Ditch	14,224
Total Due to General Fund		25,416
Road and Bridge	General	69,803
	Human Services	3,272
Total Due to Road and Bridge		73,075
Total Due To/From Other Funds		<u>\$ 98,491</u>

The due to and due from other funds are for interfund services such as legal services, fuel, maintenance, and deficit cash not paid at year-end.

2. Advances From/To Other Funds

Advances To/From

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds Ditch	<u>\$ 12,800</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, 2014, consisted of the following:

	Amount	Description
Transfers to General Fund from Capital Projects Fund	\$ 59,090	Recorder Compliance Revenues for Eligible Expenditures
Transfer to Capital Projects Fund from General Fund	1,500,000	To Fund Capital Information Technology Project
Reserves Special Revenue Fund	150,000	To Fund Capital Information Technology Project
Total to Capital Projects	<u>1,650,000</u>	
Total Interfund Transfers	<u>\$ 1,709,090</u>	

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2014. The projects include the following:

<u>Governmental Activities</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Roads and Bridges	\$ 76,843	\$ 8,538
Management Document System	550,012	235,719
Public Works Expansion	115,741	779,259
	<u>\$ 742,596</u>	<u>\$ 1,023,516</u>

2. Long-Term Debt

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issues Amount</u>	<u>Outstanding Balance December 31, 2014</u>
General Obligation Bonds					
2007A G.O. Jail Bond	2029	1,665,000 - 4,205,000	4.000 - 5.000	\$ 52,235,000	\$ 45,145,000
2009A G.O. CIP Refunding Bonds	2018	190,000 - 245,000	2.000 - 3.375	1,725,000	920,000
2011A G.O. Sewer Revenue Refunding Bonds	2022	140,000 - 170,000	0.650 - 3.400	1,495,000	1,215,000
2012A G.O. CIP Refunding Bonds	2023	135,000 - 170,000	2.000 - 2.100	1,525,000	1,390,000
Total General Obligation Bonds				<u>\$ 56,980,000</u>	48,670,000
Add: Unamortized Premium					764,938
Less: Unamortized Discount					<u>(22,008)</u>
Total General Obligation Bonds, Net					<u>\$ 49,412,930</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31,	General Obligation Bonds	
	Principal	Interest
2015	\$ 2,460,000	\$ 2,184,799
2016	2,550,000	2,094,859
2017	2,655,000	2,000,434
2018	2,760,000	1,901,077
2019	2,880,000	1,790,517
2020-2024	16,060,000	6,906,635
2025-2029	19,305,000	2,831,000
Total	<u>\$ 48,670,000</u>	<u>\$ 19,709,321</u>

Year Ending December 31,	Loans Payable		Septic Loans	
	Principal	Interest	Principal	Interest
2015	\$ 523,148	\$ 41,022	\$ 42,849	\$ 9,175
2016	523,148	32,653	43,711	8,314
2017	323,148	23,684	44,589	7,435
2018	323,148	14,981	45,485	6,539
2019	73,148	14,044	46,400	5,732
2020-2024	365,742	56,178	246,452	13,752
2025-2029	365,742	32,770	-	-
2030-2032	219,447	9,363	-	-
Total	<u>\$ 2,716,671</u>	<u>\$ 224,695</u>	<u>\$ 469,486</u>	<u>\$ 50,947</u>

4. Loans Payable

The County is involved in construction projects with the following entities with remaining balances as indicated: City of Albertville (\$1,516,670); the City of Monticello (\$400,000); and the City of St. Michael (\$800,000). 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, 2014**

NOTE 2 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, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 51,040,000	\$ -	\$ 2,370,000	\$ 48,670,000	\$ 2,460,000
Add: Amount of Unamortized Premiums	819,678	-	54,740	764,938	-
Less: Deferred Amounts for Discounts	(24,759)	-	(2,751)	(22,008)	-
Total Bonds Payable	51,834,919	-	2,421,989	49,412,930	2,460,000
Loans Payable	3,239,819	-	523,148	2,716,671	523,148
Septic Loans Payable	341,453	250,726	122,693	469,486	-
Compensated Absences	3,638,963	3,371,702	3,400,782	3,609,883	902,471
Other Postemployment Benefits	1,249,533	502,878	155,451	1,596,960	-
Governmental Activity Long-Term Liabilities	<u>\$ 60,304,687</u>	<u>\$ 4,125,306</u>	<u>\$ 6,624,063</u>	<u>\$ 57,805,930</u>	<u>\$ 3,885,619</u>

Bonded debt is paid from the Debt Service Fund. Loans payable are paid from the Road and Bridge Fund. Septic loans are paid from the Reserves 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. Conduit Debt

In 2013, the County issued \$2,500,000 of revenue notes to refinance the 2004 notes which were issued to finance the acquisition, construction, renovation, and equipping of a 65-bed nursing home and 28-unit assisted living facility on behalf of Lake Ridge Care Center of Buffalo. In addition, \$5,650,000 of revenue notes were issued for the Park Terrace Project. These bonds are payable solely from the revenues of Care Centers of Buffalo. The County is not obligated in any manner for repayment of the notes. Accordingly, the notes will not be reported as liabilities in the County's financial statements. The amount of notes outstanding at December 31, 2014 was \$2,500,000 and \$5,650,000, respectively.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

6. Conduit Debt (Continued)

On December 31, 2014, the County issued \$10,000,000 (Series 2014) of revenue notes to finance the construction and retention of quality housing facilities of the Park View Care Center of Buffalo. The bonds are payable solely from the revenues of Park View Care Center. The County is not obligated in any manner for repayment of the notes. Accordingly, the notes will not be reported as liabilities in the County's financial statements. The amount of notes outstanding at December 31, 2014 was \$10,000,000.

7. Septic Loans

The County participates in a revolving loan program to finance septic system upgrades for individuals. The County entered into two loan agreements for \$510,000 and \$500,000 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 2014, loans issued to residents totaled \$250,726 and payments equaled \$122,693. The state does not provide a repayment schedule on the \$500,000 loan until the full loan amount is borrowed.

8. Operating Leases

The County has a lease agreement for the use of two Tower Facilities and several copiers with Marco, Inc. 2014 expenditures under these lease agreements totaled \$194,706. Minimum lease payments over the term of these leases are as follows:

Year	Amount
2015	\$ 180,977
2016	97,812
2017	35,033
2018	24,343
2019	10,441
Total	<u>\$ 348,606</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balances

At December 31, 2014, 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	\$ 12,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,800
Prepaid Items	-	218,975	-	-	-	-	218,975
Inventories	-	1,024,031	-	-	-	-	1,024,031
Total Nonspendable	12,800	1,243,006	-	-	-	-	1,255,806
Restricted:							
Debt Service	-	-	-	3,246,413	-	-	3,246,413
Natural Resource Block Grant	104,976	-	-	-	-	-	104,976
Law Library	-	-	-	-	-	245,567	245,567
Victim Witness	-	-	-	-	-	11,390	11,390
Richard Ahlers	-	-	-	-	-	2,040	2,040
Juvenile Restitution	-	-	-	-	-	21,936	21,936
Attorney Drive Wright Program	-	-	-	-	-	62,587	62,587
Attorney Seizure	-	-	-	-	-	48,294	48,294
Attorney Victim Witness	-	-	-	-	-	182	182
Attorney DWI Seizure	-	-	-	-	-	85,033	85,033
Recorders' Technology	-	-	-	-	-	1,741,269	1,741,269
Gravel	-	-	-	-	-	236,695	236,695
Sheriff Contingency	-	-	-	-	-	471	471
Gun Permits	-	-	-	-	-	312,366	312,366
E-911	-	-	-	-	-	308,233	308,233
Drug Abuse Prevention	-	-	-	-	-	28,011	28,011
Sheriff's Seizure	-	-	-	-	-	35,274	35,274
Jail Canteen	-	-	-	-	-	4,096	4,096
Sheriff DUI	-	-	-	-	-	95,928	95,928
Gifts & Donations - Ney Park	-	-	-	-	-	36,562	36,562
Economic Development Loans	-	-	-	-	-	134,750	134,750
Landfill Closure/Postclosure	-	-	-	-	-	290,858	290,858
Total Restricted	104,976	-	-	3,246,413	-	3,701,542	7,052,931
Committed:							
County Parks	-	-	-	-	-	596,532	596,532
Road and Bridge Operations	-	3,095,871	-	-	-	-	3,095,871
Total Committed	-	3,095,871	-	-	-	596,532	3,692,403

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 2 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	\$ 2,577,100	\$ 249,263	\$ 593,525	\$ -	\$ -	\$ -	\$ 3,419,888
Road and Bridge Operations	-	5,030,373	-	-	-	-	5,030,373
Human Service Operations	-	-	6,813,703	-	-	-	6,813,703
Capital Project Operations	-	-	-	-	2,322,104	-	2,322,104
Solid Waste Operations	-	-	-	-	-	871,556	871,556
Total Assigned	<u>2,577,100</u>	<u>5,279,636</u>	<u>7,407,228</u>	<u>-</u>	<u>2,322,104</u>	<u>871,556</u>	<u>18,457,624</u>
Unassigned	<u>30,833,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,722)</u>	<u>30,746,883</u>
Total Fund Balances	<u>\$ 33,528,481</u>	<u>\$ 9,618,513</u>	<u>\$ 7,407,228</u>	<u>\$ 3,246,413</u>	<u>\$ 2,322,104</u>	<u>\$ 5,082,908</u>	<u>\$ 61,205,647</u>

NOTE 3 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, 2014**

NOTE 3 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, 2014**

NOTE 3 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 2014. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2014. 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, 15.30 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, 2014, 2013, and 2012 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2014	\$ 1,887,021	\$ 1,382,448	\$ 263,519	\$ 8,678
2013	1,820,822	1,293,257	256,812	8,019
2012	1,819,606	1,275,506	246,626	6,331

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 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. 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 4 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 pay 100 percent of the total premium cost. As of January 1, 2014, there were twelve retirees receiving health benefits from the County's health plan.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 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 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 527,045
Interest on Net OPEB Obligation	49,981
Adjustment to ARC	<u>(74,148)</u>
Annual OPEB Cost	502,878
Contributions during the year	<u>(155,451)</u>
Increase in Net OPEB Obligation	347,427
Net OPEB - Beginning of the Year	<u>1,249,533</u>
Net OPEB - End of the Year	<u><u>\$ 1,596,960</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014, 2013, and 2012 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2014	\$ 502,878	\$ 155,451	30.9 %	\$ 1,596,960
December 31, 2013	346,492	148,148	42.8	1,249,533
December 31, 2012	350,875	117,934	33.6	1,051,189

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 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)
1/1/2014	\$ -	\$ 3,864,249	\$ 3,864,249	- %	\$ 38,005,546	10.2 %
1/1/2012	-	2,624,292	2,624,292	-	36,812,121	7.1
1/1/2010	-	2,252,205	2,252,205	-	35,840,320	6.3

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, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00 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 2.50 percent. The annual healthcare cost trend rate is 7.50 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after ten 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, 2014**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to protect against liabilities from workers' compensation and property and casualty. 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 \$480,000 per claim in 2014. 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. Although the outcome of these lawsuits 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 government.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

C. Joint Ventures

Crow River Joint Powers Agreement

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

The purpose of this agreement is the joint exercise of powers by counties to promote orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination and related support to member counties by assisting in the implementing and goal achievement of comprehensive water plans which counties may develop and implement. 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 2014 contribution to the Great River Regional Library of \$1,844,029 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 \$107,960 to the Cooperative.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made during 2014 to account for revenue that was recognized in 2013 that should have been reported as deferred inflows under governmental accounting standards. The result of the prior period adjustment decreased the fund balance in the Road and Bridge Fund and decreased the net position of the Governmental Activities on the Statement of Net Position by \$2,832,516. The impact of this restatement is as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Road and Bridge Fund Fund Balance, 1/1/2014	<u>\$ 9,630,013</u>	<u>\$ (2,832,516)</u>	<u>\$ 6,797,497</u>
Governmental Activities Net Position, 1/1/2014	<u>\$ 257,708,833</u>	<u>\$ (2,832,516)</u>	<u>\$ 254,876,317</u>

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

**WRIGHT COUNTY
BUFFALO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 31,458,491	\$ 31,458,491	\$ 31,134,661	\$ (323,830)
Licenses and Permits	102,950	102,950	96,188	(6,762)
Intergovernmental	6,004,782	6,004,782	6,605,257	600,475
Charges for Services	8,335,081	8,335,081	8,827,570	492,489
Fines and Forfeits	169,500	169,500	136,842	(32,658)
Gifts and Contributions	-	-	100	100
Investment Earnings (Loss)	1,300,000	1,300,000	2,754,376	1,454,376
Miscellaneous	1,683,167	1,683,167	1,666,533	(16,634)
Total Revenues	49,053,971	49,053,971	51,221,527	2,167,556
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	327,869	327,869	306,683	21,186
Courts	185,000	185,000	186,790	(1,790)
Court Services	3,328,055	3,328,055	3,268,294	59,761
County Administration	1,080,539	1,080,539	950,915	129,624
County Auditor-Treasurer	2,201,700	2,201,700	2,070,825	130,875
County Assessor	1,443,409	1,443,409	1,394,903	48,506
Elections	108,700	108,700	110,368	(1,668)
Information Technology	1,704,062	1,704,062	1,594,213	109,849
Attorney	2,703,930	2,703,930	2,628,060	75,870
Recorder	636,531	636,531	607,202	29,329
Surveyor	806,599	806,599	696,819	109,780
Planning and Zoning	1,190,045	1,190,045	1,152,316	37,729
Buildings and Plant	3,029,400	3,029,400	2,843,482	185,918
Veterans Service Officer	140,159	140,159	118,525	21,634
Other General Government	2,927,568	2,927,568	2,574,916	352,652
Total General Government	21,813,566	21,813,566	20,504,311	1,309,255
PUBLIC SAFETY				
Sheriff	17,635,599	17,635,599	16,592,113	1,043,486
Coroner	330,969	330,969	330,969	-
County Jail	5,764,914	5,764,914	5,438,274	326,640
Civil Defense	109,854	109,854	95,546	14,308
Total Public Safety	23,841,336	23,841,336	22,456,902	1,384,434

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
CULTURE AND RECREATION				
Parks	\$ 1,330,336	\$ 1,330,336	\$ 1,297,411	\$ 32,925
CONSERVATION OF NATURAL RESOURCES				
County Extension	283,444	283,444	251,038	32,406
Soil and Water Conservation	125,010	125,010	125,010	-
Total Conservation of Natural Resources	408,454	408,454	376,048	32,406
INTERGOVERNMENTAL				
Culture and Recreation	1,844,029	1,844,029	1,844,029	-
Total Expenditures	49,237,721	49,237,721	46,478,701	2,759,020
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(183,750)	(183,750)	4,742,826	4,926,576
OTHER FINANCING SOURCES (USES)				
Transfers In	143,750	143,750	59,090	(84,660)
Transfers Out	-	-	(1,500,000)	(1,500,000)
Proceeds from Sale of Assets	40,000	40,000	41,532	1,532
Total Other Financing Sources (Uses)	183,750	183,750	(1,399,378)	(1,583,128)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	3,343,448	<u>\$ 3,343,448</u>
Fund Balance - Beginning of Year			30,185,033	
FUND BALANCE - END OF YEAR			<u>\$ 33,528,481</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,166,811	\$ 7,166,811	\$ 7,189,167	\$ 22,356
Intergovernmental	10,664,344	10,664,344	12,541,501	1,877,157
Charges for Services	930,000	930,000	766,524	(163,476)
Miscellaneous	66,177	66,177	159,022	92,845
Total Revenues	18,827,332	18,827,332	20,656,214	1,828,882
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	610,199	610,199	605,099	5,100
Maintenance	5,359,284	5,359,284	5,682,991	(323,707)
Construction	9,515,051	9,515,051	8,622,619	892,432
Equipment and Maintenance Shops	2,345,232	2,345,232	1,960,058	385,174
Total Highways and Streets	17,829,766	17,829,766	16,870,767	958,999
INTERGOVERNMENTAL				
Highways and Streets	432,928	432,928	448,808	(15,880)
DEBT SERVICE				
Principal	523,148	523,148	523,148	-
Interest	41,490	41,490	41,490	-
Total Debt Service	564,638	564,638	564,638	-
Total Expenditures	18,827,332	18,827,332	17,884,213	943,119
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	2,772,001	2,772,001
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	2,502	2,502
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	2,774,503	<u>\$ 2,774,503</u>
Fund Balance - Beginning of Year			9,630,013	
Prior Period Adjustment			(2,832,516)	
Fund Balance - Beginning of Year, as Restated			6,797,497	
Increase in Inventory			46,513	
FUND BALANCE - END OF YEAR			<u>\$ 9,618,513</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,773,851	\$ 8,773,851	\$ 8,541,506	\$ (232,345)
Intergovernmental	15,288,924	15,288,924	15,723,209	434,285
Charges for Services	1,233,800	1,233,800	990,497	(243,303)
Gifts and Contributions	14,000	14,000	18,421	4,421
Investment Earnings	3,000	3,000	5,398	2,398
Miscellaneous	360,800	360,800	221,665	(139,135)
Total Revenues	25,674,375	25,674,375	25,500,696	(173,679)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	6,379,600	6,379,600	6,009,359	370,241
Social Services	15,467,907	15,467,907	14,137,778	1,330,129
Total Human Services	21,847,507	21,847,507	20,147,137	1,700,370
HEALTH				
Nursing Services	3,927,850	3,927,850	3,628,783	299,067
Total Expenditures	25,775,357	25,775,357	23,775,920	1,999,437
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(100,982)	(100,982)	1,724,776	1,825,758
OTHER FINANCING SOURCES (USES)				
Transfers In	100,982	100,982	-	(100,982)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,724,776	<u>\$ 1,724,776</u>
Fund Balance - Beginning of Year			5,682,452	
FUND BALANCE - END OF YEAR			<u>\$ 7,407,228</u>	

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

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**WRIGHT COUNTY
BUFFALO, MINNESOTA
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2014**

I. BUDGETARY INFORMATION

Wright County's (the County) board adopts an annual budget for the following major funds: The General Fund, Road and Bridge Special Revenue Fund and Human Services 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, Reserve Fund, and Ditch 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 assignments 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 APPROPRIATIONS

No funds had expenditures in excess of budget at the fund level for the year ended December 31, 2014.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
YEAR ENDED DECEMBER 31, 2014**

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)
1/1/2014	\$ -	\$ 3,864,249	\$ 3,864,249	- %	\$ 38,005,546	10.2 %
1/1/2012	-	2,624,292	2,624,292	-	36,812,121	7.1
1/1/2010	-	2,252,205	2,252,205	-	35,840,320	6.3

SUPPLEMENTARY INFORMATION

**WRIGHT COUNTY
BUFFALO, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

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 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.).

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**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	<u>Nonmajor Special Revenue Funds</u>			Total Nonmajor Funds
	Solid Waste	Ditch	Reserve Fund	
ASSETS				
Cash and Pooled Investments	\$ 1,244,038	\$ -	\$ 4,056,491	\$ 5,300,529
Special Assessments Receivable				
Delinquent	-	1,489	-	1,489
Noncurrent	-	14,299	-	14,299
Accounts Receivable	-	-	4,616	4,616
Loans Receivable	-	-	597,116	597,116
Due from Other Governments	-	-	29,623	29,623
	<u>-</u>	<u>-</u>	<u>29,623</u>	<u>29,623</u>
Total Assets	<u>\$ 1,244,038</u>	<u>\$ 15,788</u>	<u>\$ 4,687,846</u>	<u>\$ 5,947,672</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 26,495	\$ 5,754	\$ 59,079	\$ 91,328
Salaries Payable	-	-	1,257	1,257
Due to Other Funds	-	14,224	-	14,224
Due to Other Governments	55,129	-	78,289	133,418
Advances from Other Funds	-	12,800	-	12,800
	<u>-</u>	<u>12,800</u>	<u>-</u>	<u>12,800</u>
Total Liabilities	81,624	32,778	138,625	253,027
DEFERRED INFLOWS OF RESOURCES				
Unavailable Special Assessments	-	14,621	-	14,621
Unavailable Loans	-	-	597,116	597,116
	<u>-</u>	<u>-</u>	<u>597,116</u>	<u>597,116</u>
Total Deferred Inflows of Resources	-	14,621	597,116	611,737
FUND BALANCES				
Restricted	290,858	-	3,410,684	3,701,542
Committed	-	-	596,532	596,532
Assigned	871,556	-	-	871,556
Unassigned	-	(31,611)	(55,111)	(86,722)
	<u>-</u>	<u>(31,611)</u>	<u>(55,111)</u>	<u>(86,722)</u>
Total Fund Balances	<u>1,162,414</u>	<u>(31,611)</u>	<u>3,952,105</u>	<u>5,082,908</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,244,038</u>	<u>\$ 15,788</u>	<u>\$ 4,687,846</u>	<u>\$ 5,947,672</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	<u>Nonmajor Special Revenue Funds</u>			
	Solid Waste	Ditch	Reserve Fund	Total Nonmajor Funds
REVENUES				
Taxes	\$ -	\$ -	\$ 103,079	\$ 103,079
Special Assessments	-	91,152	63,182	154,334
Licenses and Permits	-	-	128,865	128,865
Intergovernmental	352,358	-	360,703	713,061
Charges for Services	38,082	-	675,337	713,419
Fines and Forfeits	-	-	173,404	173,404
Investment Earnings	734	-	7,858	8,592
Gifts and Contributions	-	-	6,967	6,967
Miscellaneous	-	546	100,357	100,903
Total Revenues	391,174	91,698	1,619,752	2,102,624
EXPENDITURES				
CURRENT				
General Government	-	-	209,080	209,080
Public Safety	-	-	1,076,977	1,076,977
Highways and Streets	-	-	76,189	76,189
Sanitation	453,619	-	-	453,619
Culture and Recreation	-	-	47,627	47,627
Conservation of Natural Resources	-	176,124	250,726	426,850
DEBT SERVICE				
Principal	-	-	122,693	122,693
Total Expenditures	453,619	176,124	1,783,292	2,413,035
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(62,445)	(84,426)	(163,540)	(310,411)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(150,000)	(150,000)
Loan Proceeds	-	-	250,726	250,726
Total Other Financing Sources (Uses)	-	-	100,726	100,726
NET CHANGE IN FUND BALANCES	(62,445)	(84,426)	(62,814)	(209,685)
Fund Balance - Beginning of Year	1,224,859	52,815	4,014,919	5,292,593
FUND BALANCE - END OF YEAR	<u>\$ 1,162,414</u>	<u>\$ (31,611)</u>	<u>\$ 3,952,105</u>	<u>\$ 5,082,908</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2014**

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

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.

Lake Improvement Districts Fund is used to account for the collection and payment of funds of the Lake Improvement Districts.

Watershed Districts Fund is used to account for the collection and payment of funds of the various watershed districts within the County.

Historian Fund is used to account for the collection and payment of funds of the County's historian fund.

Soil and Water Fund is used to account for the collection and payment of funds of the County's soil and water fund.

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**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	\$ 461,135	\$ 11,768,725	\$ 11,729,178	\$ 500,682
LIABILITIES				
Due to Other Governments	\$ 461,135	\$ 11,768,725	\$ 11,729,178	\$ 500,682
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 1,353,900	\$ 179,953,146	\$ 179,968,252	\$ 1,338,794
LIABILITIES				
Due to Other Governments	\$ 1,353,900	\$ 179,953,146	\$ 179,968,252	\$ 1,338,794
TOWNS, CITIES, SCHOOLS, AND SPECIAL DISTRICTS				
ASSETS				
Cash and Pooled Investments	\$ 94,643	\$ 355,785	\$ 13,568	\$ 436,860
LIABILITIES				
Due to Other Governments	\$ 94,643	\$ 355,785	\$ 13,568	\$ 436,860
FAMILY SERVICES COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 351,174	\$ 303,723	\$ 391,195	\$ 263,702
Due from Other Governments	-	83,847	-	83,847
Total Assets	<u>\$ 351,174</u>	<u>\$ 387,570</u>	<u>\$ 391,195</u>	<u>\$ 347,549</u>
LIABILITIES				
Due to Other Governments	<u>\$ 351,174</u>	<u>\$ 387,570</u>	<u>\$ 391,195</u>	<u>\$ 347,549</u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	\$ 145,553	\$ 1,390,089	\$ 1,375,719	\$ 159,923
LIABILITIES				
Funds Held in Trust	\$ 145,553	\$ 1,390,089	\$ 1,375,719	\$ 159,923
HIGHWAY 55 CORRIDOR				
ASSETS				
Cash and Pooled Investments	\$ 42,839	\$ 6,334	\$ 18,033	\$ 31,140
LIABILITIES				
Due to Other Governments	\$ 42,839	\$ 6,334	\$ 18,033	\$ 31,140
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	\$ 47,016	\$ 792,106	\$ 791,747	\$ 47,375
LIABILITIES				
Funds Held in Trust	\$ 47,016	\$ 792,106	\$ 791,747	\$ 47,375
CAFETERIA TRUST				
ASSETS				
Cash and Pooled Investments	\$ 36,597	\$ 607,121	\$ 603,759	\$ 39,959
LIABILITIES				
Funds Held in Trust	\$ 36,597	\$ 607,121	\$ 603,759	\$ 39,959
LAKE IMPROVEMENT DISTRICTS				
ASSETS				
Cash and Pooled Investments	\$ 149,859	\$ 57,684	\$ 73,769	133,774
LIABILITIES				
Due to Other Governments	\$ 149,859	\$ 57,684	\$ 73,769	\$ 133,774

**WRIGHT COUNTY
BUFFALO, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
WATERSHED DISTRICTS				
ASSETS				
Cash and Pooled Investments	\$ 326,415	\$ 108,044	\$ 272,111	162,348
LIABILITIES				
Due to Other Governments	\$ 326,415	\$ 108,044	\$ 272,111	\$ 162,348
 HISTORIAN				
ASSETS				
Cash and Pooled Investments	\$ (25,288)	\$ 226,122	\$ 222,400	(21,566)
LIABILITIES				
Due to Other Governments	\$ (25,288)	\$ 226,122	\$ 222,400	\$ (21,566)
 SOIL AND WATER				
ASSETS				
Cash and Pooled Investments	\$ (22,819)	\$ 486,650	\$ 484,904	(21,073)
LIABILITIES				
Due to Other Governments	\$ (22,819)	\$ 486,650	\$ 484,904	\$ (21,073)
 TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 2,961,024	\$ 196,055,529	\$ 195,944,635	\$ 3,071,918
Due from Other Governments	-	83,847	-	83,847
Total Assets	\$ 2,961,024	\$ 196,139,376	\$ 195,944,635	\$ 3,155,765
LIABILITIES				
Funds Held in Trust	\$ 229,166	\$ 2,789,316	\$ 2,771,225	\$ 247,257
Due to Other Governments	2,731,858	193,350,060	193,173,410	2,908,508
Total Liabilities	\$ 2,961,024	\$ 196,139,376	\$ 195,944,635	\$ 3,155,765

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2014**

SHARED REVENUE

STATE

Highway Users Tax	\$ 9,563,151
County Program Aid	5,286,543
Market Value Credit	255,591
PERA Rate Reimbursement	81,912
Disparity Reduction Aid	5,391
Police Aid	1,016,734
Aquatic Invasive Species	108,325
Enhanced 911	228,946
	<hr/>
Total Shared Revenue	16,546,593

REIMBURSEMENT FOR SERVICES

STATE

Minnesota Department of Human Services	3,163,023
Minnesota Department of Corrections	152,179
	<hr/>
Total Reimbursement for Services	3,315,202

PAYMENTS IN LIEU OF TAX

167,292

GRANTS

STATE

Minnesota Department of	
Corrections	590,606
Public Safety	139,502
Health	676,291
Natural Resources	2,786,953
Human Services	4,342,946
Transportation	21,493
Revenue	3,529
Pollution Control Agency	352,358
Water and Soil Resources Board	104,976
Peace Officer Standards and Training Board	43,123
	<hr/>
Total State	9,061,777

FEDERAL

Department of	
Agriculture	628,702
Interior	10,946
Justice	103,852
Transportation	2,136,355
Education	1,526
Health and Human Services	6,276,309
Homeland Security	51,564
	<hr/>
Total Federal	9,209,254

Total State and Federal Grants	<hr/> <hr/> 18,271,031
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Total Intergovernmental Revenue	<hr/> <hr/> <hr/> \$ 38,300,118
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**REPORTS RELATED TO
GOVERNMENT AUDITING STANDARDS
AND SINGLE AUDIT (A-133)**

**INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Wright County's basic financial statements, and have issued our report thereon dated August 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wright County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Wright County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control 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 Wright County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2014-001 to 2014-004, described in the accompanying Schedule of Findings and Questioned Costs, to be material weaknesses.

Compliance and Other Matters

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

Wright County's Responses to Findings

Wright County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Wright County's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wright County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 18, 2015

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

Board of County Commissioners
Wright County
Buffalo, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Wright County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wright County's major federal programs for the year ended December 31, 2014. Wright County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Wright County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Wright 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Wright County's compliance.

Opinion on Each Major Federal Program

In our opinion, Wright County complied, in all material respects, with the types of compliance 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-005 and 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

Wright County's Responses to Findings

Wright County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Wright County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Wright County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wright County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance 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. *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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2014-005 and 2014-006, we consider to be significant deficiencies.

Wright County's Responses to Findings

Wright County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Wright County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 18, 2015

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified 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 "Independent Auditors' 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 2014-001 to 2014-004 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 programs were reported in the "Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance with OMB Circular A-133". We consider items 2014-005 and 2014-006 to be significant deficiencies.
5. The auditors' report on compliance for the major federal award programs for the County expresses an unmodified opinion on all major federal programs.
6. Findings 2014-005 and 2014-006 relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:
 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program CFDA No. 10.561
 - Temporary Assistance for Needy Families Cluster CFDA No. 93.558
 - Child Support Enforcement CFDA No. 93.563
 - Medical Assistance 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, 2014**

MATERIAL WEAKNESSES - FINANCIAL REPORTING

2014-001 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.

Possible 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.

2014-002 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.

Possible 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, 2014**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)

2014-003 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.

Possible 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.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)

2014-004 CAPITAL ASSETS RECORDS

Criteria: Standard internal control procedures recommend that capital asset listings be updated in a timely manner.

Condition: As part of the audit, it was noted that there were errors in the additions listing provided during audit fieldwork. This was due to records being updated seven months after year-end.

Cause: Unknown.

Possible Effect: Capital assets records that are not updated in a timely manner can affect the County's ability to determine if there are any errors or omissions and the detection of fraud.

Recommendation: We recommend that County management updates capital assets records in a timely manner after year-end to allow for detection and correction of errors or omissions in a timely manner.

CLIENT RESPONSE:

The County will implement procedures to ensure capital assets records are updated in a more timely manner.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

MAJOR PROGRAM SIGNIFICANT DEFICIENCIES AND COMPLIANCE FINDINGS:

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

2014-005 MEDICAL ASSISTANCE (MA) - (CFDA #93.778); GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2014; PROOF OF CITIZENSHIP

Criteria: Standard internal control procedures and federal guidelines over the MA programs require County personnel obtain proof of U.S. citizenship or proof of qualified alien status documentation.

Condition and Context: Two of forty applications tested did not have citizenship or qualified alien documentation in the casefiles viewed.

Cause: Unknown.

Possible 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: Christine Partlow, Fiscal Manager.

Corrective Action Planned: The Human Services department will implement procedures to ensure citizenship documentation is obtained prior to providing benefits.

Anticipated Completion Date: December 31, 2015.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

MAJOR PROGRAM SIGNIFICANT DEFICIENCIES AND COMPLIANCE FINDINGS (CONTINUED):

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

2014-006 STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) – (CFDA #10.561); GRANT PERIOD – YEAR ENDED DECEMBER 31, 2014; ELIGIBILITY REQUIREMENTS

Criteria: Standard internal control procedures recommend retention of documentation to support eligibility determination.

Condition and Context: During our testing of compliance over eligibility, one of forty SNAP case files did not have the annual application on file. The County's controls over compliance did not prevent or detect this noncompliance.

Cause: Unknown.

Possible Effect: The lack of hard copy documentation supporting the electronic eligibility determination increases the risk that a client will receive benefits for which they are not eligible.

Recommendation: We recommend the County retain all applications and documentation for each case.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Christine Partlow, Fiscal Manager.

Corrective Action Planned: The Human Services department will implement new procedures for organization of case files to ensure proper documentation is retained.

Anticipated Completion Date: December 31, 2015.

PREVIOUSLY REPORTED ITEMS RESOLVED:

2013-004 MEDICAL ASSISTANCE (MA) - (CFDA #93.778) AND TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) – (CFDA #93.558); GRANT PERIOD – YEAR ENDED DECEMBER 31, 2013; PROOF OF CITIZENSHIP

Two of forty applications for MA and four of forty applications for TANF tested did not have citizenship or qualified alien documentation in the casefiles viewed.

RESOLUTION

See similar finding 2014-005.

2013-005 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) – (CFDA #93.558); GRANT PERIOD – YEAR ENDED DECEMBER 31, 2013; DOCUMENTATION CONTROLS

During our testing of compliance over the eligibility requirements for the programs, two of forty applications tested for TANF did not have a signature indicating review by the County. The County's controls over compliance did not prevent or detect this noncompliance.

RESOLUTION

There were no similar instances noted in the current year during testing.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

MAJOR PROGRAM FINDINGS (CONTINUED):

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

PREVIOUSLY REPORTED ITEMS RESOLVED (CONTINUED):

2013-006 MEDICAL ASSISTANCE (MA) - (CFDA #93.778) AND TEMPORARY ASSISTANCE FOR
NEEDY FAMILIES (TANF) – (CFDA #93.558); GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2013; RANDOM MOMENT STUDIES

The list of employees submitted for the RMS was incorrect for the quarter tested (4th quarter). One employee was not on the RMS listing but was coded in the County's general ledger on the income maintenance random moment study payroll line.

RESOLUTION

There were no similar instances noted in the current year during testing.

2013-007 MEDICAL ASSISTANCE (MA) - (CFDA #93.778); GRANT PERIOD – YEAR ENDED
DECEMBER 31, 2013; LACK OF DOCUMENTATION

During our testing of 40 casefiles, we were not provided with documentation supporting the income for one individual that was receiving benefits.

RESOLUTION

There were no similar instances noted in the current year during testing.

2013-008 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) – (CFDA #93.558); GRANT
PERIOD – YEAR ENDED DECEMBER 31, 2013; ELIGIBILITY REQUIREMENTS

During our testing of compliance over eligibility, one of forty TANF case files failed to comply with work requirements. This client was a transfer case that should have been sanctioned by the County.

RESOLUTION

There were no similar instances noted in the current year during testing.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

2014-007 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 \$100,000, whichever is larger.

Condition: Thirty-two of forty-four individual ditch systems had deficit unassigned fund balances at December 31, 2014.

Cause: Past practice.

Possible 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.

2014-008 PAYMENT OF CLAIMS WITHIN 35 DAYS

Criteria: Minnesota State Statute §471.425 requires prompt payment of local government bills with the standard timeline of 35 days from the receipt of the invoice.

Condition: During audit procedures, it was noted that one out of forty invoices was not paid within the standard timeline of 35 days from receipt. This invoice was paid two months late.

Cause: Unknown.

Possible Effect: The County is not in compliance with *Minnesota Statutes* and is at an increased risk of incurring late fees by not paying items in a timely manner.

Recommendation: We recommend the County implement procedures to ensure timely payment of all claims.

CLIENT RESPONSE:

The County has reviewed the statute and will ensure timely payment on claims.

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
DECEMBER 31, 2014**

PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:

Comment Reference	Comment Title	Status	If not Corrected, Provided Planned Corrective Action or Other Explanation
2013-004	93.778 and 93.558: Eligibility Controls and Compliance Requirements over Citizenship	Corrected	See Similar Finding 2014- 005
2013-005	93.558: Eligibility Compliance and Controls over Applications	Corrected	N/A
2013-006	93.778 and 93.558: Controls over Random Moment Study	Corrected	N/A
2013-007	93.778: Eligibility Controls and Compliance over Income	Corrected	N/A
2013-008	93.558: Eligibility Controls and Compliance over Work Requirements	Corrected	N/A

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014**

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 (Part of SNAP Cluster)	10.561	\$ 520,348
U.S. Department of Interior		
Direct		
Payments in Lieu of Taxes	15.226	10,946
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety		
Juvenile Accountability Block Grant	16.523	57,031
Direct		
State Criminal Alien Assistance Program	16.606	6,191
Edward Byrne Memorial Justice Assistance Grant Program (Part of JAG Program Cluster)	16.738	11,218
Total Department of Justice		74,440
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction (Part of Highway Planning Cluster)	20.205	1,648,068
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety (Part of Highway Safety Cluster)	20.600	13,456
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	22,964
National Priority Safety Programs	20.616	7,229
Total Department of Transportation		1,691,717
U.S. Department of Education		
Passed Through Minnesota Department of Health		
Special Education-Grants for Infants and Families	84.181	1,526
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Secretary of State		
Voting Access for Individuals with Disabilities-Grants to States	93.617	461
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	102,782
Universal Newborn Hearing Screening	93.251	3,675
Immunization Grants	93.268	3,380
(Total Immunization Grants 93.268 \$6,922)		
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	1,050
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	5,013
Temporary Assistance for Needy Families (TANF cluster)	93.558	90,477
(Total Temporary Assistance for Needy Families 93.558 \$741,985)		
Maternal and Child Health Services Block Grant	93.994	66,871

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families - Title IV-B	93.556	\$ 26,878
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$741,985)	93.558	651,508
Child Support Enforcement	93.563	1,503,171
Refugee and Entrant Assistance State Administered Programs	93.566	2,829
Child Care and Development Block Grant (Part of CCDF Cluster)	93.575	36,745
Child Welfare Services State Grants	93.645	17,715
Foster Care Title IV-E	93.658	343,373
Social Services Block Grant Title XX	93.667	571,135
Chafee Foster Care Independent Living	93.674	4,547
State Children's Insurance Program	93.767	196
Medical Assistance (Part of Medicaid Cluster)	93.778	2,016,536
Block Grant for Community Mental Health Service	93.958	10,682
Passed Through Stearns County		
Immunization Grants (Total Immunization Grants 93.268 \$6,922)	93.268	<u>3,542</u>
Total Department of Health and Human Services		5,462,105
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	3,721
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.042	54,826
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>7,724</u>
Total Department of Homeland Security		<u>66,271</u>
Total Cash Type Federal Awards		<u><u>\$ 7,827,814</u></u>

**WRIGHT COUNTY
BUFFALO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

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, 2014. 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 2014, Wright County did not pass any money to subrecipients.
5. Reconciliation to the Schedule of Intergovernmental Revenue

Federal Grant Revenue per Schedule of Intergovernmental Revenue:	\$ 9,209,254
Expenditures reported on the Schedule of Expenditures of Federal Awards, but not included in revenues for 2014	57,784
Revenues included on the Schedule of Intergovernmental Revenue that are not considered federal grant expenditures	<u>(1,439,224)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 7,827,814</u></u>

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Wright County
Buffalo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wright County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's financial statements as listed in the table of contents and have issued our report thereon dated August 18, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Wright County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivision*, except for the items described in detail in the attached Schedule of Findings and Questioned Costs as findings 2014-007 and 2014-008. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Wright County's noncompliance with the above-referenced provisions.

Wright County's written response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Wright County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 18, 2015

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