

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

GRANT COUNTY
ELBOW LAKE, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

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

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

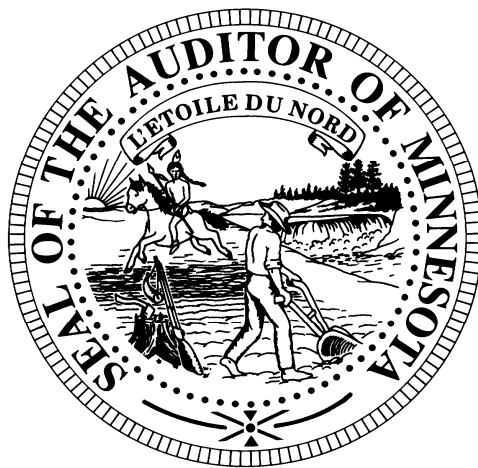
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

Year Ended December 31, 2014



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

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization Schedule		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	14
Statement of Activities	2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	18
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position--Governmental Activities	4	20
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	22
Fiduciary Funds		
Statement of Fiduciary Net Position	7	23
Notes to the Financial Statements		24
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	73
Road and Bridge Special Revenue Fund	A-2	75
Human Services Special Revenue Fund	A-3	76
Schedule of Funding Progress - Other Postemployment Benefits	A-4	77
Notes to the Required Supplementary Information		78

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Financial Section (Continued)		
Supplementary Information		
Combining and Individual Fund Financial Statements		
Nonmajor Governmental Funds		
Combining Balance Sheet	B-1	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	82
Budgetary Comparison Schedule - Solid Waste Special Revenue Fund	B-3	83
Agency Funds		84
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	C-1	85
Other Schedules		
Balance Sheet - By Ditch - Ditch Special Revenue Fund	D-1	88
Schedule of Intergovernmental Revenue	D-2	90
Schedule of Expenditures of Federal Awards	D-3	91
Notes to the Schedule of Expenditures of Federal Awards		92
Management and Compliance Section		
Schedule of Findings and Questioned Costs		94
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		105
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		108

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2014**

Office	Name	Term Expires
Commissioners		
1st District	Todd Schneeberger*	January 2017
2nd District	Ronald Woltjer	January 2015
3rd District	Keith Swanson	January 2017
4th District	Tom Amundson	January 2015
5th District	Vernell H. Wagner	January 2017
Officers		
Elected		
Attorney	Justin R. Anderson	January 2015
Auditor	Chad Van Santen	January 2015
County Recorder	Diann Giese	January 2015
Sheriff	Dwight Walvatne	January 2015
Treasurer	Patricia Soberg	January 2015
Appointed		
Assessor	Karl Lindquist	January 2017
Highway Engineer	Tracey Von Bargaen	May 2016
Veterans Service Officer	Joe Hjelmstad	Indefinite
Coroner	Larry Rapp, D. O.	January 2017
Social Services Board		
Member	Todd Schneeberger	January 2017
Member	Tom Amundson	January 2015
Member	Keith Swanson	January 2017
Chair	Ronald Woltjer	January 2015
Member	Vernell H. Wagner	January 2017
Director	Stacy Hennen	Indefinite

*Chair

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Grant County
Elbow Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant 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 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority (HRA) of Grant County, the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County's basic financial statements. The supplementary information as 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 supplementary information is the responsibility of management and was derived from and relates 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 information is 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 September 28, 2015, on our consideration of Grant County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant County's internal control over financial reporting and compliance. It does not include the HRA of Grant County, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

This page was left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Unaudited)**

INTRODUCTION

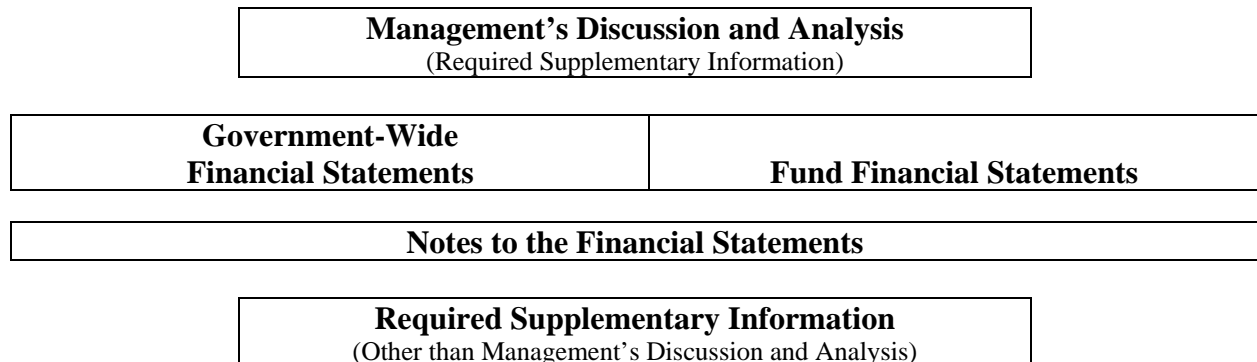
Grant County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with Grant County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$36,495,503, of which \$28,601,293 is the net investment in capital assets and \$987,548 is restricted to specific purposes/uses by the County.
- The net cost of Grant County's governmental activities for the year ended December 31, 2014, was \$5,164,810; the net cost was funded by general revenues totaling \$6,439,348.

OVERVIEW OF THE FINANCIAL STATEMENTS

Grant County's MD&A serves as an introduction to the basic financial statements. The County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.



Grant County presents two government-wide financial statements: the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the County as a whole and present a longer-term view of Grant County's finances. The County's fund financial statements follow the government-wide financial statements. For governmental funds, these statements tell how Grant County financed services in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant/major funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements--The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about Grant County as a whole and about its activities in a way that helps the reader determine whether Grant County's financial condition has improved or declined as a result of the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements consider all of Grant County's current year revenues and expenses, regardless of when the County receives the revenue or pays the expense, and reports the County's net position and changes in them. You can think of the County's net position--the difference between assets and liabilities--as one way to measure Grant County's financial health or financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the general economic conditions of the state and County, to assess the overall health of Grant County.

- Governmental activities--Grant County reports its basic services in the "Governmental Activities" column of these reports. The activities reported by the County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Grant County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- Component unit--Grant County includes a separate legal entity in its report, the Housing and Redevelopment Authority of Grant County. This entity is presented in a separate column. Although legally separate, the component unit is important because the County is financially accountable for it.

The government-wide statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

Grant County's fund financial statements provide detailed information about the significant funds--not the County as a whole. Significant governmental and fiduciary funds may be established by the County to meet requirements of a specific state law; to help control and manage money for a particular purpose/project; or to show that it is meeting specific legal responsibilities and obligations when expending property tax revenues, grants, and/or other funds designated for a specific purpose.

- Governmental funds--Most of Grant County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending. These funds are reported in our financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that the County can readily convert to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are financial resources available that can be spent in the near future to finance various programs within Grant County. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

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

- Fiduciary funds--Grant County is the trustee, or fiduciary, over assets that can be used only for the trust beneficiaries based on the trust arrangement. The County reports its fiduciary activities in a separate Statement of Fiduciary Net Position. These activities have been excluded from the County's other financial statements because the County cannot use these assets to finance its operations. Grant County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

All fiduciary activities are reported in a separate statement of fiduciary net position on Exhibit 7.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 24 of this report.

THE COUNTY AS A WHOLE

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

Table 1
Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 9,411,239	\$ 9,314,834
Capital assets, net of accumulated depreciation	32,510,784	31,184,718
Total Assets	\$ 41,922,023	\$ 40,499,552
Liabilities		
Current liabilities	\$ 890,515	\$ 559,525
Long-term liabilities	4,536,005	4,719,062
Total Liabilities	\$ 5,426,520	\$ 5,278,587
Net Position		
Net investment in capital assets	\$ 28,601,293	\$ 27,008,630
Restricted	987,548	2,712,153
Unrestricted	6,906,662	5,500,182
Total Net Position	\$ 36,495,503	\$ 35,220,965

Grant County's total net position for the year ended December 31, 2014, totals \$36,495,503. The governmental activities' unrestricted net position, totaling \$6,906,662, is available to finance the day-to-day operations of the governmental activities of Grant County.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 1,596,882	\$ 1,589,519
Operating grants and contributions	4,372,788	4,593,682
Capital grants and contributions	545,568	20,000
General revenues		
Property taxes	5,680,593	5,360,706
Other taxes	229,096	232,192
Payments in lieu of tax	50,842	36,727
Grants and contributions not restricted to specific programs	438,240	407,781
Unrestricted investment earnings	16,367	10,043
Miscellaneous	3,410	3,544
Contributions to permanent fund	20,800	97,405
Total Revenues	\$ 12,954,586	\$ 12,351,599

	Governmental Activities	
	2014	2013
Expenses		
General government	\$ 2,661,896	\$ 2,555,076
Public safety	1,440,285	1,405,516
Highways and streets	3,827,629	3,744,588
Sanitation	574,440	512,198
Human services	2,294,344	2,236,388
Health	104,278	102,811
Culture and recreation	90,608	87,057
Conservation of natural resources	484,555	500,745
Economic development	42,500	42,500
Interest	159,513	162,832
Total Expenses	<u>\$ 11,680,048</u>	<u>\$ 11,349,711</u>
Change in Net Position	\$ 1,274,538	\$ 1,001,888
Net Position - January 1	<u>35,220,965</u>	<u>34,219,077</u>
Net Position - December 31	<u>\$ 36,495,503</u>	<u>\$ 35,220,965</u>

Governmental Activities

Revenues for Grant County's governmental activities for the year ended December 31, 2014, were \$12,954,586. The County's cost for all governmental activities for the year ended December 31, 2014, was \$11,680,048. Net position for the County's governmental activities increased by \$1,274,538 in 2014.

As shown in the Statement of Activities, the amount that Grant County taxpayers ultimately financed for these governmental activities through local property taxation was \$5,680,593, because \$6,515,238 of the costs were paid by grants and contributions received for those programs and by those who directly benefited from the programs, and \$438,240 was paid by other governments and organizations that provided additional grants and contributions. Grant County paid for the remaining "public benefit" portion of governmental activities with \$299,715 in other revenues, such as investment income, mortgage registry tax, state deed tax, payments in lieu of tax and miscellaneous revenues. Additionally, the County received contributions to the Permanent Fund of \$20,800, the investment earnings from which will benefit the County in future periods.

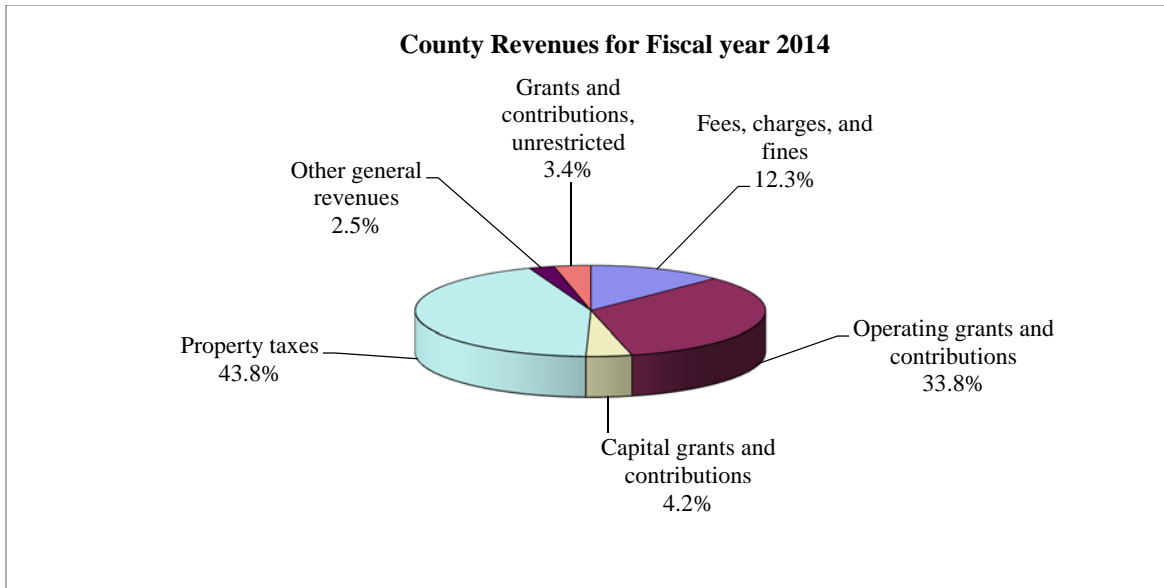
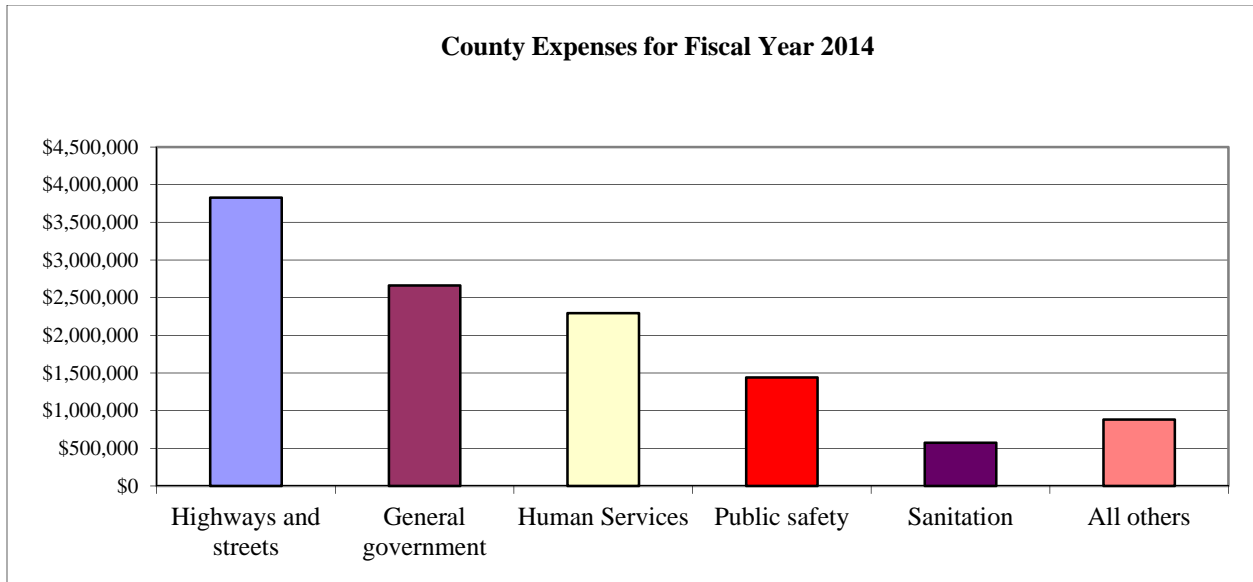


Table 3 presents the cost of each of Grant County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Grant County taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Program expenses		
Highways and streets	\$ 3,827,629	\$ 249,403
General government	2,661,896	2,168,280
Human services	2,294,344	810,809
Public safety	1,440,285	1,153,085
Sanitation	574,440	86,421
All others	881,454	696,812
	<hr/>	<hr/>
Total Program Expenses	<u>\$ 11,680,048</u>	<u>\$ 5,164,810</u>



THE COUNTY’S FUNDS

As Grant County completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of \$7,151,633.

General Fund Budgetary Highlights

The Grant County Board of Commissioners, over the course of a budget year, may amend/revise the County’s General Fund budget; however, in 2014, the County Board of Commissioners made no changes to the adopted budget. If the County Board of Commissioners had made changes to the budget as originally adopted, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In the General Fund, the actual revenues were \$708,608 more than expected revenues, and actual expenditures were \$461,118 more than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, Grant County had \$32,510,784 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, and equipment (see Table 4).

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	2014	2013
Land and right-of-way	\$ 1,087,175	\$ 843,887
Construction in progress	2,570,892	443,432
Buildings	6,411,438	6,691,280
Office furniture and equipment	614,501	698,975
Machinery and automotive	774,338	972,983
Infrastructure	21,052,440	21,534,161
Totals	<u>\$ 32,510,784</u>	<u>\$ 31,184,718</u>

Long-Term Debt

As of December 31, 2014, Grant County had \$3,909,492 in bonds outstanding, compared with \$4,176,088 as of December 31, 2013, a decrease of six percent.

Table 5
Outstanding Debt at Year-End

	2014	2013
Bonds payable		
General obligation bonds	\$ 1,940,000	\$ 2,210,000
Taxable general obligation capital improvement bonds	2,000,000	2,000,000
Less: unamortized discounts	(30,508)	(33,912)
Totals	<u>\$ 3,909,492</u>	<u>\$ 4,176,088</u>

Other long-term obligations include compensated absences and postemployment benefits. Grant County's notes to the financial statements provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates.

- Major revenue sources for the County are state-paid aids, credits, and grants. Should the State of Minnesota make significant changes to these revenues, it would have a significant impact on next year's budget.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Grant County programs and services will influence the development of future budgets.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Grant County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of Grant County's finances and shows the County's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Chad Van Santen, Grant County Auditor, (218-685-8236), Grant County Courthouse, 10 Second Street N.E., Elbow Lake, Minnesota 56531-4400.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
<u>Assets</u>		
Cash and pooled investments	\$ 7,256,820	\$ 561,970
Taxes receivable	86,889	-
Special assessments receivable		
Prior - net	6,034	-
Accounts receivable - net	80,576	5,000
Rent receivable	-	4,660
Accrued interest receivable	5,762	-
Due from other governments	1,744,333	-
Prepaid items	9,845	19,686
Inventories	220,980	-
Restricted assets		
Cash and pooled investments	-	20,324
Capital assets		
Non-depreciable	3,658,067	163,546
Depreciable - net of accumulated depreciation	28,852,717	2,204,949
Total Assets	\$ 41,922,023	\$ 2,980,135
<u>Liabilities</u>		
Accounts payable	\$ 215,019	\$ 27,978
Salaries payable	158,303	-
Contracts payable	314,123	-
Due to other governments	48,142	14,109
Accrued interest payable	64,928	2,875
Other accrued liabilities	-	6,063
Unearned revenue	90,000	281
Accounts payable from restricted assets	-	20,200
Long-term liabilities		
Due within one year	308,422	51,646
Due in more than one year	3,965,962	896,124
Other postemployment benefit payable	261,621	-
Total Liabilities	\$ 5,426,520	\$ 1,019,276

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
<u>Net Position</u>		
Net investment in capital assets	\$ 28,601,293	\$ 1,533,495
Restricted for		
General government	193,010	-
Public safety	376,537	-
Conservation of natural resources	415,531	-
Held in trust for other purposes	2,470	-
Unrestricted	6,906,662	427,364
Total Net Position	\$ 36,495,503	\$ 1,960,859

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 2,661,896	\$ 312,952
Public safety	1,440,285	137,944
Highways and streets	3,827,629	94,254
Sanitation	574,440	488,019
Human services	2,294,344	430,080
Health	104,278	-
Culture and recreation	90,608	-
Conservation of natural resources	484,555	133,633
Economic development	42,500	-
Interest	159,513	-
Total Primary Government	<u>\$ 11,680,048</u>	<u>\$ 1,596,882</u>
Component unit		
Grant County Housing and Redevelopment Authority	<u>\$ 815,917</u>	<u>\$ 367,896</u>

General Revenues

Property taxes, levied for general purposes
Tax increments
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous

Contributions to Permanent Fund

Total general revenues and contributions

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
\$ 180,664	\$ -	\$ (2,168,280)	
149,256	-	(1,153,085)	
2,938,404	545,568	(249,403)	
-	-	(86,421)	
1,053,455	-	(810,809)	
-	-	(104,278)	
-	-	(90,608)	
51,009	-	(299,913)	
-	-	(42,500)	
-	-	(159,513)	
\$ 4,372,788	\$ 545,568	\$ (5,164,810)	
\$ 206,503	\$ 169,454		\$ (72,064)
		\$ 5,680,593	\$ 42,500
		-	8,222
		229,096	-
		50,842	-
		438,240	-
		16,367	1,917
		3,410	-
		20,800	-
		\$ 6,439,348	\$ 52,639
		\$ 1,274,538	\$ (19,425)
		35,220,965	1,980,284
		\$ 36,495,503	\$ 1,960,859

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 2,104,305	\$ 1,163,790	\$ 2,746,838	\$ 1,086,863	\$ 7,101,796
Petty cash and change funds	2,325	100	200	200	2,825
Undistributed cash in agency funds	84,909	29,454	23,749	14,087	152,199
Taxes receivable	50,777	18,540	14,627	2,945	86,889
Special assessments					
Prior	-	-	-	6,034	6,034
Accounts receivable	71,625	-	8,951	-	80,576
Accrued interest receivable	5,752	-	-	10	5,762
Due from other funds	28,700	-	-	-	28,700
Due from other governments	-	1,572,422	171,911	-	1,744,333
Prepaid expense	-	-	9,845	-	9,845
Inventories	-	220,980	-	-	220,980
Total Assets	<u>\$ 2,348,393</u>	<u>\$ 3,005,286</u>	<u>\$ 2,976,121</u>	<u>\$ 1,110,139</u>	<u>\$ 9,439,939</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 100,246	\$ 56,646	\$ 29,184	\$ 28,943	\$ 215,019
Salaries payable	62,517	45,595	49,327	864	158,303
Contracts payable	-	314,123	-	-	314,123
Due to other funds	-	1,891	26,809	-	28,700
Due to other governments	32,315	1,745	14,082	-	48,142
Unearned revenue	-	-	90,000	-	90,000
Total Liabilities	<u>\$ 195,078</u>	<u>\$ 420,000</u>	<u>\$ 209,402</u>	<u>\$ 29,807</u>	<u>\$ 854,287</u>
Deferred Inflows of Resources					
Unavailable revenues	<u>\$ 40,635</u>	<u>\$ 1,351,285</u>	<u>\$ 35,291</u>	<u>\$ 6,808</u>	<u>\$ 1,434,019</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)					
Fund Balances					
Nonspendable					
Trust principal	\$ -	\$ -	\$ -	\$ 118,205	\$ 118,205
Inventories	-	220,980	-	-	220,980
Restricted					
Endowments	13,874	-	-	-	13,874
Law library	21,293	-	-	-	21,293
Debt service	-	-	-	393,069	393,069
Recorder's technology equipment	57,700	-	-	-	57,700
Election equipment	42,070	-	-	-	42,070
E-911	359,337	-	-	-	359,337
Recorder's compliance	58,073	-	-	-	58,073
Forfeitures	17,200	-	-	-	17,200
County state-aid highway system	-	251,001	-	-	251,001
Ditch maintenance and construction	-	-	-	297,326	297,326
Missing heirs	2,470	-	-	-	2,470
Committed					
Sheriff's contingencies	5,000	-	-	-	5,000
Assigned					
Highways and streets	-	762,020	-	-	762,020
Human services	-	-	2,731,428	-	2,731,428
Sanitation	-	-	-	278,420	278,420
Traffic diversion program	35,545	-	-	-	35,545
Unassigned	1,500,118	-	-	(13,496)	1,486,622
Total Fund Balances	\$ 2,112,680	\$ 1,234,001	\$ 2,731,428	\$ 1,073,524	\$ 7,151,633
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,348,393	\$ 3,005,286	\$ 2,976,121	\$ 1,110,139	\$ 9,439,939

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balances - total governmental funds (Exhibit 3)	\$	7,151,633
Amounts reported for governmental activities in the statement of net position are 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.		32,510,784
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		1,434,019
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (3,940,000)	
Other postemployment benefits	(261,621)	
Bond discount	30,508	
Accrued interest payable	(64,928)	
Compensated absences	(364,892)	
		(4,600,933)
Net Position of Governmental Activities (Exhibit 1)	\$	<u>36,495,503</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 3,431,945	\$ 1,200,566	\$ 977,136	\$ 366,739	\$ 5,976,386
Special assessments	-	-	-	211,855	211,855
Licenses and permits	7,295	-	-	-	7,295
Intergovernmental	638,596	3,520,564	1,189,201	93,730	5,442,091
Charges for services	370,919	85,147	367,822	385,032	1,208,920
Fines and forfeits	6,116	-	-	-	6,116
Gifts and contributions	10,275	-	-	20,800	31,075
Investment earnings	17,319	-	-	153	17,472
Miscellaneous	86,107	12,182	50,349	-	148,638
Total Revenues	\$ 4,568,572	\$ 4,818,459	\$ 2,584,508	\$ 1,078,309	\$ 13,049,848
Expenditures					
Current					
General government	\$ 2,321,220	\$ -	\$ -	\$ -	\$ 2,321,220
Public safety	1,362,365	-	-	-	1,362,365
Highways and streets	-	5,210,168	-	-	5,210,168
Sanitation	-	-	-	551,204	551,204
Human services	-	-	2,272,662	-	2,272,662
Health	104,278	-	-	-	104,278
Culture and recreation	90,608	-	-	-	90,608
Conservation of natural resources	400,111	-	-	82,055	482,166
Economic development	42,500	-	-	-	42,500
Intergovernmental					
Highways and streets	-	227,272	-	-	227,272
Debt service					
Principal	-	-	-	270,000	270,000
Interest	-	-	-	157,515	157,515
Total Expenditures	\$ 4,321,082	\$ 5,437,440	\$ 2,272,662	\$ 1,060,774	\$ 13,091,958
Net Change in Fund Balance	\$ 247,490	\$ (618,981)	\$ 311,846	\$ 17,535	\$ (42,110)
Fund Balance - January 1	1,865,190	1,951,536	2,419,582	1,055,989	7,292,297
Increase (decrease) in inventories	-	(98,554)	-	-	(98,554)
Fund Balance - December 31	\$ 2,112,680	\$ 1,234,001	\$ 2,731,428	\$ 1,073,524	\$ 7,151,633

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (42,110)

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.

Unavailable revenue - December 31	\$ 1,434,019	
Unavailable revenue - January 1	<u>(1,529,346)</u>	(95,327)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from sales increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 2,744,210	
Current year depreciation	<u>(1,418,144)</u>	1,326,066

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.

Principal repayments		
General obligation bonds		270,000

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

Change in accrued interest payable	\$ 1,406	
Amortization of discounts	(3,404)	
Change in compensated absences	(8,067)	
Change in other postemployment benefits	(75,472)	
Change in inventories	<u>(98,554)</u>	<u>(184,091)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,274,538

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 95,691
Due from other governments	<u>250,930</u>
Total Assets	<u><u>\$ 346,621</u></u>
<u>Liabilities</u>	
Due to other governments	<u><u>\$ 346,621</u></u>

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. 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

Grant County was established March 6, 1868, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Grant County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Unit

The Housing and Redevelopment Authority (HRA) of Grant County is a component unit of Grant County and is reported in a separate column in the County’s government-wide financial statements to emphasize that the HRA is legally separate from Grant County. The HRA operates as a local governmental unit for the purpose of providing housing and redevelopment services to Grant County. The governing body consists of a five-member Board of Commissioners appointed by the Grant County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended December 31, 2014.

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
The HRA of Grant County provides services pursuant to Minn. Stat. §§ 469.001-.047	The County appoints members, and the HRA is a financial burden.	Grant County Coordinator’s Office 10 Second Street N.E. Elbow Lake, Minnesota 56531

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 6.B. The County also participates in jointly-governed organizations described in Note 6.C.

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net 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.

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The emphasis of governmental fund financial statements is 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 accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

Additionally, the County reports the following fund types:

The Debt Service Fund accounts for the retirement of bonds issued for the Courthouse improvement bonds.

The Trust Payment Fund accounts for resources legally restricted to the extent that only earnings and not principal from the Trust Permanent Fund may be used for County purposes.

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, Deferred Outflows/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 Treasurer for the purpose of increasing earnings through investment activities. Cash and pooled investments are reported at their fair value at December 31, 2014, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2014 were \$17,324.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments (Continued)

Grant County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool, which would approximate fair value.

2. Receivables and Payables

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2009 through 2014. No allowance for special assessments are shown because such amounts are not expected to be material.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

4. Inventories and Prepaid Items (Continued)

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.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

Property, plant, and equipment of the County, as well as its component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	30 - 40
Office furniture and equipment	3 - 15
Machinery and automotive	3 - 20
Infrastructure	25 - 75

6. Unearned Revenue

All County governmental funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

The liability for compensated absences reported in the 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.

The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources.

This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

8. Deferred Outflows/Inflows of Resources (Continued)

category. Accordingly, the item, unavailable revenue, is reported only in the governmental balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

9. 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 statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 an other financing source.

Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Net investment in capital assets - the portion of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted - the portion of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Classification of Net Position (Continued)

Unrestricted - the portion of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts in which constraints that have been placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor who has been delegated that authority by Board resolution.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

11. Classification of Fund Balances (Continued)

Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

12. Minimum Fund Balance

The County has adopted a minimum fund balance policy for the General Fund in order to provide protection against the need to reduce services due to a lack of resources resulting from temporary revenue shortfalls or unpredicted expenditures. Therefore, the County Board has determined it needs to maintain a minimum level of unrestricted fund balance (committed, assigned, and unassigned) of \$800,000. The Fund Balance Policy was adopted by the County Board on December 20, 2011. At December 31, 2014, unrestricted fund balance for the General Fund was above the minimum fund balance level.

13. 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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria.

GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a positive fund balance of \$283,830 as of December 31, 2014, although one ditch had a deficit balance. The deficit will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

19 ditches with positive balances	\$ 297,326
1 ditch with a deficit balance	<u>(13,496)</u>
Net Fund Balance	<u>\$ 283,830</u>

B. Excess of Expenditures Over Appropriations

The following nonmajor fund had expenditures in excess of budget for the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Solid Waste Special Revenue Fund	\$ 551,204	\$ 535,900	\$ 15,304

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 7,256,820
Statement of fiduciary net position	
Cash and pooled investments	<u>95,691</u>
 Total Cash and Investments	 <u>\$ 7,352,511</u>

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. The County's deposits in banks at December 31, 2014, were entirely covered by federal depository insurance and collateral in accordance with Minnesota statutes.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. None of the County's investments at December 31, 2014, were rated.

Custodial Credit Risk

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

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County does not have a policy on concentration of credit risk.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2014, and information relating to potential investment risk:

<u>Investment Type</u>	<u>Concentration of Credit Risk Over 5 Percent of Portfolio</u>	<u>Interest Rate Risk Maturity Date</u>	<u>Carrying (Fair) Value</u>
Negotiable certificates of deposit			
SYNOVUS BK GA US	8.5%	01/16/2015	\$ 199,994
Bank of Baroda	10.2%	04/30/2015	239,933
Discover BK GREENW DE US	9.6%	07/16/2015	224,717
HSBC Bank	<5%	11/29/2016	24,603
Bank of the West Instl CTF	<5%	12/27/2016	21,084
HSBC Bank	<5%	12/30/2016	<u>18,727</u>
Total negotiable certificates of deposit			\$ 729,058
Investment pools			
MAGIC Fund	68.9%		<u>1,613,373</u>
Total investments			\$ 2,342,431
Deposits			4,750,668
Money market accounts with broker			256,587
Petty cash			<u>2,825</u>
Total Cash and Investments			<u>\$ 7,352,511</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities, net of the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 86,889	\$ -
Special assessments	6,034	-
Accounts	80,576	-
Accrued interest	5,762	-
Due from other governments	1,744,333	-
Total Governmental Activities	\$ 1,923,594	\$ -

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 223,383	\$ -	\$ -	\$ 223,383
Right-of-way	620,504	243,288	-	863,792
Construction in progress	443,432	2,485,439	357,979	2,570,892
Total capital assets not depreciated	\$ 1,287,319	\$ 2,728,727	\$ 357,979	\$ 3,658,067
Capital assets depreciated				
Buildings	\$ 9,435,940	\$ -	\$ -	\$ 9,435,940
Office furniture and equipment	1,169,722	-	-	1,169,722
Machinery and automotive	3,504,397	15,483	57,521	3,462,359
Infrastructure	35,028,969	357,979	-	35,386,948
Total capital assets depreciated	\$ 49,139,028	\$ 373,462	\$ 57,521	\$ 49,454,969

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 2,744,660	\$ 279,842	\$ -	\$ 3,024,502
Office furniture and equipment	470,747	84,474	-	555,221
Machinery and automotive	2,531,414	214,128	57,521	2,688,021
Infrastructure	13,494,808	839,700	-	14,334,508
 Total accumulated depreciation	 \$ 19,241,629	 \$ 1,418,144	 \$ 57,521	 \$ 20,602,252
Total capital assets depreciated, net	\$ 29,897,399	\$ (1,044,682)	\$ -	\$ 28,852,717
 Governmental Activities Capital Assets, Net	 \$ 31,184,718	 \$ 1,684,045	 \$ 357,979	 \$ 32,510,784

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

Governmental Activities	
General government	\$ 307,136
Public safety	66,701
Highways and streets, including depreciation of infrastructure	1,020,722
Sanitation	23,236
Conservation of natural resources	349
 Total Depreciation Expense	 \$ 1,418,144

B. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Description
General Fund	Road and Bridge Special Revenue Fund	\$ 1,891	Charges for services
General Fund	Human Services Special Revenue Fund	26,809	Charges for services
Total Due To/From Other Funds		\$ 28,700	

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

There were no interfund transfers for the year ended December 31, 2014.

C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 215,019
Salaries	158,303
Contracts payable	314,123
Due to other governments	48,142
Interest	<u>64,928</u>
Total Payables	<u>\$ 800,515</u>

2. Other Postemployment Benefits - Retirees

The County pays health insurance for employees who retire with at least 12 years of experience, who have reached the age of 55, but who are under the age of 65 and not eligible for Medicare. The County pays 50 percent of the cost of single coverage. The County's contributions for the year ended December 31, 2014, were \$8,235. During 2014, two employees qualified for retired employee health insurance coverage.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2014
General obligation bonds 2011A Bonds	2022	\$110,000 - \$300,000	1.00 - 3.20	\$ 2,480,000	<u>\$ 1,940,000</u>
Taxable general obligation capital improvement plan bonds 2011B Bonds	2026	\$2,000,000	5.50	\$ 2,000,000	<u>\$ 2,000,000</u>

4. Debt Service Requirements

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

Year Ending December 31	General Obligation Bonds		Taxable General Obligation Capital Improvement Plan Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 275,000	\$ 43,696	\$ -	\$ 110,000
2016	275,000	39,021	-	110,000
2017	280,000	33,468	-	110,000
2018	290,000	26,978	-	110,000
2019	295,000	19,589	-	110,000
2020 - 2024	525,000	18,500	-	550,000
2025 - 2026	-	-	2,000,000	165,000
Total	<u>\$ 1,940,000</u>	<u>\$ 181,252</u>	<u>\$ 2,000,000</u>	<u>\$ 1,265,000</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

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
Long-term liabilities					
Bonds payable					
General obligation bonds	\$ 2,210,000	\$ -	\$ 270,000	\$ 1,940,000	\$ 275,000
Taxable general obligation capital improvement bonds	2,000,000	-	-	2,000,000	-
Less: unamortized discount	(33,912)	-	(3,404)	(30,508)	-
Total G.O. bonds	\$ 4,176,088	\$ -	\$ 266,596	\$ 3,909,492	\$ 275,000
Compensated absences	356,825	239,060	230,993	364,892	33,422
Total Long-Term Liabilities	\$ 4,532,913	\$ 239,060	\$ 497,589	\$ 4,274,384	\$ 308,422

D. Deferred Inflows

1. Unavailable Revenue

Unavailable revenue consists of taxes and special assessments receivable, state and federal grants not collected soon enough after year-end to pay liabilities of the current period, and money from state-aid highway allotments received but not yet earned. Unavailable revenue at December 31, 2014, is summarized by fund:

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Other	Total
Major governmental funds					
General	\$ 40,635	\$ -	\$ -	\$ -	\$ 40,635
Special Revenue					
Road and Bridge	14,700	116,615	1,219,970	-	1,351,285
Human Services	11,552	11,444	-	12,295	35,291
Nonmajor governmental funds					
Solid Waste	4,868	-	-	-	4,868
Debt Service	1,940	-	-	-	1,940
Total	\$ 73,695	\$ 128,059	\$ 1,219,970	\$ 12,295	\$ 1,434,019

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

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. 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 General Employees Retirement Fund 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. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. 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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

In 2014, the County was required to contribute the following percentages of annual covered payroll:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 212,199	\$ 203,751	\$ 189,560
Public Employees Police and Fire Fund	71,509	65,422	63,132

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

B. Defined Contribution Plan

Four County Commissioners of Grant County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer 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 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,917	\$ 2,917
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Grant County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Grant County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. At December 31, 2014, there were 35 participants in the plan, including 2 retirees.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued 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 for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	156,064
Interest on net OPEB obligation		8,377
Adjustment to ARC		(11,179)

Annual OPEB cost (expense)	\$	153,262
Contributions made		(77,790)

Increase in net OPEB obligation	\$	75,472
Net OPEB Obligation - Beginning of Year		186,149

Net OPEB Obligation - End of Year	\$	261,621

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2012, 2013 and 2014, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	\$ 156,064	\$ 56,869	36.4%	\$ 99,195
December 31, 2013	154,571	67,617	43.7	186,149
December 31, 2014	153,262	77,790	50.8	261,621

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (continued)

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$1,223,986, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,223,986. The covered payroll (annual payroll of active employees covered by the plan) was \$3,032,227, and the ratio of the UAAL to the covered payroll was 40.4 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. 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. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information as it becomes available about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Grant County's implicit rate of return on the General Fund. The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 27 years.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. 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 Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For employee group health insurance benefits, the County is a member of the Lakes Country Service Cooperative (Service Cooperative). For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

The Service Cooperative is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. 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 County.

B. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. In 2005, the Area Agency on Aging became part of a larger planning and service area covering 21 counties. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of withdrawal.

Complete financial information can be obtained from:

West Central Area Agency on Aging
P. O. Box 726
Fergus Falls, Minnesota 56537

Stevens Traverse Grant Public Health

Grant County entered into a joint powers agreement creating and operating the Stevens Traverse Grant Public Health Nursing Service, pursuant to Minn. Stat. § 471.59. The Nursing Service is headquartered in Morris, Minnesota, and has other offices in Wheaton and Elbow Lake, Minnesota.

The management of the Nursing Service is vested in the Joint Public Health Nursing Board, which consists of nine members, three Commissioners each from Stevens County, Traverse County, and Grant County.

The primary functions of the Health Service are to prevent illness and to promote efficiency and economy in the delivery of community health services. Financing is provided by federal and state grants; appropriations from Stevens, Traverse, and Grant Counties; and charges for services. Stevens County, as an agent, reports the cash transactions of Stevens Traverse Grant Public Health in an agency fund on its annual financial statements. Grant County's contribution for 2014 was \$90,066.

Complete financial statements for the Stevens Traverse Grant Public Health Nursing Service can be obtained from:

Stevens Traverse Grant Public Health Nursing Service
10 East Highway. 28
Morris, Minnesota 56267

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Horizon Community Health Board

Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services, pursuant to Minn. Stat. § 471.59. During 1994, Stevens Traverse Grant Public Health Nursing Service began receiving and administering the grant money for Stevens, Traverse, and Grant Counties. Mid-State Community Health Services was renamed to Horizon Community Health Board when Douglas County was added as a member on January 1, 2011. The budget is now approved by the five-county Board.

Control is vested in Horizon's Board, which consists of 11 members comprised of 8 County Commissioners and 3 community representatives. Each member of the Board is appointed by the County Commissioners of the county represented.

Financing is provided by state and federal grants and contributions from the member parties. Pope County, in an agent capacity, reports the cash transactions of Horizon as an agency fund on its financial statements. During 2014, Grant County did not contribute to the Board.

Complete financial statements for the Horizon Community Health Board can be obtained from:

Horizon Community Health Board
211 East Minnesota Avenue, Suite 100
Glenwood, Minnesota 56344

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Wadena, and Wilkin Counties; and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the eight-county area.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. If only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. During 2014, Grant County did not contribute to this organization.

Separate financial information can be obtained from:

Douglas County Courthouse
305 - 8th Avenue W.
Alexandria, Minnesota 55308

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by an agreement between Grant County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River. Administrative costs are apportioned equally to the soil and water conservation districts based on actual costs. An amended and restated Joint Powers Agreement was approved on March 19, 2013.

Control is vested in a Joint Powers Board, comprised of one representative of each County Board of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

During 2014, Grant County contributed \$5,900 in funds to the Joint Powers Board.

Complete financial information can be obtained from:

Pomme de Terre River Association Joint Powers Board
900 Roberts Street, Suite 104
Alexandria, Minnesota 56308

PrimeWest Health System

In December 1998, Grant County became a member of the PrimeWest Central County-Based Purchasing Initiative Joint Powers Board (since renamed PrimeWest Health System) with Big Stone, Douglas, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties, under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the PrimeWest Health System. Grant County, in partnership with these 12 counties, is organized to directly purchase health care services for County residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of PrimeWest Health is vested in a Joint Powers Board, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

PrimeWest Health System (Continued)

Douglas County acts as fiscal agent for the PrimeWest Health System and reports the cash transactions as an investment trust fund on its financial statements. Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services.

Complete financial information can be obtained from:

PrimeWest Health
2209 Jefferson Street, Suite 101
Alexandria, Minnesota 56308

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2014, Grant County did not make a contribution to the Partnership, as a contribution was made by the Countryside Public Health Service.

McLeod County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report can be obtained from McLeod County at:

Supporting Hands Nurse Family Partnership
830 - 11th Street East
Glencoe, Minnesota 55336

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meecker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, Grant County did not contribute any funds to the Board.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

Complete financial information can be obtained from:

Central Minnesota Emergency Services Board
City of St. Cloud
Office of the Mayor
City Hall
400 Second Street South
St. Cloud, Minnesota 56303

Region 4 South Adult Mental Health Consortium

Pope, Douglas, Grant, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating Region 4 South Adult Mental Health Consortium, pursuant to Minn. Stat. § 471.59, to provide a system of care that will serve the needs of adults with serious and persistent mental illness for the mutual benefit of each of the joint participants.

Control of the Consortium is vested in a Governing Board, which consists of each participating county's Director of Social Services, Family Services or Human Services, as the case may be. The Governing Board operates under the ultimate authority of the Executive Commissioner Board. The Executive Commissioner Board is composed of one Commissioner of each county appointed by their respective County Board.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the date of the proposed withdrawal. Withdrawal does not act to discharge any liability incurred or chargeable to any county before the effective date of the withdrawal.

Dissolution of the Consortium shall occur by unanimous vote of the counties, or when the membership in the Consortium is reduced to less than two counties. Upon dissolution of the Consortium, the member counties shall share in the current liabilities and current financial assets, including real property, of the Consortium equally if no county has contributed during the term of the Consortium or based upon their percentage of contribution to the Consortium's budget during the period applicable to such liabilities and assets.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

Financing is predominantly provided by state grants. Grant County, in a fiscal host capacity, reports the cash transactions of the Consortium as agency funds on its financial statements.

Grant County Child and Youth Council Collaborative

The Grant County Child and Youth Council Collaborative was established in 1998 under the authority of Minn. Stat. § 124D.23. The Collaborative includes Ashby Public School, Herman-Norcross Public School, West Central Area Schools, Grant County Public Health, Grant County Social Services, and West Central Minnesota Community Action, Inc. The Collaborative was formed as a family services collaborative for the purpose of providing coordinated child and family services and to create an integrated system of services for children and families with multiple and special needs.

Control of the Collaborative is vested in a collaborative governing board and an Executive Committee. The Board is composed of one member and alternate from each agency involved. The Board exercises revenue authority and approves the annual budget.

The Executive Committee comprises the directors of Grant County Public Health, Grant County Social Services, and West Central Community Action, Inc.; the superintendents of Ashby, Herman-Norcross, and West Central Area Schools; a representative of the Grant County Department of Court Services; and a parent nominated from the area. The Executive Committee has policy oversight authority for integrated services design as well as authority over expenditures.

Any party may exercise a right to withdraw from the Grant County Child and Youth Council Collaborative by passage of a resolution by its governing body declaring its intent to withdraw and giving at least a 180-day notice. When a party exercises its option to withdraw, the party shall remain liable for fiscal obligation incurred prior to the effective date of the withdrawal. If the Collaborative is terminated, the Board shall continue to exist for the limited purpose of discharging the Collaborative's debts and liabilities, settling its affairs, and disposing of integrated fund assets, if any.

Financing is provided by state and federal grants and contributions from the member parties. During 2014, Grant did not contribute to the Collaborative.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Land of the Dancing Sky Area Agency on Aging

The Land of the Dancing Sky Area Agency on Aging provides services to a 21-county service area. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards of the two areas on aging continue to meet monthly to make decisions affecting their local counties.

Rainbow Rider Transit Board

Douglas, Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement to establish the West Central Multi-County Joint Powers Transit Board effective December 1, 1994, and empowered under Minn. Stat. § 471.59. Effective January 13, 2000, the Board changed its name from West Central Multi-County Joint Powers Transit Board to Rainbow Rider Transit Board. The purpose of the Board is to provide coordinated service delivery and a funding source for public transportation. Grant County terminated its membership in Rainbow Rider on May 31, 1999. Grant County rejoined and Todd County became a member county effective January 1, 2011 and 2012, respectively.

The Board consists of two members appointed by each member county from its County Board for terms of one year each. Rainbow Rider is a joint venture with no county having control over the Board. Each county has an ongoing responsibility to provide funding for the operating costs of the Board allocated in accordance with the actual expenses incurred by representatives of the respective counties on the Board.

The joint powers agreement remains in force until any single county notifies the other parties of its intentions to withdraw, at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Rainbow Rider Transit Board (Continued)

Complete financial information can be obtained from:

Rainbow Rider
P. O. Box 136
Lowry, Minnesota 56349

Rural Minnesota Concentrated Employment Programs, Inc. (WIA - Rural Minnesota Workforce Service Area 2)

Rural Minnesota Concentrated Employment Programs, Inc., was established to create job training and employment opportunities for economically disadvantaged, underemployed and unemployed persons, and youthful persons in both the private and the public sector.

During 2014, the County did not contribute any funds to this organization.

C. Jointly-Governed Organizations

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

Western Area City/County Co-Op

Grant County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burdens on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county. The County contributed \$1,258 to WACCO during 2014.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

District IV Transportation Planning

Grant County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

The Region Four - West Central Minnesota Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Grant County's responsibility does not extend beyond making this appointment.

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501(c)(3) nonprofit corporation on February 10, 1961, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Pope Counties. The purpose of Lakeland Mental Health Center is to promote healthy individuals, families, and communities by providing high quality accessible mental health services.

The management of Lakeland Mental Health Center is vested in a Board of Directors consisting of one Commissioner and one community-at-large representative from each member county, plus one human service director, or equivalent position, rotated between the member counties.

Services are provided to the member counties through purchase of service agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Grant County paid \$184,968 in 2014 for services purchased through Lakeland Mental Health Center.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Grant County and 17 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2014, the County did not contribute any funding to the Joint Powers Board.

Complete financial statements can be obtained from the offices of the International Coalition.

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement between Grant County and 37 other counties. According to the latest information available, 38 other counties are members under this agreement. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota River Board (Continued)

In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Board, consisting of one representative from one of the member County Board of Commissioners included in this agreement. During the year, Grant County did not make any payments to the Board.

Complete financial statements can be obtained from:

Minnesota River Board
Administrative Building No. 14
600 East 4th Street
Chaska, Minnesota 55318

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomon, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, and Traverse Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. The County's responsibility does not extend beyond making this appointment.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Sentence to Serve

Grant County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2014.

D. Subsequent Event

The Board of County Commissioners, in its meeting on July 21, 2015, approved motions to award a bond sale of \$1,855,000 General Obligation Bonds, Series 2015A.

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity

The Housing and Redevelopment Authority (HRA) of Grant County is a component unit of Grant County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Grant County. The HRA operates as a public agency created by Grant County under the Minnesota Housing and Redevelopment Authority Act of 1937. The primary purpose is to provide housing and redevelopment services to the County. The governing body

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity (Continued)

consists of a five-member Board of Commissioners appointed by the Grant County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended December 31, 2014.

2. Basis of Accounting

The HRA is reported as an enterprise fund and is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

3. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. Cash

For purposes of the statement of cash flows, all cash deposits and temporary investments with original terms of three months or less are considered to be cash.

5. Rent Receivable

Rent is due at the first of the month for the current month. Rent which remains uncollected is accrued as a receivable. Management represents all rent receivables are collectible either through normal collection procedures or through revenue recapture through the State of Minnesota. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

5. Rent Receivable (Continued)

require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

6 Capital Assets

Property and equipment are stated at historical cost or estimated historical cost and are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	30 - 40 years
Improvements	10 - 15 years
Equipment	3 - 7 years

7. Capitalized Interest

In determining the cost of capital projects, the HRA capitalizes that portion of the interest cost which could have been avoided if the capital project had not been undertaken. No interest was capitalized for the year ended December 31, 2014.

8. Estimates

The preparation of financial statements in conformity with the 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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Deposits

Reconciliation of the HRA's total cash, as reported in the basic financial statements to deposits, cash on hand, and investments follows:

Cash and pooled investments	
Deposits	\$ 134,910
Certificates of deposit	<u>427,060</u>
Total cash and pooled investments	\$ 561,970
Restricted cash	
Tenant security deposits	<u>20,324</u>
Total Cash and Investments	<u>\$ 582,294</u>

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

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

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

At December 31, 2014, the HRA's deposits had a carrying amount of \$582,294 and a bank balance of \$567,313. Of the bank balance, \$250,000 was covered by federal depository insurance. Collateral of \$317,313 was required for the remaining funds, of which \$700,244 was covered by qualified collateral held in safekeeping. The HRA had sufficient collateral coverage on all cash accounts.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Investments

Minnesota statutes generally authorize the same types of investments for the HRA as for the County. See Note 3.A.1.b.

During the year ended December 31, 2014, the HRA had no investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

3. Capital Assets

The HRA's capital asset activity for the year ended December 31, 2014, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not depreciated				
Land	\$ 163,546	\$ -	\$ -	\$ 163,546
Capital assets depreciated				
Buildings	\$ 5,089,149	\$ 141,922	\$ -	\$ 5,231,071
Equipment, furniture, and fixtures	300,936	14,749	-	315,685
Total capital assets depreciated	\$ 5,390,085	\$ 156,671	\$ -	\$ 5,546,756
Less: accumulated depreciation	3,180,425	161,382	-	3,341,807
Total capital assets depreciated, net	\$ 2,209,660	\$ (4,711)	\$ -	\$ 2,204,949
Total	\$ 2,373,206	\$ (4,711)	\$ -	\$ 2,368,495

4. Long-Term Debt

Long-term liability activity for the year ended December 31, 2014, was as follows:

Type of Indebtedness	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2002 GMHF Loan	\$ 101,500	\$ -	\$ -	\$ 101,500	\$ -
2009 Housing Development Bonds	875,000	-	40,000	835,000	45,000
Compensated absences	11,258	12	-	11,270	6,646
Total Long-Term Debt	\$ 987,758	\$ 12	\$ 40,000	\$ 947,770	\$ 51,646

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt (Continued)

Bonds and loans payable at December 31, 2014, consisted of the following issues:

	Original Issue Amount	Final Maturity	Interest Rate (%)	Outstanding Balance December 31, 2014
2002 GMHF Loan	\$ 101,500	2027	-	\$ 101,500
2009 Housing Development Bonds	1,055,000	2029	1.25 - 4.50	835,000
Total Long-Term Debt	<u>\$ 1,156,500</u>			<u>\$ 936,500</u>

The 2002 GMHF Loan matures on April 2, 2027. The loan is noninterest-bearing, unsecured, and requires no periodic payments.

The 2009 Housing Development Bonds mature on December 1, 2029. The bonds bear an interest rate of 1.25 percent to 4.50 percent in semi-annual interest payments and annual principal payments. The bond is secured by all real and personal property as well as by all revenues of the housing project.

The annual minimum payment requirements for bonds and loans outstanding as of December 31, 2014, are as follows:

Year Ending December 31	Principal	Interest	Total
2015	\$ 45,000	\$ 34,883	\$ 79,883
2016	45,000	33,420	78,420
2017	45,000	31,620	76,620
2018	50,000	29,820	79,820
2019	45,000	27,820	72,820
2020 - 2024	270,000	109,170	379,170
2025 - 2029	436,500	46,130	482,630
Totals	<u>\$ 936,500</u>	<u>\$ 312,863</u>	<u>\$ 1,249,363</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures (Continued)

C. Defined Benefit Pension Plan

Plan Description

The Principal Mutual Life Insurance Company Retirement Plan (Plan) is a defined contribution retirement plan covering essentially all employees of the various participating employers. Since the participating employers are all government units, the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, except for the contribution limitations of Section 415. The payroll for employees covered by the Plan for the year ended December 31, 2014, was \$129,927; the HRA's total payroll was \$129,927.

The Plan and Trust are qualified under Section 401(a) of the Internal Revenue Code, and their income is exempt from taxation under Section 501(a) of the Code.

The Plan is funded by employer contributions only. The rates of contributions are determined by the various adoption agreements of the participating employers.

Terminating or retiring participants are entitled to certain benefits including the full amount of their contributions to the Plan as well as earnings on their contributions. In addition to the amount of their contribution, each participant is entitled to the portion of the employer's contributions in which he or she has a vested interest. Vesting provisions are determined in accordance with the participating employers' adoption agreement. If a participating employee should die prior to retirement, then the employee or their designated beneficiary shall be entitled to the full value of the participant's account. Benefits are payable in the form of lump sum cash settlements or purchased annuities, depending upon the election of the participant and the nature of their termination or retirement.

If the Plan is terminated or contributions under the Plan are discontinued, the participating employees are entitled to benefits accrued to the date of such termination or discontinuance to the extent funded and/or to the amounts credited to the employees' accounts.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

Contributions Required and Contributions Made

Covered employees contribute fixed percentages of their gross earnings to the Plan. The HRA makes monthly contributions to the pension plan. Current contribution rates are as follows:

Employee	-
Employer	14.00%

Total contributions made during the fiscal years ending December 31, 2014, 2013, and 2012, were \$18,197, \$17,964, and \$17,497, respectively.

D. Risk Management

The HRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; job-related illnesses or injuries to employees; and natural disasters for which the HRA carries commercial insurance. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximum coverages are exceeded, this could cause the HRA to suffer losses if a loss is incurred from such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims to date have not exceeded coverage levels, and insurance coverage, by major categories of risk, consistent with coverage in the prior year.

E. Contingencies

The HRA receives grant funds, principally from the U.S. Department of Housing and Urban Development (HUD) for the Vouchers Choice program, the Public Housing Operating Subsidy, and Capital Fund. Monies from HUD are received directly from the federal agency. Certain expenditures are subject to audit by HUD, and the HRA is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the HRA, no material refunds will be required as a result of expenditures disallowed by HUD.

This page was left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE 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	\$ 3,206,147	\$ 3,206,147	\$ 3,431,945	\$ 225,798
Licenses and permits	75	75	7,295	7,220
Intergovernmental	291,006	291,006	638,596	347,590
Charges for services	228,924	228,924	370,919	141,995
Fines and forfeits	-	-	6,116	6,116
Gifts and contributions	-	-	10,275	10,275
Investment earnings	10,000	10,000	17,319	7,319
Miscellaneous	123,812	123,812	86,107	(37,705)
Total Revenues	\$ 3,859,964	\$ 3,859,964	\$ 4,568,572	\$ 708,608
Expenditures				
Current				
General government				
Commissioners	\$ 191,640	\$ 191,640	\$ 204,956	\$ (13,316)
Retiree insurance	11,700	11,700	48,218	(36,518)
Law library	-	-	10,520	(10,520)
County auditor	253,495	253,495	263,036	(9,541)
County treasurer	160,041	160,041	176,239	(16,198)
Public examiners	65,000	65,000	63,555	1,445
Elections	20,000	20,000	40,960	(20,960)
Accounting and auditing	155,814	155,814	161,452	(5,638)
County recorder	195,222	195,222	223,466	(28,244)
County assessor	202,548	202,548	200,579	1,969
County buildings	193,966	193,966	215,614	(21,648)
County fair	16,540	16,540	16,540	-
Veterans service officer	64,484	64,484	71,590	(7,106)
Coordinator	133,497	133,497	131,993	1,504
License bureau	101,493	101,493	119,592	(18,099)
County safety program	-	-	170	(170)
Collections	-	-	176,159	(176,159)
Other general government	171,519	171,519	196,581	(25,062)
Total general government	\$ 1,936,959	\$ 1,936,959	\$ 2,321,220	\$ (384,261)
Public safety				
Sheriff	\$ 1,156,133	\$ 1,156,133	\$ 1,119,319	\$ 36,814
Coroner	6,000	6,000	7,870	(1,870)
Sheriff's contingent fund	-	-	4,214	(4,214)
Traffic diversion program	-	-	4,970	(4,970)
DARE account	-	-	2,349	(2,349)
Water enforcement	-	-	4,149	(4,149)
Corrections and jails	108,500	108,500	107,973	527
E-911 program	-	-	50,314	(50,314)
Emergency management program	62,047	62,047	61,207	840
Total public safety	\$ 1,332,680	\$ 1,332,680	\$ 1,362,365	\$ (29,685)

The notes to the required supplementary information are an integral part of this schedule.

Page 73

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE 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				
Current (Continued)				
Health				
Public health	\$ 103,566	\$ 103,566	\$ 104,278	\$ (712)
Culture and recreation				
Historical society	\$ 27,000	\$ 27,000	\$ 27,000	\$ -
Viking library system	63,608	63,608	63,608	-
Total culture and recreation	\$ 90,608	\$ 90,608	\$ 90,608	\$ -
Conservation of natural resources				
County extension	\$ 134,883	\$ 134,883	\$ 153,688	\$ (18,805)
Soil and water conservation	82,336	82,336	82,336	-
Office of land management	133,873	133,873	135,416	(1,543)
Water plan	2,559	2,559	28,671	(26,112)
Total conservation of natural resources	\$ 353,651	\$ 353,651	\$ 400,111	\$ (46,460)
Economic development				
HRA	\$ 42,500	\$ 42,500	\$ 42,500	\$ -
Total Expenditures	\$ 3,859,964	\$ 3,859,964	\$ 4,321,082	\$ (461,118)
Net Change in Fund Balance	\$ -	\$ -	\$ 247,490	\$ 247,490
Fund Balance - January 1	1,865,190	1,865,190	1,865,190	-
Fund Balance - December 31	\$ 1,865,190	\$ 1,865,190	\$ 2,112,680	\$ 247,490

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE 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	\$ 1,245,191	\$ 1,245,191	\$ 1,200,566	\$ (44,625)
Intergovernmental	4,296,497	4,296,497	3,520,564	(775,933)
Charges for services	130,000	130,000	85,147	(44,853)
Miscellaneous	-	-	12,182	12,182
Total Revenues	\$ 5,671,688	\$ 5,671,688	\$ 4,818,459	\$ (853,229)
Expenditures				
Current				
Highways and streets				
Administration	\$ 326,039	\$ 326,039	\$ 240,780	\$ 85,259
Engineering	6,500	6,500	14,778	(8,278)
Authorized work contribution	2,528	2,528	94	2,434
Construction	3,406,496	3,406,496	3,253,080	153,416
Maintenance	1,228,557	1,228,557	1,076,310	152,247
Shops	241,881	241,881	195,355	46,526
Equipment	459,687	459,687	429,771	29,916
Total highways and streets	\$ 5,671,688	\$ 5,671,688	\$ 5,210,168	\$ 461,520
Intergovernmental				
Highways and streets	-	-	227,272	(227,272)
Total Expenditures	\$ 5,671,688	\$ 5,671,688	\$ 5,437,440	\$ 234,248
Net Change in Fund Balance	\$ -	\$ -	\$ (618,981)	\$ (618,981)
Fund Balance - January 1	1,951,536	1,951,536	1,951,536	-
Increase (decrease) in inventories	-	-	(98,554)	(98,554)
Fund Balance - December 31	\$ 1,951,536	\$ 1,951,536	\$ 1,234,001	\$ (717,535)

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE 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	\$ 981,020	\$ 981,020	\$ 977,136	\$ (3,884)
Intergovernmental	998,399	998,399	1,189,201	190,802
Charges for services	300,459	300,459	367,822	67,363
Miscellaneous	2,050	2,050	50,349	48,299
Total Revenues	\$ 2,281,928	\$ 2,281,928	\$ 2,584,508	\$ 302,580
Expenditures				
Current				
Human services				
Income maintenance	\$ 812,101	\$ 812,101	\$ 935,558	\$ (123,457)
Social services	1,469,827	1,469,827	1,337,104	132,723
Total Expenditures	\$ 2,281,928	\$ 2,281,928	\$ 2,272,662	\$ 9,266
Net Change in Fund Balance	\$ -	\$ -	\$ 311,846	\$ 311,846
Fund Balance - January 1	2,419,582	2,419,582	2,419,582	-
Fund Balance - December 31	\$ 2,419,582	\$ 2,419,582	\$ 2,731,428	\$ 311,846

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2012	\$ -	\$ 1,223,986	\$ 1,223,986	0.0%	\$3,032,227	40.4%

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, the Debt Service Fund, and the Trust Payment Permanent Fund. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the Grant County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no supplemental budgetary appropriations.

2. Excess of Expenditures Over Appropriations

The following major funds had expenditures in excess of budget for the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 4,321,082	\$ 3,859,964	\$ 461,118

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Other Postemployment Benefits Funding Status

Governmental Accounting Standards Board Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

Currently, only one actuarial valuation is available. Future reports will provide additional trend analysis to meet the three most recent valuation funding status requirements as the information becomes available.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Ditch Fund accounts for the financing and related costs of all County ditches.

The Solid Waste Fund accounts for the financing and costs related to the collection and disposal of solid waste and the County recycling activities.

DEBT SERVICE FUND

The Debt Service Fund accounts for the retirement of bonds issued for the Courthouse improvement bonds.

PERMANENT FUND

The Trust Payment Fund accounts for resources legally restricted to the extent that only earnings and not principal from the Trust Permanent Fund may be used for County purposes.

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Special Revenue Funds</u>		<u>Debt Service</u>	<u>Trust Payment Permanent</u>	<u>Total</u>
	<u>Ditch</u>	<u>Solid Waste</u>			
<u>Assets</u>					
Cash and pooled investments	\$ 284,048	\$ 301,376	\$ 383,234	\$ 118,205	\$ 1,086,863
Petty cash and change funds	-	200	-	-	200
Undistributed cash in agency funds	2,011	3,246	8,830	-	14,087
Taxes receivable	-	-	2,945	-	2,945
Special assessments receivable					
Prior	249	5,785	-	-	6,034
Accrued interest receivable	10	-	-	-	10
Total Assets	\$ 286,318	\$ 310,607	\$ 395,009	\$ 118,205	\$ 1,110,139
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 2,488	\$ 26,455	\$ -	\$ -	\$ 28,943
Salaries payable	-	864	-	-	864
Total Liabilities	\$ 2,488	\$ 27,319	\$ -	\$ -	\$ 29,807
Deferred Inflows of Resources					
Unavailable revenues	\$ -	\$ 4,868	\$ 1,940	\$ -	\$ 6,808
Fund Balances					
Nonspendable					
Trust principal	\$ -	\$ -	\$ -	\$ 118,205	\$ 118,205
Restricted					
Debt service	-	-	393,069	-	393,069
Ditch maintenance and construction	297,326	-	-	-	297,326
Assigned					
Sanitation	-	278,420	-	-	278,420
Unassigned	(13,496)	-	-	-	(13,496)
Total Fund Balances	\$ 283,830	\$ 278,420	\$ 393,069	\$ 118,205	\$ 1,073,524
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 286,318	\$ 310,607	\$ 395,009	\$ 118,205	\$ 1,110,139

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Special Revenue Funds</u>		<u>Debt Service</u>	<u>Trust Payment Permanent</u>	<u>Total</u>
	<u>Ditch</u>	<u>Solid Waste</u>			
Revenues					
Taxes	\$ -	\$ -	\$ 366,739	\$ -	\$ 366,739
Special assessments	104,438	107,417	-	-	211,855
Intergovernmental	-	-	93,730	-	93,730
Charges for services	-	385,032	-	-	385,032
Gifts and contributions	-	-	-	20,800	20,800
Investment earnings	135	-	18	-	153
Total Revenues	\$ 104,573	\$ 492,449	\$ 460,487	\$ 20,800	\$ 1,078,309
Expenditures					
Current					
Sanitation	\$ -	\$ 551,204	\$ -	\$ -	\$ 551,204
Conservation of natural resources	82,055	-	-	-	82,055
Debt service					
Principal	-	-	270,000	-	270,000
Interest	-	-	157,515	-	157,515
Total Expenditures	\$ 82,055	\$ 551,204	\$ 427,515	\$ -	\$ 1,060,774
Net Change in Fund Balance	\$ 22,518	\$ (58,755)	\$ 32,972	\$ 20,800	\$ 17,535
Fund Balance - January 1	261,312	337,175	360,097	97,405	1,055,989
Fund Balance - December 31	\$ 283,830	\$ 278,420	\$ 393,069	\$ 118,205	\$ 1,073,524

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE 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				
Special assessments	\$ 105,434	\$ 105,434	\$ 107,417	\$ 1,983
Intergovernmental	55,950	55,950	-	(55,950)
Charges for services	378,717	378,717	385,032	6,315
Total Revenues	\$ 540,101	\$ 540,101	\$ 492,449	\$ (47,652)
Expenditures				
Current				
Sanitation				
Waste collection	\$ 321,800	\$ 321,800	\$ 335,574	\$ (13,774)
Recycling	199,100	199,100	203,518	(4,418)
Household hazardous waste	15,000	15,000	12,112	2,888
Total Expenditures	\$ 535,900	\$ 535,900	\$ 551,204	\$ (15,304)
Net Change in Fund Balance	\$ 4,201	\$ 4,201	\$ (58,755)	\$ (62,956)
Fund Balance - January 1	337,175	337,175	337,175	-
Fund Balance - December 31	\$ 341,376	\$ 341,376	\$ 278,420	\$ (62,956)

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

AGENCY FUNDS

The School Fund accumulates the schools' share of light and power taxes and penalties, which are apportioned according to the average resident pupil attendance.

The State Revenue Fund accounts for the collection and payment of money due to the State of Minnesota.

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

The Towns and Cities Fund accounts for the collection and payment of funds due to towns and cities.

The Assertive Community Treatment Fund accounts for the collection and payment of money related to assertive community treatment services provided by the Region 4 South Adult Mental Health Consortium.

The Adult Mental Health Initiative Fund accounts for the collection and payment of money related to adult mental health initiative services provided by the Region 4 South Adult Mental Health Consortium.

The Civil Process Fund accounts for the collection and payment of money related to the Sheriff civil processing services that are not the property of the County.

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 2,175,280	\$ 2,175,280	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,175,280	\$ 2,175,280	\$ -
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 190	\$ 21,448	\$ 21,638	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 190	\$ 21,448	\$ 21,638	\$ -
 <u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 122,030	\$ 12,165,961	\$ 12,150,376	\$ 137,615
<u>Liabilities</u>				
Due to other governments	\$ 122,030	\$ 12,165,961	\$ 12,150,376	\$ 137,615

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWNS AND CITIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 2,886,286	\$ 2,886,286	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,886,286	\$ 2,886,286	\$ -
 <u>ASSERTIVE COMMUNITY TREATMENT FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 30,267	\$ 543,855	\$ 687,379	\$ (113,257)
Due from other governments	-	113,257	-	113,257
Total Assets	\$ 30,267	\$ 657,112	\$ 687,379	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 30,267	\$ 657,112	\$ 687,379	\$ -

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>ADULT MENTAL HEALTH INITIATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ (29,419)	\$ 919,488	\$ 1,027,742	\$ (137,673)
Due from other governments	29,419	108,254	-	137,673
Total Assets	\$ -	\$ 1,027,742	\$ 1,027,742	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,027,742	\$ 1,027,742	\$ -
<u>CIVIL PROCESS FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 209,006	\$ -	\$ 209,006
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 209,006	\$ -	\$ 209,006
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 123,068	\$ 18,921,324	\$ 18,948,701	\$ 95,691
Due from other governments	29,419	221,511	-	250,930
Total Assets	\$ 152,487	\$ 19,142,835	\$ 18,948,701	\$ 346,621
<u>Liabilities</u>				
Due to other governments	\$ 152,487	\$ 19,142,835	\$ 18,948,701	\$ 346,621

This page was left blank intentionally.

OTHER SCHEDULES

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

	<u>Assets</u>		
	<u>Cash</u>	<u>Undistributed Cash</u>	<u>Special Assessments</u>
County Ditches			
#1	\$ 13,147	\$ -	\$ -
#3	27,501	-	-
#5	1,967	-	-
#6	4,535	-	-
#8	56,397	470	-
#9	37,796	23	-
#11	2,199	-	-
#13	2,126	-	-
#15	7,851	110	-
#21	27,823	-	-
#22	2,622	-	-
#23	8,759	-	-
#29	(15,111)	1,375	240
#30	3,214	-	-
#31	3,373	-	-
#32	8,773	-	-
#33	528	33	9
Consolidated			
#2	35,744	-	-
Judicial Ditches			
#1	756	-	-
#2	54,048	-	-
Total	\$ 284,048	\$ 2,011	\$ 249

EXHIBIT D-1

Accrued Interest Receivable	Total	Liabilities Accounts Payable	Fund Balances - Restricted	Fund Balances - Unassigned	Total Liabilities and Fund Balances
\$ 1	\$ 13,148	\$ 146	\$ 13,002	\$ -	\$ 13,148
1	27,502	328	27,174	-	27,502
-	1,967	-	1,967	-	1,967
-	4,535	-	4,535	-	4,535
2	56,869	554	56,315	-	56,869
2	37,821	399	37,422	-	37,821
-	2,199	-	2,199	-	2,199
-	2,126	-	2,126	-	2,126
-	7,961	82	7,879	-	7,961
2	27,825	466	27,359	-	27,825
-	2,622	-	2,622	-	2,622
-	8,759	104	8,655	-	8,759
-	(13,496)	-	-	(13,496)	(13,496)
-	3,214	-	3,214	-	3,214
-	3,373	-	3,373	-	3,373
-	8,773	104	8,669	-	8,773
1	571	-	571	-	571
1	35,745	305	35,440	-	35,745
-	756	-	756	-	756
-	54,048	-	54,048	-	54,048
\$ 10	\$ 286,318	\$ 2,488	\$ 297,326	\$ (13,496)	\$ 286,318

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

Appropriations and Shared Revenue

State

Highway users tax	\$ 3,040,129
County program aid	218,978
Market value credit	81,326
PERA rate reimbursement	12,569
Disparity reduction aid	6,128
Aquatic invasive species aid	25,263
Police aid	45,696
	45,696

Total appropriations and shared revenue **\$ 3,430,089**

Reimbursement for services

Minnesota Department of Human Services	\$ 137,009
	137,009

Payments

Local

Payments in lieu of taxes	\$ 50,842
Qualified energy conservation payments	69,117
	69,117

Total payments **\$ 119,959**

Grants

State

Minnesota Department/Board of	
Corrections	\$ 8,974
Public Safety	76,188
Natural Resources	51,768
Human Services	348,719
Veterans Affairs	8,150
Water and Soil Resources	51,009
Peace Officers Standards and Training Board	2,896
	2,896

Total state **\$ 547,704**

Federal

Department of	
Agriculture	\$ 78,153
Transportation	502,877
Health and Human Services	610,788
Homeland Security	15,512
	15,512

Total federal **\$ 1,207,330**

Total state and federal grants **\$ 1,755,034**

Total Intergovernmental Revenue **\$ 5,442,091**

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE 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 the Supplemental Nutrition Assistance Program	10.561	\$ <u>78,153</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ <u>545,568</u>
U.S. Department of Health and Human Services		
Passed Through West Central Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 25,825
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	3,527
Temporary Assistance for Needy Families	93.558	56,154
Child Support Enforcement	93.563	137,403
Refugee and Entrant Assistance - State Administered Programs	93.566	394
Child Care and Development Block Grant	93.575	1,600
Community-Based Child Abuse Prevention Grants	93.590	3,002
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,324
Foster Care - Title IV-E	93.658	29,846
Social Services Block Grant	93.667	71,768
Chafee Foster Care Independence Program	93.674	1,087
Children's Health Insurance Program	93.767	59
Medical Assistance Program	93.778	226,587
Block Grants for Community Mental Health Services	93.958	<u>2,506</u>
Total U.S. Department of Health and Human Services		\$ <u>562,082</u>
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	\$ 15,353
Passed Through the City of St. Cloud Homeland Security Grant Program	97.067	<u>159</u>
Total U.S. Department of Homeland Security		\$ <u>15,512</u>
Total Federal Awards		\$ <u><u>1,201,315</u></u>

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Grant County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$375,957 in federal awards expended by the Housing and Redevelopment Authority of Grant County component unit, which had a separate audit performed by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Grant 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 Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Grant County, it is not intended to and does not present the financial position or changes in net position of Grant County.

3. Summary of Significant Accounting Policies

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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,207,330
Grants received more than 60 days after year-end, unavailable in 2014	
Highway Planning and Construction (CFDA #20.205)	42,691
Child Care and Development Block Grant (CFDA #93.575)	138
Community-Based Child Abuse Prevention Grants (CFDA #93.590)	3,002
Medical Assistance Program (CFDA #93.778)	70
Unavailable in 2013, recognized as revenue in 2014	
Temporary Assistance for Needy Families (CFDA #93.558)	(5,550)
Child Care and Development Block Grant (CFDA #93.575)	(175)
Foster Care - Title IV-E (CFDA #93.658)	(488)
Medical Assistance Program (CFDA #93.778)	(38,775)
Block Grants for Community Mental Health Services (CFDA #93.958)	(6,928)
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	\$ 1,201,315

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2014.

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

Highway Planning and Construction	CFDA #20.205
Child Support Enforcement	CFDA #93.563

The threshold for distinguishing between Types A and B programs was \$300,000.

Grant County qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-002

Departmental Internal Accounting Controls

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record-keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: The limited number of personnel within several Grant County offices results in a lack of segregation of accounting duties necessary to ensure adequate internal accounting control. The smaller offices that collect fees generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: This is not unusual in operations the size of Grant County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: Due to limited economic resources, the County has informed us that it is impractical for it to hire enough staff to achieve a desirable level of segregation of duties in every department.

Recommendation: We recommend Grant County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

Finding 2006-003

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements, which were reviewed and approved by the appropriate staff and are reflected in the financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. Some of the adjustments required additional time by the auditors to determine the correct balances.

Effect: Material audit adjustments were necessary to adjust the following:

- An adjustment was made in the General Fund to reduce revenues and expenditures by \$188,482 to reclassify transactions relating to computer charges that were provided by outside vendors.
- An adjustment was made in the Road and Bridge Special Revenue Fund to increase due from other governments by \$1,482,704, increase unavailable revenue by \$1,336,585, and increase intergovernmental revenue by \$146,119. Also, fund balance was reclassified, reducing the unassigned fund balance by \$471,981, increasing restricted for County state-aid highway system by \$251,001 and nonspendable for inventories by \$220,980.

Cause: County employees did not detect the errors in the normal course of performing their assigned functions.

Recommendation: We recommend the County establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

Finding 2007-002

Segregation of Duties - Payroll

Criteria: Management is responsible for establishing and maintaining internal control over various accounting cycles, including payroll. Adequate segregation of duties is a key internal control in an organization's accounting system. In the payroll system, changes to the payroll master file and payroll processing should be segregated. However, if that is not practical, changes to the payroll master file should be monitored by someone independent of payroll processing on a monthly basis.

Condition: During our review of the County's payroll function, we noted that the County Auditor's Office not only processes payroll but also makes changes to the payroll master file for occurrences such as new hires, terminations, promotions, and pay increases. Generally, the processing of payroll and the changes to the payroll master file are done by one employee and/or the County Auditor. The County Auditor reviews the changes made to the payroll master file by the employee and himself for each payroll period.

Context: The lack of proper segregation of duties increases the risk of errors or irregularities that may not be detected timely.

Effect: Fictitious employees could be added to the payroll, or employees may be paid at rates other than their approved rates.

Cause: Due to the size of Grant County, staffing in the Auditor's Office is limited to the County Auditor and two employees. In addition, the County Auditor's responsibilities include several duties typically performed within a human resources department in larger organizations, making complete segregation of the payroll duties difficult.

Recommendation: Management should be aware that segregation of duties is not adequate from an internal control point of view. We recommend the County re-evaluate whether the County Auditor's Office should be making changes to the payroll master file. In addition, to strengthen internal controls, someone independent of the payroll processing function should review payroll edit reports to monitor that changes made to the payroll master file were properly authorized.

Finding 2007-003

Bank Reconciliations

Criteria: Reconciliations are control activities which involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner. Documentation resolving any differences should be retained.

Condition: The County's primary checking account has not been fully reconciled for more than two years. County staff have taken steps to identify differences and to reconcile the account. The County Treasurer is accumulating a list of items known to be missing from the balance recorded in the cash book. At December 31, 2014, there continues to be a difference between the reconciled bank balance and the cash book. The reconciled account balance is \$64,043 less than the recorded amount in the Treasurer's cash book. Additionally, the balance of the Treasurer's cash book is \$3,533 higher than the County's general ledger system.

Context: Bank reconciliations are a tool to help ensure cash records are complete and accurate.

Effect: Cash is likely overstated in the financial statements, and the expenditures that have occurred to reduce the cash have not been recorded.

Cause: The differences have accumulated over a period of time and are likely due to adjustments made to one record that, for some reason, were not carried through to the other records to ensure they balance. Once differences have accumulated, it is more difficult to find and correct them.

Recommendation: We recommend that bank reconciliations for all accounts be performed timely. We further recommend the County reconcile the differences and make adjustments as necessary so that reconciled amounts tie to the cashbook and that the cashbook balance agrees with the Integrated Financial System (IFS).

Client's Response:

The Treasurers' Office does balance all bank statements every month within a day or two of receiving the statement in the mail. All balancing of receipts, disbursements and general ledger are balanced at the end of every month with the Auditors' office within approximately 10 business days of the last business days. Up until an incident occurred that left the Treasurer as the sole employee in the Treasurers' office to perform all the functions of the Office including all tax payments for the first half deadline for real estate tax, all accounting functions for County funds were up to date and balanced with the Auditors' Office without fail. As a result of the incident the Treasurer was unable to keep up with all the functions performed by the Office and until a new employee was hired and trained the monthly work continued to fall further behind. As soon as a new employee was trained in, all bank accounts, with the exception of the general checking account were in balance within days of receiving them by mail. Since that time the Treasurer has worked to get the checking account balanced (which was done before the end of 2014) and continues to go through the transactions that occurred during that period that will bring the cashbook and ledger into balance.

Finding 2009-001

Budget Documentation

Criteria: Generally accepted accounting principles and the County Financial Accounting and Reporting Standards (COFARS) recommend that expenditure estimates and the annual budget be appropriated to the various operational entities within the County and that line-item budget detail by fund should be available. Good budget accounting requires: (1) an annual budget adopted by every governmental unit; (2) an accounting system that provides the basis for appropriate budgetary control; and (3) a common technology and classification used consistently throughout the budgets, accounts, and financial reports of each fund. The County Board should adopt an accurate budget, and it should be followed by the County. The adopted budget should be designed so that comparisons can be made between current year and budget year. Any amendments to the budget should be approved and documented in the official minutes.

Condition: The County Board adopted formal budgets in a summary form for its General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds. Budgets were not adopted for the Ditch Special Revenue Fund. During our review of budgets, we noted differences between the approved Road and Bridge Fund budget and the budget reflected in the County's general ledger. The approved budget in the amount of \$5,671,688, for the Road and Bridge Fund was not reflected in the County's general ledger.

Context: The appropriations constitute maximum expenditure authorizations during the fiscal year and cannot legally be exceeded unless subsequently amended by the County Board.

Effect: The lack of accurate detailed budgets within the general ledger for certain funds makes it difficult to monitor activity in relation to budgeted amounts approved by the Board.

Cause: Errors in posting detailed budgets to the general ledger.

Recommendation: We recommend that the County implement procedures to improve its budgetary accounting by verifying the detail budgets posted to the general ledger match the budgets approved by the Board.

Finding 2012-001

Documenting and Monitoring Internal Controls

Criteria: County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

Condition: Grant County maintains narratives to document the controls in place over its significant transaction cycles. However, there is no formal risk assessment process in place to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

Context: Local governments tend to establish controls but sometimes fail to periodically review those controls to ensure they are appropriate for all of the changes that take place over time.

Effect: The internal control environment is constantly changing with changes in staffing, information systems, processes, and the services provided. Changes may have taken place that reduce or negate the effectiveness of internal controls, which may go unnoticed without a formal and timely risk assessment process in place.

Cause: The County has informed us that it lacks resources dedicated to establish a formal process for assessing risks, documenting the internal controls established to reduce those risks, and monitoring of those controls.

Recommendation: Grant County management should document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. A formal plan should be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Finding 2012-002

Network/Application Password Controls

Criteria: County management is responsible for the County's internal controls over its information systems. This requires establishing security policies and performing assessments of existing controls to determine if the internal controls that have been established are still effective or if changes are needed to ensure County data is protected as prescribed by management.

Condition: Grant County uses the Integrated Financial System - Platform Independent (IFS-PI) application software for its general ledger. This application was written as a web-based application and may be run on a server or a mainframe system. Grant County contracts with a vendor for use of space on a mainframe IBM I Series system. For an employee of Grant County to access the IFS-PI application, the user must be signed on to the County's network and have a current sign-on for the IFS-PI application. The sign-on differs from the sign-on for the IBM I Series system, so the mainframe security settings do not apply to the application. Grant County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

Context: The IFS-PI application is the general ledger for Grant County. Detailed receipt and disbursement transactions as well as budget information are maintained on the IFS-PI application throughout the year. This information is used by management to monitor the resources available and make decisions based on the available resources. At or near year-end, certain accrual information is also recorded in the application. The information maintained within the IFS-PI application is the key source of information used for the preparation of the County's annual financial statements. Grant County uses other web-based applications that should also be considered; however, those applications are not key applications for financial statement reporting.

Effect: Normal password controls in place in the IBM I Series system are not effective for the IFS-PI and other web-based applications, so a review of each web-based application controls and County network controls is imperative to ensure passwords are working as intended.

Cause: Grant County was updated to the IFS-PI application software. At the time of the update, County management was not aware of some of the password implications of this change.

Recommendation: We recommend Grant County management review password controls in place that limit access to any of the web-based applications used by the County to ensure they are appropriate to protect the County data as prescribed by management.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS RESOLVED

Supervisory Review Over Eligibility - Intake Function (CFDA No 93.778) (2011-002)

During our testing of internal controls over case files, we noted the review process of case files by a supervisor was not complete.

Resolution

The Financial Assistance Specialist began reviewing case files on a monthly basis. Documentation is maintained and errors are discussed at staff meetings.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Approval of Disbursements (CFDA Nos. 93.563 and 93.778) (2013-001)

No documentation existed indicating that all disbursements were being reviewed and approved by a supervisor or the Director of Human Services prior to payments being made.

Resolution

All disbursements were signed as reviewed by the Director of Human Services.

Cash Management (CFDA No. 93.778) (2013-002)

The County requested reimbursement from the pass-through agency for federal program expenditures before all of the costs for which reimbursement was requested were paid.

Resolution

Based on guidance from the Minnesota Department of Human Services the MA ACCESS program is no longer required to be classified as federal expenditures.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Insufficient Collateral (2013-003)

At December 31, 2013, the County had deposits at one bank that were not adequately covered by collateral.

Resolution

The County was adequately collateralized for all accounts as of December 31, 2014.

Compliance with Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 (2013-004)

The Grant County Treasurer could not provide documentation demonstrating that the County had a perfected security interest in pledged collateral for deposits with Eagle Bank and Star Bank.

Resolution

During 2014, the County Treasurer obtained the required documentation showing that all security interest had been perfected.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis financial by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Grant County’s financial statements is an accounting estimate of the proportionate share of PERA’s unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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*

Independent Auditor's Report

Board of County Commissioners
Grant County
Elbow Lake, 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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Grant 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 basic financial statements, and have issued our report thereon dated September 28, 2015. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Authority of Grant County, the discretely presented component unit, as described in our report on Grant County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grant County's internal control over financial reporting 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 the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting 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 a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2006-003 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 1996-002, 2007-002, 2007-003, 2009-001, 2012-001, and 2012-002 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Grant County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Grant County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 the County's noncompliance with the above referenced provisions.

Other Matters

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

Grant County's Response to Findings

Grant County's response to the internal control findings identified in our audit has been included in the Schedule of Findings and Questioned Costs. The 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 it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2015

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Grant County
Elbow Lake, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Grant County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Grant County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Grant County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Grant County component unit, which expended \$375,957 in federal awards during the year ended December 31, 2014, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA of Grant County because the HRA was audited by other auditors.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grant 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 Grant 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 the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Grant 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.

Report on Internal Control Over Compliance

Management of Grant 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 the 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 the 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 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 the attention of 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2015

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR