

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**GRANT COUNTY**  
**ELBOW LAKE, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2009**

## **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 160 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 730 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.

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**Year Ended December 31, 2009**



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

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2009**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Todd Schneeberger*	January 2013
2nd District	Ronald Woltjer	January 2011
3rd District	Keith Swanson	January 2013
4th District	Tom Amundson	January 2011
5th District	Philip Groneberg	January 2013
<b>Officers</b>		
<b>Elected</b>		
Attorney	Lyndon Kratochwill**	January 2011
Auditor	Chad Van Santen	January 2011
County Recorder	Tonia Dittberner	January 2012
Sheriff	Dwight Walvatne	January 2011
Treasurer	Patricia Soberg	January 2011
<b>Appointed</b>		
Assessor	Susan Lohse	January 2013
Highway Engineer	Luke Hagen	May 2011
Veterans Service Officer	Jeff Gullickson	Indefinite
Coroner	Larry Rapp, D. O.	January 2011
<b>Social Services Board</b>		
Member	Todd Schneeberger	January 2013
Member	Tom Amundson	January 2011
Member	Keith Swanson	January 2013
Vice Chair	Ronald Woltjer	January 2011
Member	Philip Groneberg	January 2013
Director (Board Chair)	Stacy Hennen	January 2013

\*Chair

\*\*As of January 1, 2010, Justin R. Anderson was appointed to fill out Lyndon Kratochwill's term.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Grant County

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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grant County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority (HRA) of Grant County, the discretely presented component unit. Those financial 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 HRA of Grant County, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As discussed in Note 1.D.7. to the financial statements, Grant County has not reported a liability for its other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not reported an expense for the current period change in the net OPEB obligation.

Accounting principles generally accepted in the United States of America require that OPEB obligations, which arise from an exchange of salaries and benefits for employee service and are part of the compensation that employers offer for services received, and the annual OPEB cost be accrued as liabilities and expenses as the employees earn the right to the benefits. Accruing OPEB costs would increase liabilities, reduce net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of not reporting a liability and related expense for OPEB as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Grant County as of December 31, 2009, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Grant County has not included in the MD&A an analysis of balances and transactions of individual major funds.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, 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* and should be considered in assessing the results of our audit. It does not include the HRA of Grant County, which was audited by other auditors.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 10, 2010

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

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009  
(Unaudited)**

**INTRODUCTION**

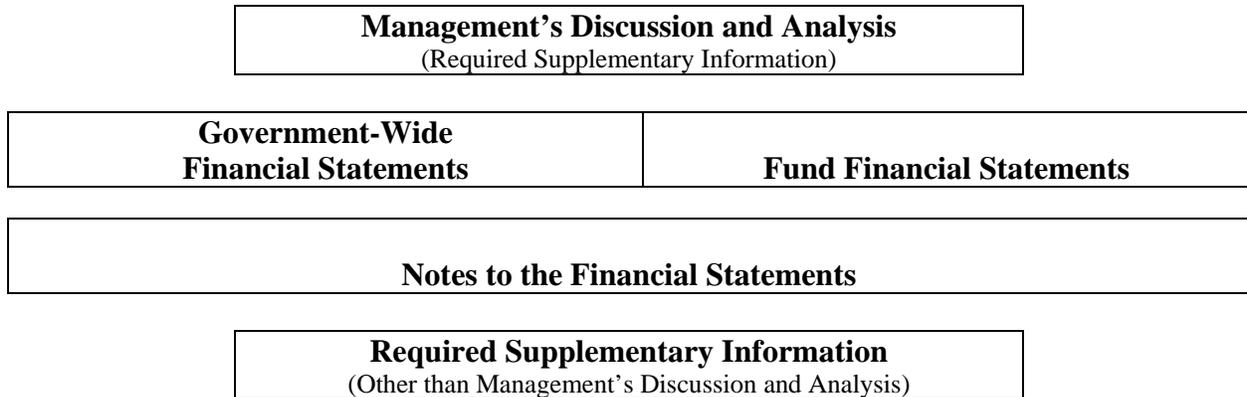
Grant County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with Grant County's financial statements and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$27,254,783, of which Grant County has invested \$19,877,498 in capital assets and \$559,577 is restricted to specific purposes/uses by the County.
- The net cost of Grant County's governmental activities for the year ended December 31, 2009, was \$4,418,154; the net cost was funded by general revenues totaling \$5,491,819.

**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 Assets 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 Assets and the Statement of Activities**

The Statement of Net Assets 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 assets and changes in them. You can think of the County's net assets--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 assets are 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.

## 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 Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- 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 Assets. 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.

## THE COUNTY AS A WHOLE

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

**Table 1**  
**Net Assets**

	Governmental Activities	
	2009	2008
Assets		
Current and other assets	\$ 8,233,664	\$ 6,973,901
Capital assets, net of accumulated depreciation	19,877,498	20,181,421
Total Assets	\$ 28,111,162	\$ 27,155,322

	Governmental Activities	
	2009	2008
<b>Liabilities</b>		
Current liabilities	\$ 456,437	\$ 614,405
Long-term liabilities	399,942	359,799
<b>Total Liabilities</b>	<b>\$ 856,379</b>	<b>\$ 974,204</b>
<b>Net Assets</b>		
Invested in capital assets	\$ 19,877,498	\$ 20,181,421
Restricted	559,577	551,171
Unrestricted	6,817,708	5,448,526
<b>Total Net Assets</b>	<b>\$ 27,254,783</b>	<b>\$ 26,181,118</b>

Grant County's total net assets for the year ended December 31, 2009, total \$27,254,783. The governmental activities' unrestricted net assets, totaling \$6,817,708, are available to finance the day-to-day operations of the governmental activities of Grant County.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2009	2008
<b>Revenues</b>		
Program revenues		
Fees, charges, fines, and other	\$ 1,591,373	\$ 1,247,447
Operating grants and contributions	6,051,993	5,250,750
Capital grants and contributions	83,367	259,984
General revenues		
Property taxes	4,554,101	4,238,104
Other taxes	34,096	49,689
Grants and contributions not restricted to specific programs	866,794	760,320
Unrestricted investment income	36,828	98,341
<b>Total Revenues</b>	<b>\$ 13,218,552</b>	<b>\$ 11,904,635</b>
<b>Expenses</b>		
General government	\$ 2,669,028	\$ 2,400,526
Public safety	1,122,633	1,135,169
Highways and streets	3,387,079	1,904,456
Sanitation	530,282	490,234
Human services	3,913,631	3,792,628
Health	105,379	110,949
Culture and recreation	97,457	96,799
Conservation of natural resources	284,398	277,586
Economic development	35,000	35,000
<b>Total Expenses</b>	<b>\$ 12,144,887</b>	<b>\$ 10,243,347</b>
<b>Change in Net Assets</b>	<b>\$ 1,073,665</b>	<b>\$ 1,661,288</b>
<b>Net Assets - January 1</b>	<b>26,181,118</b>	<b>24,519,830</b>
<b>Net Assets - December 31</b>	<b>\$ 27,254,783</b>	<b>\$ 26,181,118</b>

(Unaudited)

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## Governmental Activities

Revenues for Grant County’s governmental activities for the year ended December 31, 2009, were \$13,218,552. The County’s cost for all governmental activities for the year ended December 31, 2009, was \$12,144,887. Net assets for the County’s governmental activities increased by \$1,073,665 in 2009.

As shown in the Statement of Activities, the amount that Grant County taxpayers ultimately financed for these governmental activities through local property taxation was \$4,554,101, because \$7,726,733 of the costs were paid by grants and contributions received for those programs and by those who directly benefited from the programs, and \$866,794 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 \$70,924 in other revenues, such as investment income, mortgage registry tax, and state deed tax.

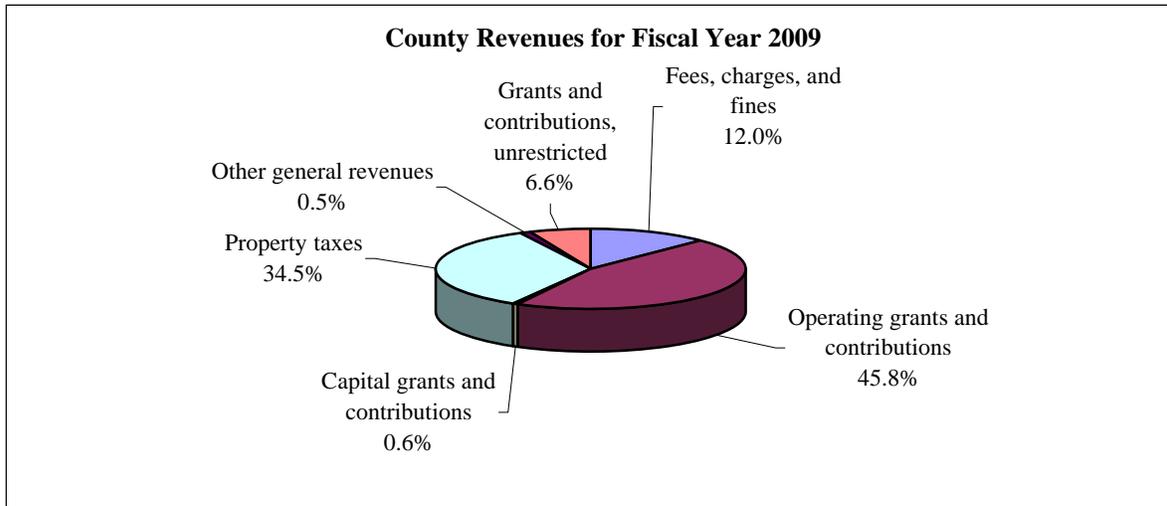
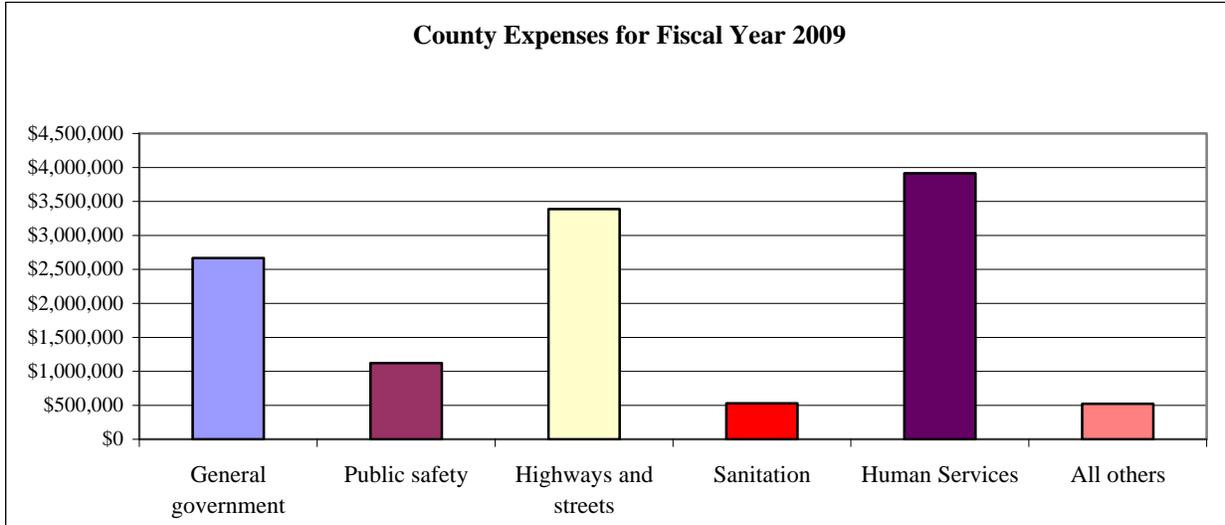


Table 3 presents the cost of each of Grant County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Grant County taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
Program expenses		
General government	\$ 2,669,028	\$ 2,322,847
Public safety	1,122,633	813,211
Highways and streets	3,387,079	490,230
Sanitation	530,282	20,797
Human services	3,913,631	517,598
All others	522,234	253,471
	<u>\$ 12,144,887</u>	<u>\$ 4,418,154</u>

(Unaudited)



**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 \$4,880,979.

**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 2009, 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 \$787,468 more than expected revenues, and actual expenditures were \$508,006 more than budgeted expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2009, Grant County had \$19,877,498 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)**

	2009	2008
Land and rights-of-way	\$ 559,036	\$ 559,036
Construction in progress	1,044,932	2,466,843
Buildings	1,813,452	1,659,058
Office furniture and equipment	343,790	465,880
Machinery and automotive	821,237	984,985
Infrastructure	15,295,051	14,045,619
Totals	\$ 19,877,498	\$ 20,181,421

### **Long-Term Debt**

At December 31, 2009, Grant County had no bonds outstanding.

Other long-term obligations include compensated absences. 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 2010 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.
- Land development and regulation issues affected the budget and tax rates.
- 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, (218-685-4520), Grant County Courthouse, 10 Second Street N.E., P.O. Box 1007, Elbow Lake, Minnesota 56531-1007.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Housing and Redevelopment Authority of Grant County</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 4,337,054	\$ 667,985
Petty cash and change funds	2,350	-
Departmental cash	82,794	-
Taxes receivable		
Prior - net	119,799	-
Special assessments receivable		
Prior - net	8,148	-
Accounts receivable - net	8,129	1,825
Accrued interest receivable	305	-
Due from other governments	3,426,459	-
Inventories	248,626	-
Prepaid items	-	10,881
Deferred charges	-	30,158
Restricted assets		
Cash and pooled investments	-	17,250
Capital assets		
Non-depreciable	1,603,968	530,210
Depreciable - net of accumulated depreciation	18,273,530	1,967,052
<b>Total Assets</b>	<b>\$ 28,111,162</b>	<b>\$ 3,225,361</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 191,661	\$ 42,922
Salaries payable	129,818	-
Contracts payable	87,342	-
Due to other governments	46,738	5,037
Accrued interest payable	-	3,296
Other accrued liabilities	-	17,682
Unearned revenue	878	615
Accounts payable from restricted assets	-	17,250
Long-term liabilities		
Due within one year	12,911	45,866
Due in more than one year	387,031	1,090,874
<b>Total Liabilities</b>	<b>\$ 856,379</b>	<b>\$ 1,223,542</b>

The notes to the financial statements are an integral part of this statement.

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Housing and Redevelopment Authority of Grant County</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 19,877,498	\$ 1,472,262
Restricted for		
General government	140,036	-
Public safety	419,541	-
Future projects	-	7,791
Unrestricted	6,817,708	521,766
<b>Total Net Assets</b>	<b>\$ 27,254,783</b>	<b>\$ 2,001,819</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 2,669,028	\$ 296,031
Public safety	1,122,633	139,941
Highways and streets	3,387,079	201,063
Sanitation	530,282	509,485
Human services	3,913,631	375,087
Health	105,379	-
Culture and recreation	97,457	-
Conservation of natural resources	284,398	69,766
Economic development	35,000	-
<b>Total Primary Government</b>	<b><u>\$ 12,144,887</u></b>	<b><u>\$ 1,591,373</u></b>
<b>Component unit</b>		
Grant County Housing and Redevelopment Authority	<b><u>\$ 740,432</u></b>	<b><u>\$ 347,671</u></b>
<b>General Revenues</b>		
		Property taxes, levied for general purposes
		Tax increments
		Payments in lieu of tax
		Grants and contributions not restricted to specific programs
		Unrestricted investment earnings
		Miscellaneous
		<b>Total general revenues</b>
		<b>Change in net assets</b>
		<b>Net Assets - Beginning</b>
		<b>Net Assets - Ending</b>

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Component Unit Housing and Redevelopment Authority of Grant County</b>
\$ 50,150	\$ -	\$ (2,322,847)	
169,481	-	(813,211)	
2,612,419	83,367	(490,230)	
-	-	(20,797)	
3,020,946	-	(517,598)	
63,574	-	(41,805)	
40,488	-	(56,969)	
94,935	-	(119,697)	
-	-	(35,000)	
<b>\$ 6,051,993</b>	<b>\$ 83,367</b>	<b>\$ (4,418,154)</b>	
<b>\$ 220,310</b>	<b>\$ 321,725</b>		<b>\$ 149,274</b>
		\$ 4,554,101	\$ 33,737
		-	11,367
		34,096	-
		866,794	-
		36,828	12,553
		-	10,372
		<b>\$ 5,491,819</b>	<b>\$ 68,029</b>
		<b>\$ 1,073,665</b>	<b>\$ 217,303</b>
		<b>26,181,118</b>	<b>1,784,516</b>
		<b>\$ 27,254,783</b>	<b>\$ 2,001,819</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*EXHIBIT 3*

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 1,849,243	\$ 656,077	\$ 1,379,661	\$ 452,073	\$ 4,337,054
Petty cash and change funds	2,025	100	25	200	2,350
Departmental cash	64,131	-	-	18,663	82,794
Taxes receivable					
Prior	73,867	26,126	19,806	-	119,799
Special assessments					
Prior	-	-	-	8,148	8,148
Accounts receivable	3,864	-	-	4,265	8,129
Accrued interest receivable	305	-	-	-	305
Due from other funds	20,705	-	377	1,493	22,575
Due from other governments	39,945	3,263,735	101,278	21,501	3,426,459
Inventories	-	248,626	-	-	248,626
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Assets</b>	<b><u>\$ 2,054,085</u></b>	<b><u>\$ 4,194,664</u></b>	<b><u>\$ 1,501,147</u></b>	<b><u>\$ 506,343</u></b>	<b><u>\$ 8,256,239</u></b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**EXHIBIT 3  
(Continued)**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 39,960	\$ 42,349	\$ 61,754	\$ 47,598	\$ 191,661
Salaries payable	50,598	48,758	29,972	490	129,818
Contracts payable	-	87,342	-	-	87,342
Due to other funds	-	-	22,181	394	22,575
Due to other governments	28,312	1,326	16,229	871	46,738
Deferred revenue - unavailable	65,338	2,794,211	29,332	7,367	2,896,248
Deferred revenue - unearned	-	878	-	-	878
<b>Total Liabilities</b>	<b>\$ 184,208</b>	<b>\$ 2,974,864</b>	<b>\$ 159,468</b>	<b>\$ 56,720</b>	<b>\$ 3,375,260</b>
<b>Fund Balances</b>					
Reserved for					
Endowments	\$ 13,837	\$ -	\$ -	\$ -	\$ 13,837
Inventories	-	248,626	-	-	248,626
Law library	13,694	-	-	-	13,694
Recorder's equipment	76,929	-	-	-	76,929
Enhanced 911	349,160	-	-	-	349,160
DARE	3,635	-	-	-	3,635
Sheriff's contingency	4,525	-	-	-	4,525
DUI forfeitures	40,128	-	-	-	40,128
Election equipment grant	49,413	-	-	-	49,413
Traffic division	25,728	-	-	-	25,728
Unreserved					
Designated for cash flows	800,000	330,387	500,000	-	1,630,387
Undesignated	492,828	640,787	841,679	-	1,975,294
Unreserved, reported in nonmajor Special revenue funds	-	-	-	449,623	449,623
<b>Total Fund Balances</b>	<b>\$ 1,869,877</b>	<b>\$ 1,219,800</b>	<b>\$ 1,341,679</b>	<b>\$ 449,623</b>	<b>\$ 4,880,979</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,054,085</b>	<b>\$ 4,194,664</b>	<b>\$ 1,501,147</b>	<b>\$ 506,343</b>	<b>\$ 8,256,239</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 4,880,979</b>
Amounts reported for governmental activities in the statement of net assets 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.	19,877,498
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	2,896,248
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	<u>(399,942)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b><u><u>\$ 27,254,783</u></u></b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*EXHIBIT 5*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<b>Revenues</b>					
Taxes	\$ 2,909,193	\$ 939,424	\$ 705,622	\$ -	\$ 4,554,239
Special assessments	-	-	-	189,134	189,134
Licenses and permits	3,375	-	-	51	3,426
Intergovernmental	787,820	2,274,335	3,189,927	160,761	6,412,843
Charges for services	371,146	96,807	49,492	454,962	972,407
Gifts and contributions	1,090	-	-	-	1,090
Investment earnings	32,825	-	-	4,003	36,828
Miscellaneous	103,459	104,287	260,201	1,865	469,812
<b>Total Revenues</b>	<b>\$ 4,208,908</b>	<b>\$ 3,414,853</b>	<b>\$ 4,205,242</b>	<b>\$ 810,776</b>	<b>\$ 12,639,779</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 2,449,688	\$ -	\$ -	\$ -	\$ 2,449,688
Public safety	1,107,062	-	-	-	1,107,062
Highways and streets	-	3,091,616	-	-	3,091,616
Sanitation	-	-	-	553,788	553,788
Human services	-	-	3,774,797	181,077	3,955,874
Health	105,379	-	-	-	105,379
Culture and recreation	97,457	-	-	-	97,457
Conservation of natural resources	208,830	-	-	75,568	284,398
Economic development	35,000	-	-	-	35,000
<b>Intergovernmental</b>					
Highways and streets	-	169,149	-	-	169,149
<b>Total Expenditures</b>	<b>\$ 4,003,416</b>	<b>\$ 3,260,765</b>	<b>\$ 3,774,797</b>	<b>\$ 810,433</b>	<b>\$ 11,849,411</b>
<b>Net Change in Fund Balance</b>	<b>\$ 205,492</b>	<b>\$ 154,088</b>	<b>\$ 430,445</b>	<b>\$ 343</b>	<b>\$ 790,368</b>
<b>Fund Balance - January 1</b>	<b>1,664,385</b>	<b>1,057,494</b>	<b>911,234</b>	<b>449,280</b>	<b>4,082,393</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>8,218</b>	<b>-</b>	<b>-</b>	<b>8,218</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,869,877</b>	<b>\$ 1,219,800</b>	<b>\$ 1,341,679</b>	<b>\$ 449,623</b>	<b>\$ 4,880,979</b>

**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, 2009**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 790,368**

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 revenue deferred as unavailable.

Deferred revenue - December 31	\$ 2,896,248	
Deferred revenue - January 1	<u>(2,277,103)</u>	619,145

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 assets differs from the change in fund balance by the net book value of the assets sold.

Expenditures for general capital assets and infrastructure	\$ 818,899	
Current year depreciation	<u>(1,122,822)</u>	(303,923)

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 compensated absences	\$ (40,143)	
Change in inventories	<u>8,218</u>	<u>(31,925)</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,073,665**

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**FIDUCIARY FUNDS**

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	<u>\$ 163,826</u>
<b><u>Liabilities</u></b>	
Due to other governments	<u>\$ 163,826</u>

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. 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, 2009.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
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 P. O. Box 1007 Elbow Lake, Minnesota 56531

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures described in Note 5.C. The County also participates in jointly-governed organizations described in Note 5.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component 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 assets, 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 assets are reported in three parts: (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities 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.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of 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 required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the 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:

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**

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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, and Net Assets 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. Pooled and fund investments are reported at their fair value at December 31, 2009, 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 2009 were \$32,825.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets 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 (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

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).

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

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.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories

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.

4. 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

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. 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.

6. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as 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.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Long-Term Obligations (Continued)

The County has not calculated its other postemployment benefits (OPEB) obligation in order to report the liability on the government-wide statement of net assets. Therefore, the change in the net OPEB obligation has not been reported in the government-wide statement of activities. These are departures from generally accepted accounting principles.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

9. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2009:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 4,003,416	\$ 3,495,410	\$ 508,006
Human Services Special Revenue Fund	3,774,797	1,823,766	1,951,031
Solid Waste Special Revenue Fund	553,788	536,096	17,692

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 4,337,054
Petty cash and change funds	2,350
Departmental cash	82,794
Statement of fiduciary net assets	
Cash and pooled investments	<u>163,826</u>
Total Cash and Investments	<u>\$ 4,586,024</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.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2009, were entirely covered by federal depository insurance and collateral in accordance with Minnesota statutes.

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;

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

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, 2009, 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.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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 held more than five percent of its total portfolio in the MAGIC Fund, a pooled investment fund.

The following table presents the County's deposit and investment balances at December 31, 2009, and information relating to interest rate risk:

<u>Investment Type</u>	<u>Interest Rate Risk Maturity Date</u>	<u>Carrying (Fair) Value</u>
Negotiable certificates of deposit		
American Express Bank Utah	02/25/2010	\$ 97,086
Ally Bank Utah	03/04/2010	154,927
Bank of India New York	06/09/2010	196,764
Wilmington Trust Corporation Delaware	07/30/2010	149,693
Integra Bank Indiana	11/12/2010	53,163
General Electric Money Bank Utah	11/19/2010	103,275
Total negotiable certificates of deposit		\$ 754,908
Investment pools		
MAGIC Fund		861,299
Total investments		\$ 1,616,207
Deposits		2,436,818
Money market accounts with broker		147,855
Certificates of deposit		300,000
Petty cash		2,350
Departmental cash		82,794
Total Cash and Investments		\$ 4,586,024

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, 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	\$ 119,799	\$ -
Special assessments	8,148	-
Accounts	8,129	-
Accrued interest	305	-
Due from other governments	3,426,459	-
Total Governmental Activities	\$ 3,562,840	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 217,383	\$ -	\$ -	\$ 217,383
Right-of-way	341,653	-	-	341,653
Construction in progress	2,466,843	428,381	1,850,292	1,044,932
Total capital assets not depreciated	\$ 3,025,879	\$ 428,381	\$ 1,850,292	\$ 1,603,968

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 3,726,256	\$ 244,359	\$ -	\$ 3,970,615
Office furniture and equipment	1,508,148	5,749	-	1,513,897
Machinery and automotive	3,128,993	23,506	42,870	3,109,629
Infrastructure	23,468,464	1,967,196	-	25,435,660
	<u>\$ 31,831,861</u>	<u>\$ 2,240,810</u>	<u>\$ 42,870</u>	<u>\$ 34,029,801</u>
Total capital assets depreciated				
Less: accumulated depreciation for				
Buildings	\$ 2,067,198	\$ 89,965	\$ -	\$ 2,157,163
Office furniture and equipment	1,042,268	127,839	-	1,170,107
Machinery and automotive	2,144,008	187,254	42,870	2,288,392
Infrastructure	9,422,845	717,764	-	10,140,609
	<u>\$ 14,676,319</u>	<u>\$ 1,122,822</u>	<u>\$ 42,870</u>	<u>\$ 15,756,271</u>
Total accumulated depreciation				
Total capital assets depreciated, net	<u>\$ 17,155,542</u>	<u>\$ 1,117,988</u>	<u>\$ -</u>	<u>\$ 18,273,530</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,181,421</u>	<u>\$ 1,546,369</u>	<u>\$ 1,850,292</u>	<u>\$ 19,877,498</u>

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

Governmental Activities	
General government	\$ 206,882
Public safety	15,571
Highways and streets, including depreciation of infrastructure	876,066
Human services	24,303
	<u>                    </u>
Total Depreciation Expense	<u>\$ 1,122,822</u>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Description</u>
General Fund	Human Services Special Revenue Fund	\$ 20,688	Charges for services rendered
	Ditch Special Revenue Fund	<u>17</u>	Charges for services rendered
Total Due To General Fund		\$ 20,705	
Human Services Special Revenue Fund	Transportation Special Revenue Fund	377	Transportation services
Transportation Special Revenue Fund	Human Services Special Revenue Fund	<u>1,493</u>	Transportation services
Total Due To/From Other Funds		<u>\$ 22,575</u>	

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 191,661
Salaries	129,818
Contracts	87,342
Due to other governments	<u>46,738</u>
Total Payables	<u>\$ 455,559</u>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred 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. Deferred revenue at December 31, 2009, is summarized by fund:

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Total
Major governmental funds				
General	\$ 52,667	\$ 12,671	\$ -	\$ 65,338
Road and Bridge Special Revenue	18,629	916	2,775,544	2,795,089
Human Services Special Revenue	14,219	15,113	-	29,332
Nonmajor governmental funds				
Ditch Special Revenue	689	-	-	689
Solid Waste Special Revenue	6,284	-	-	6,284
Transportation Special Revenue	-	394	-	394
Total	<u>\$ 92,488</u>	<u>\$ 29,094</u>	<u>\$ 2,775,544</u>	<u>\$ 2,897,126</u>
Deferred revenue				
Unavailable	\$ 92,488	\$ 28,216	\$ 2,775,544	\$ 2,896,248
Unearned	-	878	-	878
Total	<u>\$ 92,488</u>	<u>\$ 29,094</u>	<u>\$ 2,775,544</u>	<u>\$ 2,897,126</u>

3. Vacation and Sick Leave

Under the County's personnel policies, County employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 12 to 24 days per year. Sick leave accrual is 12 days per year.

Unused accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, valued at \$498,461 at December 31, 2009, is available to employees in the event of illness-related absences, but is not paid to them upon termination.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. 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, 2009, were \$30,476. During 2009, four employees qualified for retired employee health insurance coverage.

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 359,799	\$ 40,143	\$ -	\$ 399,942	\$ 12,911

4. Employee Retirement Systems and Pension Plans

A. 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 Public 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.

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

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

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

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, and 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 Public 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 Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

B. 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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.4 percent.

The County is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 209,919	\$ 188,375	\$ 174,377
Public Employees Police and Fire Fund	55,234	43,852	38,548

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

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. 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 \$430,000 per claim in 2009 and \$450,000 in 2010. 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.

B. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items (Continued)

C. 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 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 the 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.

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 will forward a copy to each of the member counties. Withdrawal does 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  
313 South Mill Street  
P. O. Box 726  
Fergus Falls, Minnesota 56537-2577

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Stevens Traverse Grant Public Health Nursing Service

Grant County entered into a joint powers agreement with Stevens and Traverse Counties 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. Financing is provided by state grants; appropriations from Stevens, Traverse, and Grant Counties; and charges for services. Grant County's contribution for 2009 was \$95,965.

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

Stevens Traverse Grant Public Health Nursing Service  
621 Pacific Avenue  
Morris, Minnesota 56267

Mid-State Community Health Services

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, to secure more efficient health care services for the mutual benefit of each of the joint participants. The joint powers agreement remains in force until any single county notifies the State Board of Health and the other parties of its intentions to withdraw, at least one year before the beginning of the calendar year in which it takes effect.

Control is vested in Mid-State's Board, which consists of eight members, two from each county. During 2009, Grant County did not contribute to Mid-State Community Health Services.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Mid-State Community Health Services (Continued)

Complete financial information can be obtained from:

Mid-State Community Health Services  
211 East Minnesota Avenue, Suite 100  
Glenwood, Minnesota 56334

Minnesota River Board

The Minnesota River Board was established July 12, 1995, by an agreement between Grant County and 30 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportional share of the administrative budget and for its share of benefits from any special project.

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 purposes of the project.

Control is vested in an executive board of five officers elected from the membership of the Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement. During 2009, Grant County did not contribute to the Board.

Complete financial information can be obtained from:

Minnesota River Board  
184 Trafton Science Center South  
Minnesota State University, Mankato  
Mankato, Minnesota 56001

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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, and Todd 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 six-county area.

Control of the West Central Minnesota Drug Task Force is vested in a Board of Directors, which 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. However, if only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

Douglas County, in an agent capacity, reports the cash transactions of the West Central Minnesota Drug Task Force as an agency fund on its financial statements. Financing and equipment will be provided by the full-time and associate member agencies. Grant County provided \$3,500 to this organization in 2009.

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by a joint powers 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 included in the Association based on actual costs.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Pomme de Terre River Association (Continued)

Control is vested in a Joint Powers Board, comprised of one representative of each of the County Boards of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement. During 2009, Grant County did not contribute any funds to the Association

Complete financial information for the Pomme de Terre River Association Joint Powers Board can be obtained from:

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

Prime West Central County-Based Purchasing Initiative

The Prime West Central County-Based Purchasing Initiative was established December 1998 by a joint powers agreement among Grant County and nine other counties under the authority of Minn. Stat. § 471.59. The purpose of this agreement is to plan and administer a multi-county-based purchasing program for medical assistance and general assistance medical care services and other health care programs as authorized by Minn. Stat. § 256B.692.

Control of the Purchasing Initiative is vested in a Joint Powers Board, composed of one Commissioner from each member county. 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**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Prime West Central County-Based Purchasing Initiative (Continued)

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:

Prime West Health  
2209 Jefferson Street, Suite 101  
Alexandria, Minnesota 56308

Supporting Hands Nurse Family Partnership Board

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 471.59 and 145A.17 and a joint powers agreement effective June 5, 2007. The Board consists of 12 members, including an appointed Commissioner from each participating county. The primary purpose of the joint venture is to improve the health and life-course of low-income, first-time mothers, and their children. The joint venture is financed primarily by contributions from participating counties.

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

McLeod County  
830 - 11th Street East  
Glencoe, Minnesota 55336

Central Minnesota Regional Radio 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, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

The purpose of the Central Minnesota Regional Radio 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.

Control of the Central Minnesota Regional Radio Board is vested in the Central Minnesota Regional Radio Board, which 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 Regional Radio Board's by-laws.

In the event of dissolution of the Central Minnesota Regional Radio 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 it shared in the original expense.

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. Complete financial information can be obtained from:

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

**GRANT COUNTY  
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5. Summary of Significant Contingencies and Other Items (Continued)

D. 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 is vested in a Board of Directors composed of a representative appointed by each member city and county.

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.

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 shall exercise revenue authority and approve the annual budget.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Grant County Child and Youth Council Collaborative (Continued)

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 2009, Grant County contributed \$7,500 to the Collaborative.

E. Related Organizations

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, 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.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

E. Related Organizations

Lakeland Mental Health Center (Continued)

Services are provided to the member counties through purchase of services 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 \$157,186 in 2009 for services purchased through Lakeland Mental Health Center.

6. 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 1947. The primary purpose is to provide housing and redevelopment services to the 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, 2009.

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.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

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 receivable is 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 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

Capital assets 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

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

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, 2009.

8. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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	\$ 205,153
Certificates of deposit	<u>462,832</u>
Total cash and pooled investments	\$ 667,985
Restricted cash	
Tenant security deposits	<u>17,250</u>
Total Cash and Investments	<u>\$ 685,235</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.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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6. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits (Continued)

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.

At December 31, 2009, the HRA's deposits had a carrying amount of \$685,235 and a bank balance of \$682,075. Of the bank balance, \$500,100 was covered by federal depository insurance, and the remainder was covered by qualified collateral held in safekeeping.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the HRA's deposits may not be returned to it. The HRA does not have a deposit policy for custodial credit risk. As of December 31, 2009, the HRA's deposits were not exposed to custodial credit risk.

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, 2009, the HRA had no investments.

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

3. Capital Assets

The HRA's capital asset activity for the year ended December 31, 2009, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 530,210	-	-	\$ 530,210
Capital assets depreciated				
Building	\$ 4,036,632	\$ 304,595	-	\$ 4,341,227
Equipment, furniture, and fixtures	149,359	21,135	-	170,494
Total capital assets depreciated	\$ 4,185,991	\$ 325,730	-	\$ 4,511,721
Less: accumulated depreciation	2,409,156	135,513	-	2,544,669
Total capital assets depreciated, Net	\$ 1,776,835	\$ 190,217	-	\$ 1,967,052
Total	\$ 2,307,045	\$ 190,217	-	\$ 2,497,262

4. Long-Term Debt

Long-term liability activity for the year ended December 31, 2009, was as follows:

Type of Indebtedness	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Market Rate Rent					
1998 Housing Development Bonds	\$ 1,025,000	-	\$ 1,025,000	-	-
2002 GMHF Loan	101,500	-	-	101,500	-
2009 Housing Development Bonds	-	1,055,000	30,000	1,025,000	40,000
Compensated absences	9,554	686	-	10,240	5,866
Total Long-Term Debt	\$ 1,136,054	\$ 1,055,686	\$ 1,055,000	\$ 1,136,740	\$ 45,866

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt (Continued)

Bonds and loans payable at December 31, 2009, consisted of the following issues:

	Original Issue Amount	Final Maturity	Interest Rate (%)	Outstanding Balance December 31, 2009
Market Rate Rent				
2002 GMHF Loan	\$ 101,500	2027	-	\$ 101,500
2009 Housing Development Bonds	1,055,000	2029	1.25 - 4.50	1,025,000
	<u>\$ 1,156,500</u>			<u>\$ 1,126,500</u>
Total Long-Term Debt				

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

The 2009 Housing Development Bonds mature 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 outstanding as of December 31, 2009, are as follows:

Year Ending December 31	Principal	Interest	Total
2010	\$ 40,000	\$ 39,558	\$ 79,558
2011	35,000	38,858	73,858
2012	35,000	38,245	73,245
2013	40,000	37,283	77,283
2014	40,000	36,183	76,183
2015 - 2019	230,000	157,563	387,563
2020 - 2024	270,000	109,170	379,170
2025 - 2029	436,500	46,130	482,630
	<u>\$ 1,126,500</u>	<u>\$ 502,990</u>	<u>\$ 1,629,490</u>
Totals			

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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6. Component Unit Disclosures (Continued)

C. Defined Contribution 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, 2009, was \$111,525; the HRA's total payroll was \$124,590.

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 his or her 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**

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6. Component Unit Disclosures

C. Defined Contribution 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, 2009, 2008, and 2007, were \$19,881, \$14,634, and \$14,044, respectively.

D. Risk Management

The HRA is exposed to various risks of loss related to torts; theft of, damage to, or 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 course 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, is 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 Section 8 Housing Choice Vouchers Program, the Public Housing Operating Subsidy, and the 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,715,255	\$ 2,715,255	\$ 2,909,193	\$ 193,938
Licenses and permits	75	75	3,375	3,300
Intergovernmental	328,060	328,060	787,820	459,760
Charges for services	213,146	213,146	371,146	158,000
Gifts and contributions	-	-	1,090	1,090
Investment earnings	40,000	40,000	32,825	(7,175)
Miscellaneous	124,904	124,904	103,459	(21,445)
<b>Total Revenues</b>	<b>\$ 3,421,440</b>	<b>\$ 3,421,440</b>	<b>\$ 4,208,908</b>	<b>\$ 787,468</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 186,623	\$ 186,623	\$ 188,787	\$ (2,164)
County coordinator	115,383	115,383	113,095	2,288
County auditor	283,031	283,031	277,457	5,574
License bureau	102,485	102,485	103,307	(822)
County treasurer	133,959	133,959	115,301	18,658
County assessor	213,123	213,123	201,575	11,548
Elections	1,000	1,000	3,346	(2,346)
Accounting and auditing	50,000	50,000	56,014	(6,014)
Data processing	-	-	132,150	(132,150)
Attorney	198,448	198,448	221,172	(22,724)
Law library	-	-	28,004	(28,004)
Recorder	186,260	186,260	232,324	(46,064)
Land management	141,565	141,565	108,518	33,047
Buildings and plant	199,897	199,897	215,071	(15,174)
Veterans service officer	33,501	33,501	43,675	(10,174)
Other general government	98,208	98,208	409,892	(311,684)
<b>Total general government</b>	<b>\$ 1,943,483</b>	<b>\$ 1,943,483</b>	<b>\$ 2,449,688</b>	<b>\$ (506,205)</b>
<b>Public safety</b>				
Sheriff	\$ 964,296	\$ 964,296	\$ 919,197	\$ 45,099
Boat and water safety	-	-	7,485	(7,485)
Emergency management	17,268	17,268	50,037	(32,769)
E-911 system	-	-	7,226	(7,226)
Coroner	6,000	6,000	2,814	3,186
Community corrections	108,500	108,500	120,303	(11,803)
<b>Total public safety</b>	<b>\$ 1,096,064</b>	<b>\$ 1,096,064</b>	<b>\$ 1,107,062</b>	<b>\$ (10,998)</b>

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

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Health</b>				
Nursing service	\$ 105,670	\$ 105,670	\$ 105,379	\$ 291
<b>Culture and recreation</b>				
Historical society	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
County fair	16,540	16,540	16,540	-
County/regional library	60,917	60,917	60,917	-
<b>Total culture and recreation</b>	<b>\$ 97,457</b>	<b>\$ 97,457</b>	<b>\$ 97,457</b>	<b>\$ -</b>
<b>Conservation of natural resources</b>				
County extension	\$ 140,435	\$ 140,435	\$ 131,529	\$ 8,906
Soil and water conservation	75,350	75,350	75,350	-
Water planning	1,951	1,951	1,951	-
<b>Total conservation of natural resources</b>	<b>\$ 217,736</b>	<b>\$ 217,736</b>	<b>\$ 208,830</b>	<b>\$ 8,906</b>
<b>Economic development</b>				
Economic development	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
<b>Total Expenditures</b>	<b>\$ 3,495,410</b>	<b>\$ 3,495,410</b>	<b>\$ 4,003,416</b>	<b>\$ (508,006)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (73,970)</b>	<b>\$ (73,970)</b>	<b>\$ 205,492</b>	<b>\$ 279,462</b>
<b>Fund Balance - January 1</b>	<b>1,664,385</b>	<b>1,664,385</b>	<b>1,664,385</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,590,415</b>	<b>\$ 1,590,415</b>	<b>\$ 1,869,877</b>	<b>\$ 279,462</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 936,039	\$ 953,039	\$ 939,424	\$ (13,615)
Intergovernmental	2,287,961	2,249,461	2,274,335	24,874
Charges for services	60,000	60,000	96,807	36,807
Miscellaneous	7,000	307,000	104,287	(202,713)
<b>Total Revenues</b>	<b>\$ 3,291,000</b>	<b>\$ 3,569,500</b>	<b>\$ 3,414,853</b>	<b>\$ (154,647)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 282,208	\$ 298,544	\$ 232,364	\$ 66,180
Maintenance	956,600	1,369,905	1,147,357	222,548
Construction	1,616,502	1,934,707	1,140,736	793,971
Equipment maintenance and shop	783,644	785,698	561,722	223,976
Materials and services for resale	-	-	9,437	(9,437)
<b>Total highways and streets</b>	<b>\$ 3,638,954</b>	<b>\$ 4,388,854</b>	<b>\$ 3,091,616</b>	<b>\$ 1,297,238</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	169,149	(169,149)
<b>Total Expenditures</b>	<b>\$ 3,638,954</b>	<b>\$ 4,388,854</b>	<b>\$ 3,260,765</b>	<b>\$ 1,128,089</b>
<b>Net Change in Fund Balance</b>	<b>\$ (347,954)</b>	<b>\$ (819,354)</b>	<b>\$ 154,088</b>	<b>\$ 973,442</b>
<b>Fund Balance - January 1</b>	<b>1,057,494</b>	<b>1,057,494</b>	<b>1,057,494</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>8,218</b>	<b>8,218</b>
<b>Fund Balance - December 31</b>	<b>\$ 709,540</b>	<b>\$ 238,140</b>	<b>\$ 1,219,800</b>	<b>\$ 981,660</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 707,791	\$ 707,791	\$ 705,622	\$ (2,169)
Intergovernmental	941,733	941,733	3,189,927	2,248,194
Charges for services	-	-	49,492	49,492
Miscellaneous	174,242	174,242	260,201	85,959
<b>Total Revenues</b>	<b>\$ 1,823,766</b>	<b>\$ 1,823,766</b>	<b>\$ 4,205,242</b>	<b>\$ 2,381,476</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 675,134	\$ 675,134	\$ 673,935	\$ 1,199
Social services	1,148,632	1,148,632	3,100,862	(1,952,230)
<b>Total Expenditures</b>	<b>\$ 1,823,766</b>	<b>\$ 1,823,766</b>	<b>\$ 3,774,797</b>	<b>\$ (1,951,031)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 430,445</b>	<b>\$ 430,445</b>
<b>Fund Balance - January 1</b>	<b>911,234</b>	<b>911,234</b>	<b>911,234</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 911,234</b>	<b>\$ 911,234</b>	<b>\$ 1,341,679</b>	<b>\$ 430,445</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and certain special revenue funds. 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.

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

2. Excess of Expenditures Over Appropriations

The following major funds had expenditures in excess of budget for the year ended December 31, 2009:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 4,003,416	\$ 3,495,410	\$ 508,006
Human Services Special Revenue Fund	3,774,797	1,823,766	1,951,031

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**SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

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**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.

The Transportation Fund is used to account for the financing and related costs of providing transportation services to residents of the County. Financing is provided by grants, County contributions, and user service charges.

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*Statement 1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<b>Special Revenue Funds</b>			
	<b>Ditch</b>	<b>Solid Waste</b>	<b>Transportation</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 206,790	\$ 216,596	\$ 28,687	\$ 452,073
Petty cash and change funds	-	200	-	200
Departmental cash	18,663	-	-	18,663
Special assessments receivable				
Prior	855	7,293	-	8,148
Accounts receivable	-	4,265	-	4,265
Due from other funds	-	-	1,493	1,493
Due from other governments	-	7,328	14,173	21,501
	<b>\$ 226,308</b>	<b>\$ 235,682</b>	<b>\$ 44,353</b>	<b>\$ 506,343</b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 23,110	\$ 11,196	\$ 13,292	\$ 47,598
Salaries payable	-	490	-	490
Due to other funds	17	-	377	394
Due to other governments	-	163	708	871
Deferred revenue - unavailable	689	6,284	394	7,367
	<b>\$ 23,816</b>	<b>\$ 18,133</b>	<b>\$ 14,771</b>	<b>\$ 56,720</b>
 <b>Fund Balances</b>				
Unreserved				
Undesignated	202,492	217,549	29,582	449,623
	<b>\$ 226,308</b>	<b>\$ 235,682</b>	<b>\$ 44,353</b>	<b>\$ 506,343</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Ditch</u>	<u>Solid Waste</u>	<u>Transportation</u>	
<b>Revenues</b>				
Special assessments	\$ 67,546	\$ 121,588	\$ -	\$ 189,134
Licenses and permits	-	51	-	51
Intergovernmental	-	55,475	105,286	160,761
Charges for services	-	389,674	65,288	454,962
Investment earnings	3,748	-	255	4,003
Miscellaneous	-	1,759	106	1,865
<b>Total Revenues</b>	<b>\$ 71,294</b>	<b>\$ 568,547</b>	<b>\$ 170,935</b>	<b>\$ 810,776</b>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	\$ -	\$ 553,788	\$ -	\$ 553,788
Human services	-	-	181,077	181,077
Conservation of natural resources	75,568	-	-	75,568
<b>Total Expenditures</b>	<b>\$ 75,568</b>	<b>\$ 553,788</b>	<b>\$ 181,077</b>	<b>\$ 810,433</b>
<b>Net Change in Fund Balance</b>	<b>\$ (4,274)</b>	<b>\$ 14,759</b>	<b>\$ (10,142)</b>	<b>\$ 343</b>
<b>Fund Balance - January 1</b>	<b>206,766</b>	<b>202,790</b>	<b>39,724</b>	<b>449,280</b>
<b>Fund Balance - December 31</b>	<b>\$ 202,492</b>	<b>\$ 217,549</b>	<b>\$ 29,582</b>	<b>\$ 449,623</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 119,656	\$ 119,656	\$ 121,588	\$ 1,932
Licenses and permits	200	200	51	(149)
Intergovernmental	55,000	55,000	55,475	475
Charges for services	378,255	378,255	389,674	11,419
Miscellaneous	-	-	1,759	1,759
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Revenues</b>	<b>\$ 553,111</b>	<b>\$ 553,111</b>	<b>\$ 568,547</b>	<b>\$ 15,436</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Solid waste	\$ 314,216	\$ 314,216	\$ 321,460	\$ (7,244)
Recycling	207,880	207,880	215,925	(8,045)
Hazardous waste	14,000	14,000	16,403	(2,403)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenditures</b>	<b>\$ 536,096</b>	<b>\$ 536,096</b>	<b>\$ 553,788</b>	<b>\$ (17,692)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 17,015</b>	<b>\$ 17,015</b>	<b>\$ 14,759</b>	<b>\$ (2,256)</b>
<b>Fund Balance - January 1</b>	<b>202,790</b>	<b>202,790</b>	<b>202,790</b>	<b>-</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balance - December 31</b>	<b>\$ 219,805</b>	<b>\$ 219,805</b>	<b>\$ 217,549</b>	<b>\$ (2,256)</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 102,000	\$ 102,000	\$ 105,286	\$ 3,286
Charges for services	70,379	70,379	65,288	(5,091)
Investment earnings	-	-	255	255
Miscellaneous	-	-	106	106
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 172,379</b>	<b>\$ 172,379</b>	<b>\$ 170,935</b>	<b>\$ (1,444)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Transportation	229,663	229,663	181,077	48,586
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	<b>\$ (57,284)</b>	<b>\$ (57,284)</b>	<b>\$ (10,142)</b>	<b>\$ 47,142</b>
<b>Fund Balance - January 1</b>	<b>39,724</b>	<b>39,724</b>	<b>39,724</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balance - December 31</b>	<b>\$ (17,560)</b>	<b>\$ (17,560)</b>	<b>\$ 29,582</b>	<b>\$ 47,142</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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.

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*Statement 3*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>SCHOOL FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 1,892,819	\$ 1,892,819	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 1,892,819	\$ 1,892,819	\$ -
 <b><u>STATE REVENUE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 24	\$ 33,292	\$ 33,316	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 24	\$ 33,292	\$ 33,316	\$ -
 <b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 158,366	\$ 10,206,777	\$ 10,201,317	\$ 163,826
<b><u>Liabilities</u></b>				
Due to other governments	\$ 158,366	\$ 10,206,777	\$ 10,201,317	\$ 163,826

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*Statement 3*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOWNS AND CITIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 2,302,444	\$ 2,302,444	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 2,302,444	\$ 2,302,444	\$ -
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 158,390	\$ 14,435,332	\$ 14,429,896	\$ 163,826
<b><u>Liabilities</u></b>				
Due to other governments	\$ 158,390	\$ 14,435,332	\$ 14,429,896	\$ 163,826

## **OTHER SCHEDULES**

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2009**

	Assets			Total
	Cash	Departmental Cash	Special Assessments Delinquent	
<b>County Ditches</b>				
#1	\$ 11,804	\$ 1,624	\$ -	\$ 13,428
#3	21,559	3,227	-	24,786
#5	1,966	-	-	1,966
#6	3,035	-	-	3,035
#8	18,568	2,611	96	21,275
#9	17,455	2,052	635	20,142
#11	2,191	-	-	2,191
#13	2,126	-	-	2,126
#15	2,623	-	67	2,690
#21	35,699	4,513	10	40,222
#22	2,721	-	-	2,721
#23	6,253	904	-	7,157
#29	661	-	-	661
#30	2,007	-	-	2,007
#31	1,120	-	-	1,120
#32	7,471	1,225	47	8,743
#33	1,235	-	-	1,235
<b>Consolidated</b>				
#2	14,096	2,485	-	16,581
<b>Judicial Ditches</b>				
#1	757	-	-	757
#2	53,443	22	-	53,465
<b>Total</b>	<b>\$ 206,790</b>	<b>\$ 18,663</b>	<b>\$ 855</b>	<b>\$ 226,308</b>

**Schedule 6**

<b>Accounts Payable</b>	<b>Liabilities</b>			<b>Fund Balances - Unreserved Undesignated</b>	<b>Total Liabilities and Fund Balances</b>
	<b>Due to Other Funds</b>	<b>Deferred Revenue</b>	<b>Total</b>		
\$ -	\$ 2	\$ -	\$ 2	\$ 13,426	\$ 13,428
-	3	-	3	24,783	24,786
-	-	-	-	1,966	1,966
-	-	-	-	3,035	3,035
-	2	-	2	21,273	21,275
-	2	635	637	19,505	20,142
-	-	-	-	2,191	2,191
-	-	-	-	2,126	2,126
-	-	-	-	2,690	2,690
-	4	7	11	40,211	40,222
-	-	-	-	2,721	2,721
-	1	-	1	7,156	7,157
23,110	-	-	23,110	(22,449)	661
-	-	-	-	2,007	2,007
-	-	-	-	1,120	1,120
-	1	47	48	8,695	8,743
-	-	-	-	1,235	1,235
-	2	-	2	16,579	16,581
-	-	-	-	757	757
-	-	-	-	53,465	53,465
<b>\$ 23,110</b>	<b>\$ 17</b>	<b>\$ 689</b>	<b>\$ 23,816</b>	<b>\$ 202,492</b>	<b>\$ 226,308</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*Schedule 7*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Shared Revenue**

**State**

Highway users tax	\$ 1,663,466
County program aid	414,028
Market value credit	332,960
PERA rate reimbursement	12,568
Disparity reduction aid	6,148
Police aid	40,507
Enhanced 911	77,054
	77,054

**Total shared revenue** **\$ 2,546,731**

**Reimbursement for Services**

Minnesota Department of Human Services	\$ 464,399
	464,399

**Payments**

**Local**

Payments in lieu of taxes	\$ 34,096
Other contributions	100,000
	100,000

**Total payments** **\$ 134,096**

**Grants**

**State**

Minnesota Department/Board of	
Public Safety	\$ 89,068
Transportation	151,615
Natural Resources	39,460
Human Services	1,975,425
Veterans Affairs	1,400
Water and Soil Resources	40,488
Office of Environmental Assistance	55,475
Peace Officers Standards and Training Board	3,171
	3,171

**Total state** **\$ 2,356,102**

**Federal**

Department of	
Agriculture	\$ 72,876
Justice	448
Transportation	30,697
Health and Human Services	504,546
Homeland Security	302,948
	302,948

**Total federal** **\$ 911,515**

**Total state and federal grants** **\$ 3,267,617**

**Total Intergovernmental Revenue** **\$ 6,412,843**



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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*Schedule 8*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

- A. Our report expresses a qualified opinion on the governmental activities of Grant County and an unqualified opinion on the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Grant County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." Some of the significant deficiencies are material weaknesses.
- C. No instances of noncompliance material to the financial statements of Grant County were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award programs is reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133." It is not a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for Grant County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563

Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA #97.036

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

I. Grant County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-2 Departmental Internal Accounting Controls

Due to the limited number of office personnel within the various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in small departmental situations; 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 perspective.

Examples of incompatible duties that should be performed by separate individuals are:

- receipting collections, posting collections to registers, and making bank deposits;
- signing checks and reconciling the bank accounts;
- receipting collections and posting collections to the accounts receivable records;
- approving receivable write-offs/write-downs and posting adjustments to the accounts receivable records; and
- data entry, adjusting accounting codes, and reviewing the monthly detailed report of receipts and disbursements for accuracy.

Some procedures the County's management may wish to consider to strengthen controls in these offices include:

- Departmental collections should be remitted to the County Auditor more frequently than once each month, perhaps weekly or even daily, to reduce the amount of funds on hand.
- Department heads should monitor operations within their office to determine that reports are submitted properly and are in agreement with cash balances and grant expenditures.
- When an office has only a department head and one other employee, the department head should perform some of the accounting functions.

We recommend that County management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that adequate controls are in place over cash, receivables, and other items.

96-4 Computer Disaster Recovery Plan

Several years ago, Grant County developed an electronic data processing disaster recovery plan to reduce the County's risk of loss in the event of a computer-related emergency. Grant County has an agreement with Computer Professionals Unlimited, Inc. (CPUI), for the use of a back-up computer. The disaster recovery plan currently in use covers the County's IBM AS-400 but does not address the personal computers owned by the County. The disaster recovery plan has never been tested.

We recommend Grant County review and update its computer disaster recovery plan. The plan should address the issue of personal computers and should be tested annually to ensure its effectiveness.

00-1 Capital Asset Records

Governmental Accounting Standards Board (GASB) Statement 34 requires governments to include capital assets, including infrastructure assets, on the statement of net assets and to report depreciation expenses for those assets on the statement of activities. In addition, capital outlay expenditures in a governmental fund's statement of revenues and expenditures are eliminated in the statement of activities.

We reviewed the capital asset records and noted the following issues.

- The County's capital asset records are decentralized. Records for the County-wide assets are maintained by the Auditor's Office, while the Road and Bridge, Social Services, and Transportation Special Revenue Funds all maintain their own records.
- We noted that some additions for capital assets are not being recorded properly. We found that certain building, office furniture and equipment, infrastructure, and construction in progress additions were not added to the AS-400 system. We also found that purchases made in 2010 were included in the 2009 capital asset records.
- We noted that some capital assets, including hospital capital assets, included on the County's detailed capital asset listing for 2008, were still owned by the County but were missing from the detailed capital asset listing for 2009.

We spent considerable time identifying the assets owned by the County at December 31, 2009, and determining the revisions necessary to update the County's detailed capital asset records.

We recommend the County Board review and update its capital asset policies and procedures and the means of enforcement in order to strengthen internal control over capital assets. Written policies and procedures should, at a minimum, address the following guidelines to be consistent with generally accepted accounting principles:

- The County's administration should establish an ongoing system for identifying acquisitions and disposals of capital assets that meets the County's capitalization policy. Information on the County's system should be communicated to department heads who should be held responsible for the accuracy of additions, deletions, and changes in capital assets.
- An authorizing signature of a department head or designee should be required for any change in the capital asset records. Transfers of capital assets between departments should be evidenced by authorizing signatures from both departments involved. Additions, deletions, and changes to capital assets should be reported to a County official given the responsibility and authority to maintain and summarize the information on a timely basis throughout the year.
- Supporting documentation should accompany capital asset change forms. Invoices should support the additions to capital assets. Bills of sale, trade-in evidence, or auction summaries should support deletions of capital assets.

- All capital asset documentation should be filed in an orderly fashion by department, transaction type, or capital asset number for ease of access to the information. This measure will also assist the County with insurance-related activities.
- To maintain adequate accountability, assets should be tagged as County property with a specific identifying number, and the County should conduct a periodic physical inventory of capital assets and adjust its records accordingly.
- All capital assets should be depreciated in accordance with the policy formally adopted by the County Board.

01-3 Consolidated General Ledger

Although the County has taken steps to consolidate its general ledger, the consolidation is not yet complete. Separate general ledgers are maintained by the County Auditor and the Highway Department. Since October 2003, the necessary detail for the Social Services Department is included in the consolidated report; however, the Highway Department information rolls into one general ledger account for expenses and just a few accounts for revenues.

Accounting and reporting controls are more efficient and effective when all transactions are accounted for in one centralized general ledger. The County Board and management are better able to implement and maintain internal control over one central computer system than several decentralized systems. Security access controls to a centralized general ledger could be established so that departments and employees would have the same responsibility and authority for entering detailed transactions as is currently done with separate departmental general ledgers. Managers and employees should have access to assets or records based only on the specific needs commensurate with their positions. A centralized general ledger generally provides more uniformity and consistency in accounting for financial transactions. In addition, it allows senior management to have independent access to financial information for the entire County as needed to manage and monitor its financial operations.

We strongly recommend that the County Board provide the necessary directives to allow for the recording of all detailed financial transactions in a consolidated general ledger.

06-2 Preparation of Financial Statements

Grant County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Grant County has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise to prepare the financial statements internally. As a result of this condition, the County lacks internal controls over the preparation and reporting of financial statements in accordance with GAAP.

We recommend Grant County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Grant County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the County's financial statements, including notes.

06-3 Audit Adjustments

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. Statement on Auditing Standards 115 defines 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.

During our audit, we identified the following material adjustments:

- In the General Fund, both revenues and expenditures were decreased by \$627,462 to reclassify transactions related to employee payroll withholdings.
- In the Road and Bridge Special Revenue Fund, receivables and related revenues were increased by \$319,258 for unrecorded receivables. Also, revenues and expenditures were decreased by \$363,829 for other counties' share of highway construction costs.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

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 GAAP.

07-1 Controls Over Accounting System Journal Entries

Grant County limits access to the journal entry function to certain County employees. During our review of journal entries, we noted that those employees given access to the journal entry function can both create and post a journal entry without review or approval by a second person.

The ability to make journal entries on the accounting system is a powerful function because it allows changes to be made to the general ledger system. Controls over journal entries should include:

- limited access to only those employees whose job duties require it,
- an explanation of why the journal entry is being made and who is making it,
- sufficient documentation to support the journal entry amounts,
- proper supervisory review and approval of journal entries, and
- evidence that controls have been monitored by someone independent of the journal entry process.

We recommend the County strengthen the controls over the journal entry process by: (1) adopting formal policies and procedures over the journal entry process, and (2) requiring journal entries to display evidence that they were reviewed by a second individual. In addition, a report should be generated periodically that shows journal entries that are not automatic or routine which have been posted to the general ledger system. Review and monitoring of this report should be done on a regular basis to ensure that journal entries made have been reviewed and approved.

07-2 Segregation of Duties - Payroll

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. These duties should ideally 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.

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.

07-3 Bank Reconciliations

The December 31, 2009, bank statement for Grant County's main checking account was not reconciled to the book balance as of September 2010. Since this account was not balanced, the cashbook balance maintained in the County Treasurer's Office did not match the cash balance in the general ledger maintained by the County Auditor's Office at year-end; the amount of the difference was \$22,973. Performing complete and timely bank reconciliations is a control designed to detect errors or irregularities in a timely manner.

We recommend bank reconciliations be performed in a more timely manner. Any differences should immediately be investigated and resolved. Someone independent of the bank reconciliation process should review bank reconciliations and document the ongoing monitoring of this process.

ITEMS ARISING THIS YEAR

09-1 Budget Documentation

The County Board adopts a formal budget for its General Fund and the Road and Bridge, Human Services, and Transportation Special Revenue Funds. The County adopts the budget in summary form. Although a formal budget is adopted, expenditure estimates and annual appropriations to the various operational funds within the County are not always clear. The detailed budgets provided for financial statement presentation agree to the levy amounts approved; however, we could not reconcile the detail of revenues and expenditures to the budget published in the official newspaper for the Road and Bridge Special Revenue Fund. In addition, we could not find documentation in the County Board minutes showing that a formal budget was adopted for the Transportation Special Revenue Fund.

Generally accepted accounting principles and the County Financial Accounting and Reporting Standards 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. The appropriations constitute maximum expenditure authorizations during the fiscal year and cannot legally be exceeded unless subsequently amended by the County Board. 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.

We recommend that the County Board implement procedures to improve its budgetary accounting by including in the official minutes the amounts approved for each fund's revenues and expenditures budget. We also recommend that any changes to the original budget be approved and documented in the minutes by a formal County Board resolution.

09-2 Other Postemployment Benefits (OPEB)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was effective for Grant County for the year ended December 31, 2009, and governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various OPEB many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

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

For 2009, Grant County has not reported its OPEB liability in the governmental activities and, accordingly, has not reported the change to the net OPEB obligation. Accounting principles generally accepted in the United States of America require that OPEB obligations and the annual OPEB cost be accrued as liabilities and expenses as the employees earn the right to the benefits. Accruing OPEB costs would increase liabilities, reduce net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable. However, it is likely that the liabilities are understated, and we have accordingly qualified our opinion on the County's financial statements.

We recommend the County comply with the requirements of GASB Statement 45. Some of the issues the County Board needs to address in order to comply with this statement are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the Grant County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;

- if OPEB are being provided and the Grant County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to comply with legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, the Grant County Board will have to decide whether to establish a revocable or an irrevocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the Grant County Board will have to decide whether to hire an actuary.

09-3 Cash Account Balances

During our process of confirming depository and investment balances at December 31, 2009, some of the depositories included account balances for accounts opened with the County's federal identification number that were not included in the County Treasurer's cashbook. As a result, there may be transactions made that would not be included on the County's general ledger and financial statements. This also increases the possibility of theft of County assets since checks could be written from these accounts without County Board approval.

We recommend the County review all of its accounts with depositories, determine whether there is a true need for these accounts, and establish policies and procedures for any accounts deemed necessary. We further recommend that these accounts be controlled by the County Treasurer and the transactions be recorded on the County's general ledger.

PREVIOUSLY REPORTED ITEM RESOLVED

**Information System Risk Management (08-1)**

Grant County contracts with CPUI, a service organization, to provide computer hardware for hosting the County's applications; processing of accounting transactions of other data; daily, weekly, and full system backups of applications and processed data; and disaster recovery planning for continued operations. During our visit to CPUI, we noted that computers were not located in a restricted area away from public view. The computers were in an unlocked cage. Daily backup tapes for information processed Monday through Thursday were kept onsite in a locked metal cabinet; however, the cabinet was not designed to protect the tapes from the heat that would be generated in the event of a fire. One fire extinguisher was observed in the office. Weekly and full system backup information was kept at an offsite location.

**Resolution**

CPUI now has a Sentry Safe that protects up to 1,700 degrees. If necessary, the safe could be extracted through a nearby window in the event of a fire. In addition, CPUI's office now has two fire extinguishers, and computers are maintained in a locked storage room overnight.

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

09-4 Human Services Reporting (CFDA No. 93.563 and No. 93.563 - ARRA)

Child Support Enforcement program salaries totaling \$12,542 and direct materials and supplies totaling \$994 were incorrectly reported to the Minnesota Department of Human Services (DHS) for the second quarter of 2009. The County erroneously reported the first quarter 2009 expenditures on the second quarter report.

We recommend the County take more care when reporting expenditures to DHS.

Corrective Action Plan:

Contact Person Responsible for Corrective Action:

*Julie Carlson*  
*Human Services Financial Supervisor*

Corrective Action Planned:

*Staff person responsible for submitting reports will verify/compare supporting documents with IFS for reporting quarter prior to submission to DHS to ensure accuracy. Review of all quarterly reports to be done as part of the final annual reconciliation, 4th quarter submission to identify any discrepancies and submit amended reporting to DHS within the allowed one year for amending reports.*

Completion Date:

*Effective Immediately*

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

07-5 Compliance with Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989

The County did not have documentation demonstrating that it had a perfected security interest in pledged collateral in compliance with FIRREA, 12 U.S.C. § 1823(e). A 1992 U.S. Court of Appeals decision stated that, if a municipality fails to perfect a security interest under federal law, its right to such collateral in the event of default is not enforceable. To obtain an enforceable security interest in the collateral, FIRREA requires the pledging institution's security agreement or pledge of collateral to meet certain requirements.

We recommend that, when the County receives a written collateral assignment from a depository, it reviews the assignment to determine that:

- it is approved by the depository's Board of Directors or loan committee; and
- the assignment is continuously, from the time of execution, an official record of the depository.

We also recommend the County require its depository institutions to comply with FIRREA and to provide proof of compliance in the form of a copy of the depository's Board of Directors or loan committee resolution.

08-3 Conflicts of Interest

During the year ended December 31, 2009, Grant County purchased goods from a local vendor in which a County Commissioner has an ownership interest. These transactions result in a potential conflict of interest.

Pursuant to Minn. Stat. § 382.18, no county official shall be directly or indirectly interested in any contract to which the county is a party or in the purchase of any real or personal property. Under Minn. Stat. § 471.88, subs. 1 and 5, a governing board may contract for goods and services by unanimous vote with an interested officer if competitive bids are not required by law and if the requirements of Minn. Stat. § 471.89 are met.

Except for emergency situations, Minn. Stat. § 471.89, subd. 2, requires the governing body to authorize a contract for goods or services with an interested officer in advance of its performance by adopting a resolution setting out the essential facts and determining that the contract price is as low as, or lower than, the price at which the commodity or services could be obtained elsewhere. We found no evidence that such resolutions were adopted.

Before such a claim is paid, Minn. Stat. § 471.89, subd. 3, requires that the interested officer shall file with a clerk of the governing body an affidavit stating the following:

- the name of the officer and the office held by the officer;
- an itemization of the commodity or services furnished;
- the contract price;
- the reasonable value;
- the interest of the officer in the contract; and
- that, to the best of officer's knowledge and belief, the contract price is as low as, or lower than, the price at which the commodity or services could be obtained from other sources.

We found no evidence that such an affidavit had been filed.

We recommend the County follow the requirements of Minn. Stat. § 471.89.

08-4

Safekeeping of Investments

At December 31, 2009, UBS Financial Services and BancWest Investment Services held security investments on behalf of Grant County. Minnesota law in effect at this time permitted only brokers with a "principal executive office" in the State of Minnesota to hold public securities. UBS Financial Services and BancWest Investment Services do not have their principal executive office in the State of Minnesota.

The 2010 Legislature changed this requirement so that as of August 1, 2010, brokers can hold public investments to the extent they have insurance to protect their clients through the Securities Investors Protection Corporation (SIPC) coverage or excess SIPC coverage. We recommend that all County securities be held only by entities that meet the criteria of Minn. Stat. § 118A.06. For brokers such as UBS Financial Services and BancWest Investment Services, the County must verify that they have SIPC coverage and excess SIPC coverage sufficient to protect all County securities in their possession in order to be in compliance with Minn. Stat. § 118A.06 after August 1, 2010.

08-5      Safe Driving Class

Grant County has established a traffic safety course option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff's Deputies have the discretion to offer traffic violators the option of attending the traffic safety course in lieu of a citation. The course costs \$65 payable to the Grant County Sheriff, and the funds generated are dedicated for use by the County Sheriff's Department. This is in violation of Minn. Stat. § 169.022, which states, "...Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalties provided for in this chapter for the same offense."

In a letter to State Representative Steve Smith on December 1, 2003, the Minnesota Attorney General specifically addressed the issue of a driver improvement course or clinic in lieu of a ticket or other penalty. After reviewing the state law, the Attorney General concluded: "All such programs, however, require that a *trial court* make the determination as to whether attendance at such a [driver's] clinic is appropriate. We are aware of no express authority for local officials to create a *pretrial* diversion program." (emphasis is that of the Attorney General).

The Minnesota Supreme Court has stated "[a]s a creature of the state deriving its sovereignty from the state, the county should play a leadership role in carrying out legislative policy." *Kasch v. Clearwater County*, 289 N.W. 2d 148, 152 (Minn. 1980), quoting *County of Freeborn v. Bryson*, 243 N.W. 2d 316, 321 (Minn. 1976).

In 2009, the Minnesota Legislature enacted a new statute, Minn. Stat. § 169.999, to authorize the issuance of administrative citations and prescribe criteria for them. See 2009 Minn. Laws, ch. 158. Among other provisions, the new law states that a governing body resolution must be passed to authorize issuance of administrative citations. The resolution must bar peace officers from issuing administrative citations in violation of Minn. Stat. § 169.999 and specifies the offenses for which an administrative citation may be used. The authority requires the use of a uniform administrative citation prescribed by the Commissioner of Public Safety and specifies that the fine for an administrative violation must be \$60, two-thirds of which must be credited to the general revenue fund of the local unit of government, and one-third of which must be transferred to the Commissioner of Minnesota Management and Budget for deposit in the state's General Fund. A local unit of government receiving administrative fine proceeds must use one-half of the funds for law enforcement purposes. Each local unit of government must follow these and other criteria specified in the new statute.

We recommend the County comply with Minn. Stat. ch. 169, including Minn. Stat. § 169.999 (2009) or any subsequent legislation by not offering a traffic safety course in lieu of issuance or court filing of a state uniform traffic ticket.

PREVIOUSLY REPORTED ITEM RESOLVED

**Standby Letter of Credit (08-2)**

The County had not obtained written evidence of the bank's public debt rating when it received standby letters of credit from the Federal Home Loan Bank.

**Resolution**

The County did not obtain an irrevocable letter of credit issued by a Federal Home Loan Bank during the year ended December 31, 2009.

**B. OTHER ITEM FOR CONSIDERATION**

GASB Statement 54

GASB recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

### Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

### Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners  
Grant County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 10, 2010. We issued a qualified opinion on the government-wide financial statements because Grant County has not reported other postemployment benefits (OPEB) obligations in the Statement of Net Assets and has not reported the related net OPEB obligation change in the Statement of Activities, as required by generally accepted accounting principles. Our report was further modified to include a reference to 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. Other auditors audited the financial statements of the Housing and Redevelopment Authority of Grant County, a 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, we considered Grant County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 00-1, 06-3, and 09-2 to be material weaknesses.

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 96-2, 96-4, 01-3, 06-2, 07-1 through 07-3, 09-1, and 09-3 to be significant deficiencies.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because the County administers no tax increment financing districts.

The results of our tests indicate that, for the items tested, Grant County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 07-5 and 08-3 through 08-5.

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.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

December 10, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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REBECCA OTTO  
STATE AUDITOR

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

Board of County Commissioners  
Grant County

### Compliance

We have audited the compliance of Grant County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Grant County's financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Grant County component unit, which expended \$542,035 in federal awards during the year ended December 31, 2009, 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 it had a separate single audit in accordance with OMB Circular A-133.

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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Grant County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not be designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 09-4. 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 attention by those charged with governance.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 10, 2010. We did not audit the financial statements of the HRA of Grant County, a discretely presented component unit, for the year ended December 31, 2009. Those financial statements were audited by other auditors. We have issued a qualified opinion on the government-wide financial statements because Grant County has not reported other postemployment benefits (OPEB) obligations in the Statement of Net Assets and has not reported the related net OPEB obligation change in the Statement of Activities, as required by generally accepted accounting principles. Our audit was performed for the purpose of forming opinions on Grant County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grant County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

December 10, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

*Schedule 9*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	\$ 71,810
State Administrative Matching Grants for SNAP - ARRA	10.561	1,066
		<u>72,876</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ 72,876</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety		
Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	<u>448</u>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation		
Formula Grants for Other Than Urbanized Areas	20.509	<u>30,697</u>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Central Minnesota Council on Aging		
Special Programs for the Aging, Title III Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 14,000
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families (TANF)	93.558	66,588
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	121,344
Child Support Enforcement - ARRA	93.563	13,509
Refugee and Entrant Assistance - State-Administered Programs	93.566	190
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2,486
Child Welfare Services - State Grants	93.645	3,000
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	38,262
Foster Care Title IV-E - ARRA	93.658	293
Social Services Block Grant	93.667	69,670
Medical Assistance Program	93.778	186,124
		<u>515,466</u>
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 515,466</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**Schedule 9  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 3,715
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	267,356
Hazard Mitigation Grant	97.039	20,063
Emergency Management Performance Grants	97.042	24,523
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 315,657</b>
<b>Total Federal Awards</b>		<b>\$ 935,144</b>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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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 \$542,035 in federal awards expended by the Grant County Housing and Redevelopment Authority component unit, which had a separate single 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, 2009. 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, changes in net assets, or cash flows 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.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 911,515
Grants received more than 60 days after year-end, deferred in 2009	
Emergency Management Performance Grants	12,671
Disaster Payments - Public Assistance (Presidentially Declared Disasters)	38
Medical Assistance Program	11,380
Foster Care Title IV-E	3,733
Deferred in 2008, recognized as revenue in 2009	
Medical Assistance Program	<u>(4,193)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 935,144</u>

**GRANT COUNTY  
ELBOW LAKE, MINNESOTA**

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5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2009.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.