

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

GRANT COUNTY
ELBOW LAKE, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

Year Ended December 31, 2015



**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, 2015**

Office	Name	Term Expires
Commissioners		
1st District	Todd Schneeberger	January 2017
2nd District	Pete Hoff	January 2019
3rd District	Keith Swanson*	January 2017
4th District	Bill LaValley	January 2019
5th District	Vernell H. Wagner	January 2017
Officers		
Elected		
Attorney	Justin R. Anderson	January 2019
Auditor	Chad Van Santen	January 2019
County Recorder	Diann Giese	January 2019
Sheriff	Dwight Walvatne	January 2019
Treasurer	Patricia Soberg	January 2019
Appointed		
Assessor	Karl Lindquist	January 2017
Highway Engineer	Tracey Von Bargaen	May 2016
Veterans Service Officer	Joe Hjelmstad	Indefinite
Coroner	Dr. Gregory Smith	January 2017
Social Services Board		
Member	Todd Schneeberger	January 2017
Member	Bill LaValley	January 2019
Member	Keith Swanson	January 2017
Chair	Pete Hoff	January 2019
Member	Vernell H. Wagner	January 2017
Director	Stacy Hennen	Indefinite

*Chair

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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
Elbow Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016, on our consideration of Grant County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant County's internal control over financial reporting and compliance. It does not include the HRA of Grant County, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 29, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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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, 2015
(Unaudited)**

INTRODUCTION

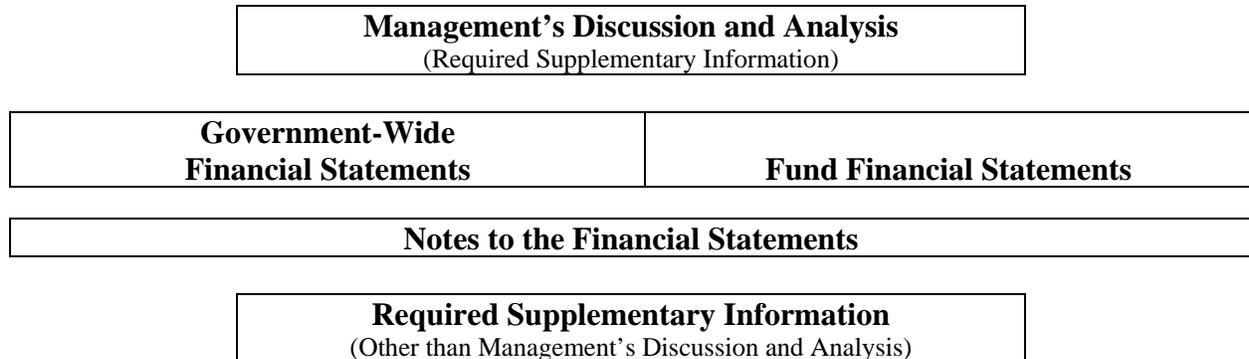
Grant County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with Grant County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$35,442,661, of which \$30,635,318 is the net investment in capital assets and \$4,675,370 is restricted to specific purposes/uses by the County.
- The net cost of Grant County's governmental activities for the year ended December 31, 2015, was \$4,861,205; the net cost was funded by general revenues totaling \$6,754,472.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 26 of this report.

THE COUNTY AS A WHOLE

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

**Table 1
Net Position**

	Governmental Activities	
	2015	2014
Assets		
Current and other assets	\$ 12,548,449	\$ 9,411,239
Capital assets, net of accumulated depreciation	34,273,214	32,510,784
Total Assets	\$ 46,821,663	\$ 41,922,023
Deferred Outflows of Resources		
Deferred pension outflows	\$ 558,541	\$ -
Liabilities		
Current liabilities	\$ 1,080,922	\$ 890,515
Long-term liabilities	9,503,019	4,536,005
Total Liabilities	\$ 10,583,941	\$ 5,426,520
Deferred Inflows of Resources		
Deferred pension inflows	\$ 353,602	\$ -
Advance from other governments	1,000,000	-
Total Deferred Inflows of Resources	\$ 1,353,602	\$ -
Net Position		
Net investment in capital assets	\$ 30,635,318	\$ 28,601,293
Restricted	4,675,370	987,548
Unrestricted	131,973	6,906,662
Total Net Position, as reported	\$ 35,442,661	\$ 36,495,503
Change in accounting principles*		(2,946,109)
Total Net Position, as restated		\$ 33,549,394

*This is the first year the County implemented the new pension accounting and financial reporting standards in GASB Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

Grant County's total net position for the year ended December 31, 2015, totals \$35,442,661. The governmental activities' unrestricted net position, totaling \$131,973, is available to finance the day-to-day operations of the governmental activities of Grant County.

**Table 2
Changes in Net Position**

	Governmental Activities	
	2015	2014
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 3,849,392	\$ 1,596,882
Operating grants and contributions	5,145,872	4,372,788
Capital grants and contributions	-	545,568
General revenues		
Property taxes	5,959,086	5,680,593
Other taxes	245,614	229,096
Payments in lieu of tax	37,477	50,842
Grants and contributions not restricted to specific programs	460,371	438,240
Unrestricted investment earnings	2,722	16,367
Miscellaneous	49,202	3,410
Contributions to permanent fund	-	20,800
Total Revenues	\$ 15,749,736	\$ 12,954,586
Expenses		
General government	\$ 2,850,510	\$ 2,661,896
Public safety	1,743,521	1,440,285
Highways and streets	3,635,509	3,827,629
Sanitation	574,282	574,440
Human services	2,771,006	2,294,344
Health	112,992	104,278
Culture and recreation	93,198	90,608
Conservation of natural resources	1,860,690	484,555
Economic development	42,500	42,500
Interest	172,261	159,513
Total Expenses	\$ 13,856,469	\$ 11,680,048
Change in Net Position	\$ 1,893,267	\$ 1,274,538
Net Position - January 1, as restated*	33,549,394	35,220,965
Net Position - December 31, as reported	<u>\$ 35,442,661</u>	<u>\$ 36,495,503</u>

*See note on restated January 1 net position on prior page of this report.

Governmental Activities

Revenues for Grant County's governmental activities for the year ended December 31, 2015, were \$15,749,736. The County's cost for all governmental activities for the year ended December 31, 2015, was \$13,856,469. Net position for the County's governmental activities increased by \$1,893,267 in 2015.

As shown in the Statement of Activities, the amount that Grant County taxpayers ultimately financed for these governmental activities through local property taxation was \$5,959,086, because \$8,995,264 of the costs were paid by grants and contributions received for those programs and by those who directly benefited from the programs, and \$460,371 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 \$335,015 in other revenues, such as investment income, mortgage registry tax, state deed tax, payments in lieu of tax, and miscellaneous revenues.

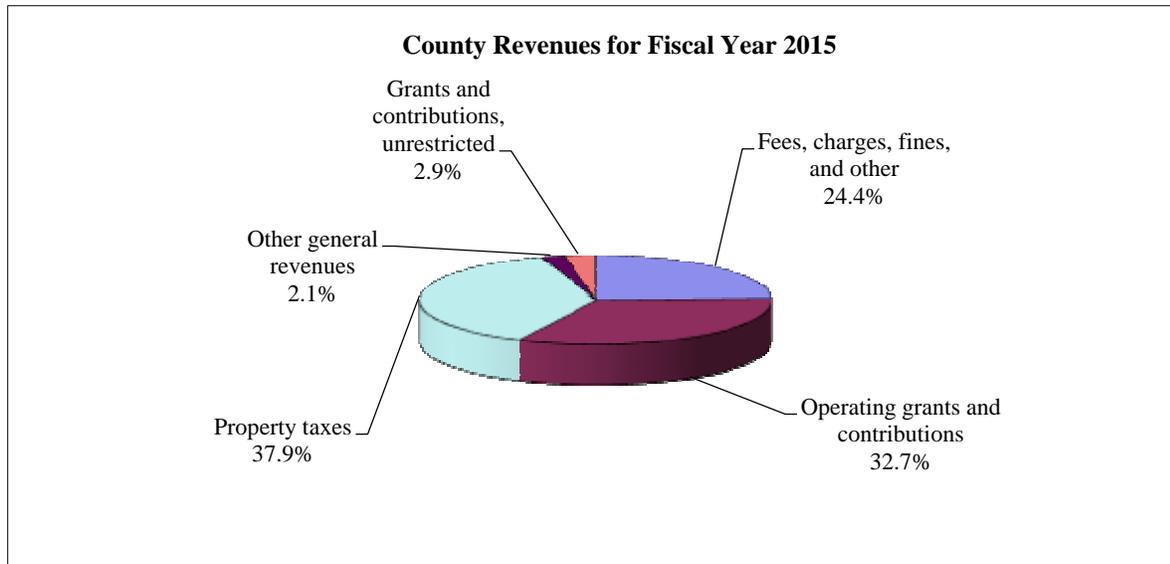
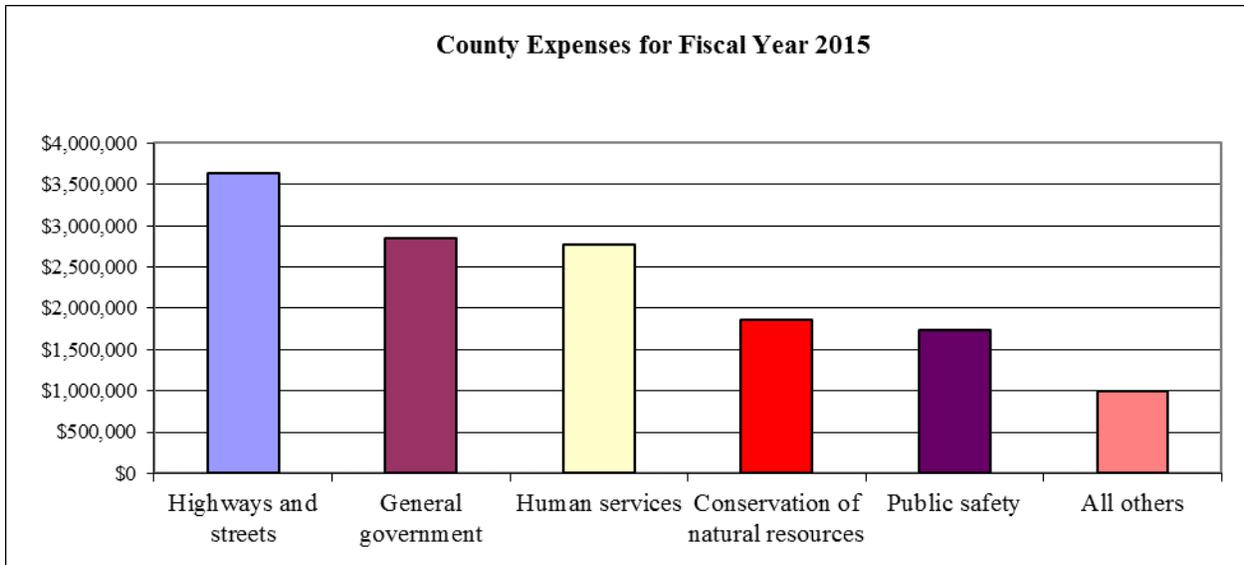


Table 3 presents the cost of each of Grant County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Grant County taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Program expenses		
Highways and streets	\$ 3,635,509	\$ 168,245
General government	2,850,510	2,236,318
Human services	2,771,006	972,284
Conservation of natural resources	1,860,690	(294,997)
Public safety	1,743,521	1,418,730
All others	995,233	360,625
Total Program Expenses	\$ 13,856,469	\$ 4,861,205



THE COUNTY'S FUNDS

As Grant County completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of \$7,696,299.

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 2015, 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 \$833,623 more than expected revenues, and actual expenditures were \$612,369 more than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, Grant County had \$34,273,214 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)

	2015	2014
Land and right-of-way	\$ 1,172,701	\$ 1,087,175
Construction in progress	2,230,345	2,570,892
Buildings	6,131,596	6,411,438
Office furniture and equipment	458,780	614,501
Machinery and automotive	867,226	774,338
Infrastructure	23,412,566	21,052,440
Totals	<u>\$ 34,273,214</u>	<u>\$ 32,510,784</u>

Long-Term Debt

As of December 31, 2015, Grant County had \$5,492,896 in bonds outstanding, compared with \$3,909,492 as of December 31, 2014, an increase of 40.5 percent.

Table 5
Outstanding Debt at Year-End

	2015	2014
Bonds Payable		
General obligation bonds	\$ 1,665,000	\$ 1,940,000
General obligation special assessment bonds	1,855,000	-
Taxable general obligation capital improvement bonds	2,000,000	2,000,000
Less: unamortized discounts	(27,104)	(30,508)
Totals	<u>\$ 5,492,896</u>	<u>\$ 3,909,492</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2016 budget and tax rates.

- Major revenue sources for the County are state-paid aids, credits, and grants. Should the State of Minnesota make significant changes to these revenues, it would have a significant impact on next year's budget.

- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Grant County programs and services will influence the development of future budgets.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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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 POSITION
DECEMBER 31, 2015**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Housing and Redevelopment Authority of Grant County</u>
<u>Assets</u>		
Cash and pooled investments	\$ 8,831,392	\$ 573,762
Taxes receivable - net	73,419	-
Special assessments receivable		
Delinquent	4,873	-
Noncurrent	1,970,901	-
Accounts receivable - net	78,209	12,240
Rent receivable - net	-	5,452
Accrued interest receivable	996	-
Due from other governments	1,257,144	-
Prepaid items	16,551	20,850
Inventories	314,964	-
Restricted assets		
Cash and pooled investments	-	20,439
Capital assets		
Non-depreciable	3,403,046	166,640
Depreciable - net of accumulated depreciation	<u>30,870,168</u>	<u>2,113,158</u>
Total Assets	<u>\$ 46,821,663</u>	<u>\$ 2,912,541</u>
<u>Deferred Outflows of Resources</u>		
Deferred pension outflows	<u>\$ 558,541</u>	<u>\$ -</u>
<u>Liabilities</u>		
Accounts payable	\$ 586,809	\$ 29,540
Salaries payable	170,705	-
Contracts payable	88,378	-
Due to other governments	77,893	16,444
Accrued interest payable	80,089	2,739
Other accrued liabilities	-	5,907
Unearned revenue	77,048	308
Accounts payable from restricted assets	-	20,200
Long-term liabilities		
Due within one year	310,654	51,910
Due in more than one year	5,581,559	851,585
Net pension liability	3,252,466	-
Other postemployment benefits payable	<u>358,340</u>	<u>-</u>
Total Liabilities	<u>\$ 10,583,941</u>	<u>\$ 978,633</u>

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 POSITION
DECEMBER 31, 2015**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
<u>Deferred Inflows of Resources</u>		
Deferred pension inflows	\$ 353,602	\$ -
Advance from other governments	1,000,000	-
Total Deferred Inflows of Resources	\$ 1,353,602	\$ -
<u>Net Position</u>		
Net investment in capital assets	\$ 30,635,318	\$ 1,489,798
Restricted for		
Debt service	2,364,827	-
General government	190,907	-
Public safety	386,880	-
Highways and streets	733,174	-
Conservation of natural resources	958,365	-
Sanitation	23,151	-
Held in trust for other purposes	18,066	-
Other purposes	-	463
Unrestricted	131,973	443,647
Total Net Position	\$ 35,442,661	\$ 1,933,908

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 2,850,510	\$ 453,857
Public safety	1,743,521	149,216
Highways and streets	3,635,509	56,136
Sanitation	574,282	501,113
Human services	2,771,006	584,454
Health	112,992	-
Culture and recreation	93,198	-
Conservation of natural resources	1,860,690	2,104,616
Economic development	42,500	-
Interest	172,261	-
Total Primary Government	<u>\$ 13,856,469</u>	<u>\$ 3,849,392</u>
Component unit		
Grant County Housing and Redevelopment Authority	<u>\$ 801,559</u>	<u>\$ 395,151</u>

General Revenues

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

Total general revenues

Change in net position

Net Position - Beginning, as restated (see Note 1.E.)

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
\$ 160,335	\$ -	\$ (2,236,318)	
175,575	-	(1,418,730)	
3,411,128	-	(168,245)	
133,495	-	60,326	
1,214,268	-	(972,284)	
-	-	(112,992)	
-	-	(93,198)	
51,071	-	294,997	
-	-	(42,500)	
-	-	(172,261)	
\$ 5,145,872	\$ -	\$ (4,861,205)	
\$ 236,856	\$ 90,790		\$ (78,762)
		\$ 5,959,086	\$ 42,500
		-	7,549
		245,614	-
		37,477	-
		460,371	-
		2,722	1,761
		49,202	-
		\$ 6,754,472	\$ 51,810
		\$ 1,893,267	\$ (26,952)
		33,549,394	1,960,860
		\$ 35,442,661	\$ 1,933,908

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 2,434,454	\$ 1,575,737
Undistributed cash in agency funds	57,887	18,738
Taxes receivable - net	42,725	15,465
Special assessments		
Delinquent	-	-
Noncurrent	23,151	-
Accounts receivable - net	59,447	6,556
Accrued interest receivable	869	-
Due from other funds	39,781	-
Due from other governments	11,092	826,800
Prepaid expense	-	-
Inventories	-	314,964
	\$ 2,669,406	\$ 2,758,260
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 161,159	\$ 87,170
Salaries payable	69,598	46,466
Contracts payable	-	58,170
Due to other funds	-	-
Due to other governments	21,019	5,890
Unearned revenue	-	-
	\$ 251,776	\$ 197,696
 Deferred Inflows of Resources		
Unavailable revenues	\$ 60,545	\$ 792,993
Advance from other governments	-	1,000,000
	\$ 60,545	\$ 1,792,993

EXHIBIT 3

<u>Human Services</u>	<u>County Ditch 29 Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,704,816	\$ -	\$ 2,016,728	\$ 8,731,735
14,840	-	8,192	99,657
12,204	-	3,025	73,419
-	-	4,873	4,873
-	1,947,750	-	1,970,901
6,172	-	6,034	78,209
-	-	127	996
-	-	-	39,781
419,252	-	-	1,257,144
16,551	-	-	16,551
-	-	-	314,964
<u>\$ 3,173,835</u>	<u>\$ 1,947,750</u>	<u>\$ 2,038,979</u>	<u>\$ 12,588,230</u>
\$ 73,419	\$ -	\$ 265,061	\$ 586,809
53,638	-	1,003	170,705
-	-	30,208	88,378
39,781	-	-	39,781
50,984	-	-	77,893
77,048	-	-	77,048
<u>\$ 294,870</u>	<u>\$ -</u>	<u>\$ 296,272</u>	<u>\$ 1,040,614</u>
\$ 43,232	\$ 1,947,750	\$ 6,797	\$ 2,851,317
-	-	-	1,000,000
<u>\$ 43,232</u>	<u>\$ 1,947,750</u>	<u>\$ 6,797</u>	<u>\$ 3,851,317</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Trust principal	\$ -	\$ -
Inventories	-	314,964
Missing heirs	18,066	-
Restricted		
Law library	19,909	-
Debt service	-	-
Recorder's technology equipment	62,636	-
Election equipment	37,588	-
E-911	361,778	-
Recorder's compliance	70,774	-
Forfeitures	25,102	-
County state-aid highway system	-	44,635
Ditch maintenance and construction	-	-
Committed		
Sheriff's contingencies	5,000	-
Assigned		
Highways and streets	-	407,972
Human services	-	-
Sanitation	-	-
Sheriff improvement	35,868	-
Unassigned	1,720,364	-
Total Fund Balances	\$ 2,357,085	\$ 767,571
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,669,406	\$ 2,758,260

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>County Ditch 29 Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 118,205	\$ 118,205
-	-	-	314,964
-	-	-	18,066
-	-	-	19,909
-	-	414,567	414,567
-	-	-	62,636
-	-	-	37,588
-	-	-	361,778
-	-	-	70,774
-	-	-	25,102
-	-	-	44,635
-	-	840,160	840,160
-	-	-	5,000
-	-	-	407,972
2,835,733	-	-	2,835,733
-	-	362,978	362,978
-	-	-	35,868
-	-	-	1,720,364
\$ 2,835,733	\$ -	\$ 1,735,910	\$ 7,696,299
\$ 3,173,835	\$ 1,947,750	\$ 2,038,979	\$ 12,588,230

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balances - total governmental funds (Exhibit 3)	\$	7,696,299
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		34,273,214
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		2,851,317
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (5,520,000)	
Bond discounts	27,104	
Loans payable	(23,151)	
Other postemployment benefits	(358,340)	
Compensated absences	(376,166)	
Net pension liability	(3,252,466)	
Accrued interest payable	<u>(80,089)</u>	(9,583,108)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions	\$ 558,541	
Deferred inflows related to pensions	<u>(353,602)</u>	<u>204,939</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 35,442,661</u></u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Revenues					
Taxes	\$ 3,637,888	\$ 1,230,131	\$ 981,800	\$ 359,630	\$ 6,209,449
Special assessments	-	-	-	224,323	224,323
Licenses and permits	8,150	-	-	-	8,150
Intergovernmental	660,073	4,028,897	1,259,910	224,059	6,172,939
Charges for services	392,532	48,878	436,277	393,943	1,271,630
Fines and forfeits	16,463	-	-	-	16,463
Gifts and contributions	14,325	-	-	-	14,325
Investment earnings	440	-	-	2,282	2,722
Miscellaneous	235,876	25,544	146,098	10	407,528
Total Revenues	\$ 4,965,747	\$ 5,333,450	\$ 2,824,085	\$ 1,204,247	\$ 14,327,529
Expenditures					
Current					
General government	\$ 2,506,345	\$ -	\$ -	\$ -	\$ 2,506,345
Public safety	1,553,619	-	-	-	1,553,619
Highways and streets	-	5,655,155	-	-	5,655,155
Sanitation	-	-	-	550,631	550,631
Human services	-	-	2,719,780	-	2,719,780
Health	112,992	-	-	-	112,992
Culture and recreation	93,198	-	-	-	93,198
Conservation of natural resources	435,839	-	-	1,417,534	1,853,373
Economic development	42,500	-	-	-	42,500
Intergovernmental					
Highways and streets	-	238,709	-	-	238,709
Debt service					
Principal	-	-	-	275,000	275,000
Interest	-	-	-	153,696	153,696
Total Expenditures	\$ 4,744,493	\$ 5,893,864	\$ 2,719,780	\$ 2,396,861	\$ 15,754,998
Excess of Revenues Over (Under) Expenditures	\$ 221,254	\$ (560,414)	\$ 104,305	\$ (1,192,614)	\$ (1,427,469)
Other Financing Sources (Uses)					
Bonds issued	\$ -	\$ -	\$ -	\$ 1,855,000	\$ 1,855,000
Loans issued	23,151	-	-	-	23,151
Total Other Financing Sources (Uses)	\$ 23,151	\$ -	\$ -	\$ 1,855,000	\$ 1,878,151
Net Change in Fund Balance	\$ 244,405	\$ (560,414)	\$ 104,305	\$ 662,386	\$ 450,682
Fund Balance - January 1	2,112,680	1,234,001	2,731,428	1,073,524	7,151,633
Increase (decrease) in inventories	-	93,984	-	-	93,984
Fund Balance - December 31	\$ 2,357,085	\$ 767,571	\$ 2,835,733	\$ 1,735,910	\$ 7,696,299

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

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**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, 2015**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ 450,682**

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

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

Unavailable revenue - December 31	\$ 2,851,317	
Unavailable revenue - January 1	<u>(1,434,019)</u>	1,417,298

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

Expenditures for general capital assets and infrastructure	\$ 3,308,402	
Net book value of assets sold	(88,838)	
Current year depreciation	<u>(1,457,134)</u>	1,762,430

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

Debt issued		
General obligation bonds	\$ (1,855,000)	
Loans	<u>(23,151)</u>	(1,878,151)

Principal repayments		
General obligation bonds		275,000

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

Change in accrued interest payable	\$ (15,161)	
Amortization of discounts	(3,404)	
Change in compensated absences	(11,274)	
Change in other postemployment benefits	(96,719)	
Change in inventories	93,984	
Change in deferred pension outflows, as restated	412,482	
Change in deferred pension inflows	(353,602)	
Change in net pension liability, as restated	<u>(160,298)</u>	<u>(133,992)</u>

Change in Net Position of Governmental Activities (Exhibit 2) **\$ 1,893,267**

FIDUCIARY FUNDS

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 121,862
Due from other governments	<u>164,007</u>
Total Assets	<u>\$ 285,869</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 285,869</u>

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

The Housing and Redevelopment Authority (HRA) of Grant County is a component unit of Grant County and is reported in a separate column in the County’s government-wide financial statements to emphasize that the HRA is legally separate from Grant County. The HRA operates as a local governmental unit for the purpose of providing housing and redevelopment services to Grant County. The governing body consists of a five-member Board of Commissioners appointed by the Grant County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended December 31, 2015.

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

The County Ditch 29 Debt Service Fund is used to account for the accumulation of resources for, and the repayment of, principal, interest and related costs of drainage bonds related to County Ditch 29.

Additionally, the County reports the following fund types:

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Cash and pooled investments are reported at their fair value at December 31, 2015, 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 2015 were \$2,722.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

Grant County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

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

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

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

3. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2010 through 2015, and noncurrent special assessments payable in 2016 and after. No allowance for special assessments are shown because such amounts are not expected to be material. The receivable includes special assessments on solid waste fees, septic loans, and ditches.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

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

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

5. Capital Assets

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

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

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

6. Unearned Revenue

All County governmental funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. In the current year, all unearned revenue was the result of grants received prior to revenue recognition criteria being met.

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances.

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences (Continued)

The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave. The compensated absences liability is liquidated through the General Fund and other governmental funds that have personal services.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, pension plan changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, advance from other governments, arises under both the modified accrual and the full accrual basis of accounting. The County records this item when allotments are received in advance of the period in which they are earned. The third type of deferred inflows, deferred pension inflows, arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated through the General Fund and other governmental funds that have personal services.

11. Classification of Net Position

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

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

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

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

12. Classification of Fund Balances

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

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

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

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

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Minimum Fund Balance

The County has adopted a minimum fund balance policy for the General Fund in order to provide protection against the need to reduce services due to a lack of resources resulting from temporary revenue shortfalls or unpredicted expenditures. Therefore, the County Board has determined it needs to maintain a minimum level of unrestricted fund balance (committed, assigned, and unassigned) of \$800,000. The Fund Balance Policy was adopted by the County Board on December 20, 2011. At December 31, 2015, unrestricted fund balance for the General Fund was above the minimum fund balance level.

14. 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.

E. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	Governmental Activities
Net Position, January 1, 2015, as previously reported	\$ 36,495,503
Change in accounting principles	(2,946,109)
Net Position, January 1, 2015, as restated	\$ 33,549,394

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 8,831,392
Statement of fiduciary net position	
Cash and pooled investments	121,862
Total Cash and Investments	\$ 8,953,254

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. The County's deposits in banks at December 31, 2015, were entirely covered by federal depository insurance and collateral in accordance with Minnesota statutes.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. None of the County's investments at December 31, 2015, were rated.

Custodial Credit Risk

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

Concentration of Credit Risk

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2015, and information relating to potential investment risk:

<u>Investment Type</u>	<u>Concentration of Credit Risk Over 5 Percent of Portfolio</u>	<u>Interest Rate Risk Maturity Date</u>	<u>Carrying (Fair) Value</u>
Negotiable certificates of deposit			
HSBC Bank	<5%	11/29/2016	\$ 24,265
Bank of the West Instl CTF	<5%	12/27/2016	20,540
HSBC Bank	<5%	12/30/2016	18,421
Discover BK GREENW DE US	6.28%	07/22/2020	243,829
Goldman Sachs	6.15%	10/14/2020	238,836
Total negotiable certificates of deposit			\$ 545,891
Investment pools			
MAGIC Fund	74.61%		2,897,079
Money market accounts with broker	11.33%		440,129
Total investments			\$ 3,883,099
Deposits			5,068,830
Petty cash			1,325
Total Cash and Investments			\$ 8,953,254

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, 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	\$ 73,419	\$ -
Special assessments	1,975,774	1,970,901
Accounts	78,209	-
Accrued interest	996	-
Due from other governments	1,257,144	-
Total Governmental Activities	\$ 3,385,542	\$ 1,970,901

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 223,383	\$ 21,000	\$ -	\$ 244,383
Right-of-way	863,792	64,526	-	928,318
Construction in progress	2,570,892	2,898,054	3,238,601	2,230,345
Total capital assets not depreciated	\$ 3,658,067	\$ 2,983,580	\$ 3,238,601	\$ 3,403,046
Capital assets depreciated				
Buildings	\$ 9,435,940	\$ -	\$ -	\$ 9,435,940
Office furniture and equipment	1,169,722	5,684	108,505	1,066,901
Machinery and automotive	3,462,359	319,138	386,697	3,394,800
Infrastructure	35,386,948	3,238,601	-	38,625,549
Total capital assets depreciated	\$ 49,454,969	\$ 3,563,423	\$ 495,202	\$ 52,523,190

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 3,024,502	\$ 279,842	\$ -	\$ 3,304,344
Office furniture and equipment	555,221	93,577	40,677	608,121
Machinery and automotive	2,688,021	205,240	365,687	2,527,574
Infrastructure	14,334,508	878,475	-	15,212,983
 Total accumulated depreciation	 \$ 20,602,252	 \$ 1,457,134	 \$ 406,364	 \$ 21,653,022
Total capital assets depreciated, net	\$ 28,852,717	\$ 2,106,289	\$ 88,838	\$ 30,870,168
 Governmental Activities Capital Assets, Net	 \$ 32,510,784	 \$ 5,089,869	 \$ 3,327,439	 \$ 34,273,214

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

Governmental Activities	
General government	\$ 290,276
Public safety	94,896
Highways and streets, including depreciation of infrastructure	1,048,377
Sanitation	23,236
Conservation of natural resources	349
 Total Depreciation Expense	 \$ 1,457,134

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Description
General Fund	Human Services Special Revenue Fund	\$ 39,781	Charges for services

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

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

Interfund Transfers

There were no interfund transfers for the year ended December 31, 2015.

C. Liabilities

1. Payables

Payables at December 31, 2015, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 586,809
Salaries	170,705
Contracts	88,378
Due to other governments	77,893
Interest	<u>80,089</u>
Total Payables	<u>\$ 1,003,874</u>

2. Other Postemployment Benefits - Retirees

The County pays health insurance for employees who retire with at least 12 years of experience, who have reached the age of 55, but who are under the age of 65 and not eligible for Medicare. The County pays 50 percent of the cost of single coverage. The County's contributions for the year ended December 31, 2015, were \$8,040. During 2015, two employees qualified for retired employee health insurance coverage.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The County has active construction projects as of December 31, 2015. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Conservation of natural resources		
Drainage project	\$ 604,166	\$ 935,525
General government		
Courthouse improvement	84,804	238,927

4. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds 2011A Bonds	2022	\$110,000 - \$300,000	1.00 - 3.20	\$ 2,480,000	\$ 1,665,000
Taxable general obligation capital improvement plan bonds 2011B Bonds	2026	\$2,000,000	5.50	2,000,000	2,000,000
General obligation drainage bonds 2015A Bonds	2036	\$70,000 - \$125,000	0.00 - 4.00	1,855,000	1,855,000
Total General Obligation Bonds				\$ 6,335,000	\$ 5,520,000

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Loans Payable

In 2014, the County entered into a loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much \$100,000. As of December 31, 2015, the total amount borrowed was \$23,151. Repayment is estimated to begin in 2016. A repayment schedule is currently not available. Loan payments are reported in the General Fund.

5. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	General Obligation Bonds		Taxable General Obligation Capital Improvement Plan Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 275,000	\$ 39,021	\$ -	\$ 110,000	\$ -	\$ 47,224
2017	280,000	33,468	-	110,000	70,000	53,100
2018	290,000	26,978	-	110,000	70,000	51,700
2019	295,000	19,589	-	110,000	75,000	50,250
2020	300,000	11,330	-	110,000	75,000	48,750
2021 - 2025	225,000	7,170	-	550,000	405,000	219,401
2026 - 2030	-	-	2,000,000	55,000	475,000	162,550
2031 - 2035	-	-	-	-	560,000	80,225
2036	-	-	-	-	125,000	2,500
Total	\$ 1,665,000	\$ 137,556	\$ 2,000,000	\$ 1,155,000	\$ 1,855,000	\$ 715,700

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,940,000	\$ -	\$ 275,000	\$ 1,665,000	\$ 275,000
Taxable general obligation capital improvement plan bonds	2,000,000	-	-	2,000,000	-
General obligation special assessment bonds	-	1,855,000	-	1,855,000	-
Less: unamortized discount	(30,508)	-	(3,404)	(27,104)	-
Total general obligation bonds	\$ 3,909,492	\$ 1,855,000	\$ 271,596	\$ 5,492,896	\$ 275,000
Compensated absences	364,892	236,316	225,042	376,166	35,654
Loans payable	-	23,151	-	23,151	-
Total Long-Term Liabilities	\$ 4,274,384	\$ 2,114,467	\$ 496,638	\$ 5,892,213	\$ 310,654

For the governmental activities, bonded debt is paid by the Courthouse Improvement and County Ditch 29 Debt Service Funds. Compensated absences are generally paid by the General Fund, Human Services, or Road and Bridge Special Revenue Funds.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

D. Deferred Inflows

Unavailable Revenue

Unavailable revenue consists of taxes and special assessments receivable, state and federal grants not collected soon enough after year-end to pay liabilities of the current period, and money from state-aid highway allotments received but not yet earned. Unavailable revenue at December 31, 2015, is summarized by fund:

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Other	Total
Major governmental funds					
General	\$ 60,545	\$ -	\$ -	\$ -	\$ 60,545
Special Revenue					
Road and Bridge	13,510	55,443	724,040	-	792,993
Human Services	10,664	31,889	-	679	43,232
County Ditch 29 Debt Service	1,947,750	-	-	-	1,947,750
Nonmajor governmental funds					
Solid Waste	4,287	-	-	-	4,287
Courthouse Improvement Debt Service	2,510	-	-	-	2,510
Total	\$ 2,039,266	\$ 87,332	\$ 724,040	\$ 679	\$ 2,851,317

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Grant County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost-sharing multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

3. Contributions

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$	231,921
Public Employees Police and Fire Fund		85,392

The contributions are equal to the contractually required contributions as set by state statute.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$2,627,537 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0507 percent. It was 0.0541 percent measured as of June 30, 2014. The County recognized pension expense of \$310,315 for its proportionate share of the General Employees Retirement Fund's pension expense.

The County reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 132,473
Difference between projected and actual investment earnings	248,737	-
Changes in proportion	-	119,786
Contributions paid to PERA subsequent to the measurement date	120,398	-
Total	\$ 369,135	\$ 252,259

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

A total of \$120,398 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ (21,902)
2017	(21,902)
2018	(21,902)
2019	62,184

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$624,929 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.055 percent. It was 0.051 percent measured as of June 30, 2014. The County recognized pension expense of \$114,890 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The County also recognized \$4,950 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 101,343
Difference between projected and actual investment earnings	108,884	-
Changes in proportion	36,001	-
Contributions paid to PERA subsequent to the measurement date	44,521	-
Total	\$ 189,406	\$ 101,343

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

A total of \$44,521 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 14,153
2017	14,153
2018	14,153
2019	14,153
2020	(13,070)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$425,205.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 4,131,422	\$ 2,627,537	\$ 1,385,559
Public Employees Police and Fire Fund net pension liability	1,217,993	624,929	134,955

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2015, were:

	Employee	Employer
Contribution amount	\$ 2,793	\$ 2,793
Percentage of covered payroll	5%	5%

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Grant County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. At December 31, 2015, there were 33 participants in the plan, including 2 retirees.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	173,565
Interest on net OPEB obligation		10,465
Adjustment to ARC		(14,836)
		<hr/>
Annual OPEB cost (expense)	\$	169,194
Contributions made		(72,475)
		<hr/>
Increase in net OPEB obligation	\$	96,719
Net OPEB Obligation - Beginning of Year		261,621
		<hr/>
Net OPEB Obligation - End of Year	\$	358,340
		<hr/>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2013, 2014, and 2015, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 154,571	\$ 67,617	43.7%	\$ 186,149
December 31, 2014	153,262	77,790	50.8	261,621
December 31, 2015	169,194	72,475	42.8	358,340

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was \$1,272,286, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,272,286. The covered payroll (annual payroll of active employees covered by the plan) was \$4,137,927, and the ratio of the UAAL to the covered payroll was 30.8 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information as it becomes available about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

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

In the January 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Grant County's implicit rate of return on the General Fund. The annual health care cost trend is 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 9 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 26 years.

4. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Risk Management (Continued)

in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

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

B. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. In 2005, the Area Agency on Aging became part of a larger planning and service area covering 21 counties. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county. During 2015, Grant County contributed \$1,275 to this organization.

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 shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of withdrawal.

Complete financial information can be obtained from:

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Horizon Public Health

Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services, pursuant to Minn. Stat. § 471.59. During 1994, Stevens, Traverse, and Grant Counties formed a separate joint powers under the name of Stevens Traverse Grant Public Health Nursing Services (STGPH). Mid-State Community Health Services was renamed to Horizon Community Health Board when Douglas County was added as a member on January 1, 2011. Horizon Community Health Board and STGPH disbanded effective January 1, 2015, and a new joint powers agreement was entered into by Douglas, Grant, Pope, Stevens, and Traverse Counties to operate the fiscally independent Horizon Public Health entity.

Control is vested in Horizon's Board, which consists of 13 members comprised of 11 County Commissioners and 2 community representatives. Each member of the Board is appointed by the County Commissioners of the county they represent.

Financing is provided by state and federal grants, charges for services, miscellaneous revenue, and contributions from the five member counties. During 2015, STGPH contributed \$727,762 in start-up costs, and Grant County contributed \$90,066 in funds to Horizon.

Complete financial statements for Horizon Public Health can be obtained from:

Horizon Public Health
809 Elm Street, Suite 1200
Alexandria, Minnesota 56308

West Central Minnesota Drug Task Force

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. During 2015, Grant County contributed \$3,500 in funds to this organization.

Separate financial information can be obtained from:

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

Pomme de Terre River Association

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

During 2015, Grant County contributed \$5,900 in funds to the Joint Powers Board.

Complete financial information can be obtained from:

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

PrimeWest Health

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

PrimeWest Health (Continued)

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

Complete financial information can be obtained from:

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

Supporting Hands Nurse Family Partnership

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

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2015, Grant County did not make a contribution, as a contribution was made by the Countryside Public Health Service.

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

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

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

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

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2015, Grant County did not contribute any funds to the Board.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

Complete financial information can be obtained from:

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

Region 4 South Adult Mental Health Consortium

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

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

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

Grant County Child and Youth Council Collaborative

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

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

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

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

Financing is provided by state and federal grants and contributions from the member parties. During 2015, Grant County did not contribute to the Collaborative.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Land of the Dancing Sky Area Agency on Aging

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

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

Rainbow Rider Transit Board

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Rainbow Rider Transit Board (Continued)

Complete financial information can be obtained from:

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

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

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

During 2015, Grant County did not contribute any funds to this organization.

C. Jointly-Governed Organizations

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

Western Area City/County Co-Op

Grant County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burdens on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county. Grant County contributed \$1,296 to WACCO during 2015.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

District IV Transportation Planning

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

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

Lakeland Mental Health Center

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

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

Services are provided to the member counties through purchase of service agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Grant County paid \$286,245 in 2015 for services purchased through Lakeland Mental Health Center.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2015, the County did not contribute any funding to the Joint Powers Board.

Complete financial statements can be obtained from:

International Coalition for Land - Water
Stewardship in the Red River Basin
119 - 5th Street South
Moorhead, Minnesota 56561

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

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

Sentence to Serve

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

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Grant County did not contribute to the SW-MIIC during 2015.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

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 1937. 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, 2015.

2. Basis of Accounting

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

3. Rent Receivable

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

4. Capital Assets

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

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

5. 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, 2015.

6. Estimates

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Deposits

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

Cash and pooled investments	
Deposits	\$ 146,800
Certificates of deposit	<u>426,962</u>
Total cash and pooled investments	\$ 573,762
Restricted cash	
Tenant security deposits	<u>20,439</u>
Total Cash and Investments	<u><u>\$ 594,201</u></u>

In accordance with Minnesota statutes, the HRA maintains deposits at those depository banks authorized by the Board of Directors. Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable 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 that is not owned or controlled by the financial institution furnishing the collateral.

At December 31, 2015, the HRA's deposits had a carrying amount of \$594,201 and a bank balance of \$604,260. Of the bank balance, \$250,000 was covered by federal depository insurance. Collateral of \$356,073 was required for the remaining funds, of which \$687,340 was covered by qualified collateral held in safekeeping. The HRA had sufficient collateral coverage on all cash accounts.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Investments

Minnesota statutes generally authorize the same types of investments for the HRA as for the County. See Note 2.A.1.b.

During the year ended December 31, 2015, the HRA had no investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

3. Capital Assets

The HRA's capital asset activity for the year ended December 31, 2015, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not depreciated				
Land	\$ 163,546	\$ -	\$ -	\$ 163,546
Construction in progress	-	3,094	-	3,094
Total capital assets not depreciated	\$ 163,546	\$ 3,094	\$ -	\$ 166,640
Capital assets depreciated				
Buildings	\$ 5,231,071	\$ 102,374	\$ -	\$ 5,333,445
Equipment, furniture, and fixtures	315,685	-	-	315,685
Total capital assets depreciated	\$ 5,546,756	\$ 102,374	\$ -	\$ 5,649,130
Less: accumulated depreciation	3,341,807	194,165	-	3,535,972
Total capital assets depreciated, net	\$ 2,204,949	\$ (91,791)	\$ -	\$ 2,113,158
Total	\$ 2,368,495	\$ (88,697)	\$ -	\$ 2,279,798

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

4. Long-Term Debt

Long-term liability activity for the year ended December 31, 2015, was as follows:

Type of Indebtedness	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2002 GMHF Loan	\$ 101,500	\$ -	\$ -	\$ 101,500	\$ -
2009 Housing Development Bonds	835,000	-	45,000	790,000	45,000
Compensated absences	11,270	725	-	11,995	6,910
Total Long-Term Debt	<u>\$ 947,770</u>	<u>\$ 725</u>	<u>\$ 45,000</u>	<u>\$ 903,495</u>	<u>\$ 51,910</u>

Bonds and loans payable at December 31, 2015, consisted of the following issues:

	Original Issue Amount	Final Maturity	Interest Rate (%)	Outstanding Balance December 31, 2015
2002 GMHF Loan	\$ 101,500	2027	-	\$ 101,500
2009 Housing Development Bonds	1,055,000	2029	1.25 - 4.50	790,000
Total Long-Term Debt	<u>\$ 1,156,500</u>			<u>\$ 891,500</u>

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt (Continued)

The annual minimum payment requirements for bonds and loans outstanding as of December 31, 2015, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 45,000	\$ 33,420	\$ 78,420
2017	45,000	31,620	76,620
2018	50,000	29,820	79,820
2019	45,000	27,820	72,820
2020	50,000	26,020	76,020
2021 - 2025	285,000	97,970	382,970
2026 - 2029	371,500	31,310	402,810
Totals	<u>\$ 891,500</u>	<u>\$ 277,980</u>	<u>\$ 1,169,480</u>

C. Defined Benefit Pension Plan

Plan Description

The Principal Mutual Life Insurance Company Retirement Plan (Plan) is a defined contribution retirement plan covering essentially all employees of the various participating employers. Since the participating employers are all government units, the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, except for the contribution limitations of Section 415. The payroll for employees covered by the Plan for the year ended December 31, 2015, was \$131,469; the HRA's total payroll was \$131,469.

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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures

C. Defined Benefit Pension Plan

Plan Description (Continued)

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

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

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, 2015, 2014, and 2013, were \$18,427, \$18,197, and \$17,964, respectively.

D. Risk Management

The HRA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors or omissions; job-related illnesses or injuries to employees; and natural disasters for which the HRA carries commercial insurance. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximum coverages are exceeded, this could cause the HRA to suffer losses if a loss is incurred from such incidents. The

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Component Unit Disclosures

D. Risk Management (Continued)

ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims to date have not exceeded coverage levels, and insurance coverage, by major categories of risk, 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 Vouchers Choice program, the Public Housing Operating Subsidy, and Capital Fund. Monies from HUD are received directly from the federal agency. Certain expenditures are subject to audit by HUD, and the HRA is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the HRA, no material refunds will be required as a result of expenditures disallowed by HUD.

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REQUIRED SUPPLEMENTARY INFORMATION

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,438,200	\$ 3,438,200	\$ 3,637,888	\$ 199,688
Licenses and permits	75	75	8,150	8,075
Intergovernmental	329,357	329,357	660,073	330,716
Charges for services	245,305	245,305	392,532	147,227
Fines and forfeits	-	-	16,463	16,463
Gifts and contributions	21,875	21,875	14,325	(7,550)
Investment earnings	6,500	6,500	440	(6,060)
Miscellaneous	90,812	90,812	235,876	145,064
Total Revenues	\$ 4,132,124	\$ 4,132,124	\$ 4,965,747	\$ 833,623
Expenditures				
Current				
General government				
Commissioners	\$ 197,865	\$ 197,865	\$ 190,058	\$ 7,807
Retiree insurance	11,700	11,700	47,804	(36,104)
Law library	-	-	12,599	(12,599)
County auditor	264,563	264,563	268,999	(4,436)
County treasurer	193,317	193,317	178,961	14,356
Blue Cross/Blue Shield	-	-	(1,604)	1,604
Human resources	12,000	12,000	973	11,027
Public examiners	65,000	65,000	61,689	3,311
Elections	20,000	20,000	3,608	16,392
Accounting and auditing	174,573	174,573	160,324	14,249
County recorder	205,027	205,027	202,811	2,216
County assessor	224,853	224,853	217,431	7,422
County buildings	208,318	208,318	325,238	(116,920)
County fair	16,540	16,540	16,540	-
Veterans service officer	69,130	69,130	69,457	(327)
Coordinator	137,540	137,540	126,638	10,902
License bureau	110,993	110,993	119,931	(8,938)
Collections	-	-	229,129	(229,129)
Other general government	172,246	172,246	275,759	(103,513)
Total general government	\$ 2,083,665	\$ 2,083,665	\$ 2,506,345	\$ (422,680)
Public safety				
Sheriff	\$ 1,216,091	\$ 1,216,091	\$ 1,276,382	\$ (60,291)
Coroner	11,000	11,000	5,725	5,275
Sheriff's contingent fund	-	-	7,498	(7,498)
Traffic diversion program	-	-	468	(468)
DARE account	-	-	1,633	(1,633)
Water enforcement	-	-	4,798	(4,798)
Corrections and jails	108,500	108,500	111,525	(3,025)
E-911 program	-	-	83,746	(83,746)
Emergency management program	64,300	64,300	61,844	2,456
Total public safety	\$ 1,399,891	\$ 1,399,891	\$ 1,553,619	\$ (153,728)

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Health				
Public health	\$ 104,166	\$ 104,166	\$ 112,992	\$ (8,826)
Culture and recreation				
Historical society	\$ 28,000	\$ 28,000	\$ 28,000	\$ -
Viking library system	65,198	65,198	65,198	-
Total culture and recreation	\$ 93,198	\$ 93,198	\$ 93,198	\$ -
Conservation of natural resources				
County extension	\$ 113,174	\$ 113,174	\$ 109,967	\$ 3,207
Nutrition education	67,112	67,112	59,758	7,354
Soil and water conservation	84,806	84,806	84,806	-
Office of land management	140,633	140,633	152,610	(11,977)
Water plan	2,979	2,979	28,698	(25,719)
Total conservation of natural resources	\$ 408,704	\$ 408,704	\$ 435,839	\$ (27,135)
Economic development				
HRA	\$ 42,500	\$ 42,500	\$ 42,500	\$ -
Total Expenditures	\$ 4,132,124	\$ 4,132,124	\$ 4,744,493	\$ (612,369)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 221,254	\$ 221,254
Other Financing Sources (Uses)				
Proceeds from loans issued	-	-	23,151	23,151
Net Change in Fund Balance	\$ -	\$ -	\$ 244,405	\$ 244,405
Fund Balance - January 1	2,112,680	2,112,680	2,112,680	-
Fund Balance - December 31	\$ 2,112,680	\$ 2,112,680	\$ 2,357,085	\$ 244,405

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,292,000	\$ 1,292,000	\$ 1,230,131	\$ (61,869)
Intergovernmental	4,168,000	4,168,000	4,028,897	(139,103)
Charges for services	80,000	80,000	48,878	(31,122)
Miscellaneous	-	-	25,544	25,544
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 5,540,000	\$ 5,540,000	\$ 5,333,450	\$ (206,550)
Expenditures				
Current				
Highways and streets				
Administration	\$ 310,476	\$ 310,476	\$ 317,312	\$ (6,836)
Engineering	6,531	6,531	15,695	(9,164)
Authorized work contribution	173	173	-	173
Construction	3,247,732	3,247,732	3,631,912	(384,180)
Maintenance	1,165,856	1,165,856	975,460	190,396
Shops	207,060	207,060	183,706	23,354
Equipment	602,172	602,172	531,070	71,102
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total highways and streets	\$ 5,540,000	\$ 5,540,000	\$ 5,655,155	\$ (115,155)
Intergovernmental				
Highways and streets	-	-	238,709	(238,709)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 5,540,000	\$ 5,540,000	\$ 5,893,864	\$ (353,864)
Net Change in Fund Balance	\$ -	\$ -	\$ (560,414)	\$ (560,414)
Fund Balance - January 1	1,234,001	1,234,001	1,234,001	-
Increase (decrease) in inventories	-	-	93,984	93,984
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 1,234,001	\$ 1,234,001	\$ 767,571	\$ (466,430)

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 983,637	\$ 983,637	\$ 981,800	\$ (1,837)
Intergovernmental	1,046,819	1,046,819	1,259,910	213,091
Charges for services	356,444	356,444	436,277	79,833
Miscellaneous	27,750	27,750	146,098	118,348
Total Revenues	\$ 2,414,650	\$ 2,414,650	\$ 2,824,085	\$ 409,435
Expenditures				
Current				
Human services				
Income maintenance	\$ 876,404	\$ 876,404	\$ 916,369	\$ (39,965)
Social services	1,538,246	1,538,246	1,803,411	(265,165)
Total Expenditures	\$ 2,414,650	\$ 2,414,650	\$ 2,719,780	\$ (305,130)
Net Change in Fund Balance	\$ -	\$ -	\$ 104,305	\$ 104,305
Fund Balance - January 1	2,731,428	2,731,428	2,731,428	-
Fund Balance - December 31	\$ 2,731,428	\$ 2,731,428	\$ 2,835,733	\$ 104,305

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2012	\$ -	\$ 1,223,986	\$ 1,223,986	0.00%	\$ 3,032,227	40.37%
January 1, 2015	-	1,272,286	1,272,286	0.00	4,137,927	30.75

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0507%	\$ 2,627,537	\$ 2,810,449	93.49%	78.19%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 217,945	\$ 231,921	\$ 13,976	\$ 2,905,932	7.98%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. Grant County's year-end is December 31.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.055%	\$ 624,929	\$ 490,276	127.46%	86.61%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 81,683	\$ 85,392	\$ 3,709	\$ 504,214	16.94%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. Grant County's year-end is December 31.

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, the Courthouse Improvement and the County Ditch 29 Debt Service Funds, and the Trust Payment Permanent Fund. A budget was not adopted for the Ditch Special Revenue Fund because it is based on taxing and special assessments which cannot be determined on an annual basis. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action.

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

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

2. Excess of Expenditures Over Appropriations

The following major funds had expenditures in excess of budget for the year ended December 31, 2015:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 4,744,493	\$ 4,132,124	\$ 612,369
Road and Bridge Special Revenue Fund	5,893,864	5,540,000	353,864
Human Services Special Revenue Fund	2,719,780	2,414,650	305,130

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Other Postemployment Benefits Funded Status

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

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

SUPPLEMENTARY INFORMATION

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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.

DEBT SERVICE FUND

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

PERMANENT FUND

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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Special Revenue</u>		<u>Courthouse Improvement Debt Service</u>	<u>Trust Payment Permanent</u>	<u>Total</u>
	<u>Ditch</u>	<u>Solid Waste</u>			
<u>Assets</u>					
Cash and pooled investments	\$ 1,119,111	\$ 370,816	\$ 408,596	\$ 118,205	\$ 2,016,728
Undistributed cash in agency funds	104	2,632	5,456	-	8,192
Taxes receivable - net	-	-	3,025	-	3,025
Special assessments receivable					
Delinquent	-	4,873	-	-	4,873
Accounts receivable - net	-	6,034	-	-	6,034
Accrued interest receivable	127	-	-	-	127
Total Assets	<u>\$ 1,119,342</u>	<u>\$ 384,355</u>	<u>\$ 417,077</u>	<u>\$ 118,205</u>	<u>\$ 2,038,979</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 248,974	\$ 16,087	\$ -	\$ -	\$ 265,061
Salaries payable	-	1,003	-	-	1,003
Contracts payable	30,208	-	-	-	30,208
Total Liabilities	<u>\$ 279,182</u>	<u>\$ 17,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,272</u>
Deferred Inflows of Resources					
Unavailable revenues	\$ -	\$ 4,287	\$ 2,510	\$ -	\$ 6,797
Fund Balances					
Nonspendable					
Trust principal	\$ -	\$ -	\$ -	\$ 118,205	\$ 118,205
Restricted					
Debt service	-	-	414,567	-	414,567
Ditch maintenance and construction	840,160	-	-	-	840,160
Assigned					
Sanitation	-	362,978	-	-	362,978
Total Fund Balances	<u>\$ 840,160</u>	<u>\$ 362,978</u>	<u>\$ 414,567</u>	<u>\$ 118,205</u>	<u>\$ 1,735,910</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,119,342</u>	<u>\$ 384,355</u>	<u>\$ 417,077</u>	<u>\$ 118,205</u>	<u>\$ 2,038,979</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Special Revenue</u>		<u>Courthouse Improvement</u>	<u>Trust Payment</u>	<u>Total</u>
	<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Permanent</u>	
Revenues					
Taxes	\$ -	\$ -	\$ 359,630	\$ -	\$ 359,630
Special assessments	116,582	107,741	-	-	224,323
Intergovernmental	-	133,495	90,564	-	224,059
Charges for services	-	393,943	-	-	393,943
Investment earnings	2,282	-	-	-	2,282
Miscellaneous	-	10	-	-	10
Total Revenues	\$ 118,864	\$ 635,189	\$ 450,194	\$ -	\$ 1,204,247
Expenditures					
Current					
Sanitation	\$ -	\$ 550,631	\$ -	\$ -	\$ 550,631
Conservation of natural resources	1,417,534	-	-	-	1,417,534
Debt service					
Principal	-	-	275,000	-	275,000
Interest	-	-	153,696	-	153,696
Total Expenditures	\$ 1,417,534	\$ 550,631	\$ 428,696	\$ -	\$ 2,396,861
Excess of Revenues Over (Under) Expenditures	\$ (1,298,670)	\$ 84,558	\$ 21,498	\$ -	\$ (1,192,614)
Other Financing Sources (Uses)					
Bonds issued	1,855,000	-	-	-	1,855,000
Net Change in Fund Balance	\$ 556,330	\$ 84,558	\$ 21,498	\$ -	\$ 662,386
Fund Balance - January 1	283,830	278,420	393,069	118,205	1,073,524
Fund Balance - December 31	\$ 840,160	\$ 362,978	\$ 414,567	\$ 118,205	\$ 1,735,910

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 105,417	\$ 105,417	\$ 107,741	\$ 2,324
Intergovernmental	71,355	71,355	133,495	62,140
Charges for services	389,992	389,992	393,943	3,951
Miscellaneous	-	-	10	10
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 566,764	\$ 566,764	\$ 635,189	\$ 68,425
Expenditures				
Current				
Sanitation				
Waste collection	\$ 344,475	\$ 344,475	\$ 345,140	\$ (665)
Recycling	202,600	202,600	195,717	6,883
Household hazardous waste	13,000	13,000	9,774	3,226
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 560,075	\$ 560,075	\$ 550,631	\$ 9,444
Net Change in Fund Balance	\$ 6,689	\$ 6,689	\$ 84,558	\$ 77,869
Fund Balance - January 1	278,420	278,420	278,420	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 285,109	\$ 285,109	\$ 362,978	\$ 77,869
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 2,482,165	\$ 2,482,165	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,482,165	\$ 2,482,165	\$ -
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 25,058	\$ 25,058	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 25,058	\$ 25,058	\$ -
 <u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 137,615	\$ 12,767,678	\$ 12,783,456	\$ 121,837
<u>Liabilities</u>				
Due to other governments	\$ 137,615	\$ 12,767,678	\$ 12,783,456	\$ 121,837

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWNS AND CITIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 2,857,117	\$ 2,857,092	\$ 25
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,857,117	\$ 2,857,092	\$ 25
 <u>ASSERTIVE COMMUNITY TREATMENT FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ (113,257)	\$ 1,032,314	\$ 919,057	\$ -
Due from other governments	113,257	7,817	113,257	7,817
Total Assets	\$ -	\$ 1,040,131	\$ 1,032,314	\$ 7,817
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,040,131	\$ 1,032,314	\$ 7,817

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

*EXHIBIT C-1
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>ADULT MENTAL HEALTH INITIATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ (137,673)	\$ 1,327,098	\$ 1,189,425	\$ -
Due from other governments	137,673	18,517	-	156,190
Total Assets	\$ -	\$ 1,345,615	\$ 1,189,425	\$ 156,190
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,345,615	\$ 1,189,425	\$ 156,190
 <u>CIVIL PROCESS FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 209,006	\$ -	\$ 209,006	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 209,006	\$ -	\$ 209,006	\$ -
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 95,691	\$ 20,491,430	\$ 20,465,259	\$ 121,862
Due from other governments	250,930	26,334	113,257	164,007
Total Assets	\$ 346,621	\$ 20,517,764	\$ 20,578,516	\$ 285,869
<u>Liabilities</u>				
Due to other governments	\$ 346,621	\$ 20,517,764	\$ 20,578,516	\$ 285,869

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OTHER SCHEDULES

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2015**

	<u>Cash</u>	<u>Undistributed Cash</u>
County Ditches		
#1	\$ 15,007	\$ -
#3	27,658	-
#5	1,967	-
#6	4,535	-
#8	64,917	-
#9	38,036	-
#11	6,199	-
#13	2,126	-
#15	8,031	-
#21	27,982	-
#22	2,622	-
#23	8,809	-
#29	803,772	104
#30	5,014	-
#31	3,373	-
#32	9,273	-
#33	570	-
Consolidated		
#2	34,345	-
Judicial Ditches		
#1	757	-
#2	54,118	-
Total	<u><u>\$ 1,119,111</u></u>	<u><u>\$ 104</u></u>

EXHIBIT D-1

Assets			Liabilities			Total	
Accrued Interest Receivable		Total	Accounts/Contracts Payable		Fund Balances - Restricted		Liabilities and Fund Balances
\$	8	\$ 15,015	\$	-	\$	15,015	\$ 15,015
	15	27,673		8,975		18,698	27,673
	-	1,967		-		1,967	1,967
	-	4,535		-		4,535	4,535
	34	64,951		-		64,951	64,951
	21	38,057		-		38,057	38,057
	-	6,199		-		6,199	6,199
	-	2,126		-		2,126	2,126
	4	8,035		-		8,035	8,035
	16	27,998		-		27,998	27,998
	-	2,622		-		2,622	2,622
	5	8,814		-		8,814	8,814
	-	803,876		270,207		533,669	803,876
	-	5,014		-		5,014	5,014
	-	3,373		-		3,373	3,373
	5	9,278		-		9,278	9,278
	-	570		-		570	570
	19	34,364		-		34,364	34,364
	-	757		-		757	757
	-	54,118		-		54,118	54,118
\$	127	\$ 1,119,342	\$	279,182	\$	840,160	\$ 1,119,342

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

Appropriations and Shared Revenue

State

Highway users tax	\$	3,608,034
County program aid		124,897
Market value credit		176,265
PERA rate reimbursement		12,569
Disparity reduction aid		6,128
Aquatic invasive species aid		56,141
Police aid		47,854
		47,854

Total appropriations and shared revenue **\$ 4,031,888**

Reimbursement for services

Minnesota Department of Human Services	\$	174,719
		174,719

Payments

Local

Payments in lieu of taxes	\$	37,477
Local contributions		280,439
Qualified energy conservation payments		69,043
		69,043

Total payments **\$ 386,959**

Grants

State

Minnesota Department/Board of		
Corrections	\$	8,607
Public Safety		76,468
Natural Resources		63,403
Human Services		411,076
Historical Society		55,500
Veterans Affairs		7,500
Water and Soil Resources		51,071
Peace Officers Standards and Training Board		6,075
Pollution Control Agency		133,495
		133,495

Total state **\$ 813,195**

Federal

Department of		
Agriculture	\$	68,020
Transportation		64,196
Health and Human Services		596,647
Homeland Security		37,315
		37,315

Total federal **\$ 766,178**

Total state and federal grants **\$ 1,579,373**

Total Intergovernmental Revenue **\$ 6,172,939**

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-002

Departmental Internal Accounting Controls

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

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

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

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

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

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

Client's Response:

Grant County will attempt to draft and adopt an accounting procedure policy in the future. Until such time that one is adopted, the management of Grant County is aware of the condition and will continue to monitor.

Finding 2006-003

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified a material adjustment that resulted in a significant change to the County's financial statements, which was reviewed and approved by the appropriate staff and is reflected in the financial statements.

Context: The inability to detect material misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: A material audit adjustment was necessary to record special assessments imposed on benefitting owners in conjunction with County Ditch 29 improvements. In the County Ditch 29 Debt Service Fund, special assessments receivable and unavailable revenue were increased by \$1,947,750.

Cause: County staff was not aware that the special assessment receivable and related unavailable revenue was required to be recorded in the year it was approved by the County Board of Commissioners.

Recommendation: We recommend that County staff is provided necessary training to ensure the County's annual financial statements are reported in accordance with generally accepted accounting principles.

Client's Response:

Grant County staff is aware of the receivable audit adjustment and will review to ensure that receivables will be appropriately recorded in the financial system and included as part of the annual financial statements in the future.

Finding 2007-002

Segregation of Duties - Payroll

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

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

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

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

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

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

Client's Response:

Grant County has created and appointed a Human Resources position that has assumed the H/R related functions that have been previously performed by the Auditor's Office and will periodically review the payroll reports and changes. The Human Resources Director and Auditor's Office are in the process of reviewing additional H/R and payroll software for use in Grant County.

Finding 2012-001

Documenting and Monitoring Internal Controls

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

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

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

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

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

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

Client's Response:

Grant County will attempt to establish a formal plan of monitoring internal controls including a review process for changes needed to maintain the control structure.

Finding 2012-002

Network/Application Password Controls

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

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

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

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

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

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

Client's Response:

Grant County will work with the software vendor to establish necessary password controls and attempt to adopt a Network Password Policy addressing IFS application access.

PREVIOUSLY REPORTED ITEMS RESOLVED

Bank Reconciliations (2007-003)

The reconciled bank balance and the Treasurer's cash book did not agree by \$64,043 in the prior year.

Resolution

At December 31, 2015, amounts in the Treasurer's cash book and the County's general ledger system have been adjusted to reflect amounts per the bank reconciliation.

Budget Documentation (2009-001)

In the prior year, the approved budget in the amount of \$5,671,688, for the Road and Bridge Special Revenue Fund was not reflected in the County's general ledger.

Resolution

Budget amounts were entered for each fund in the County's general ledger for 2015.



REBECCA OTTO
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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*

Independent Auditor's Report

Board of County Commissioners
Grant County
Elbow Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2016. Our report includes a reference to other auditors who audited the financial statements of the Housing and Redevelopment Authority of Grant County, the discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2006-003 to be a material weakness.

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Grant County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Grant County's Response to Findings

Grant County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Recommendations. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 29, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR