

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

GRANT COUNTY
ELBOW LAKE, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 public pension funds; and

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

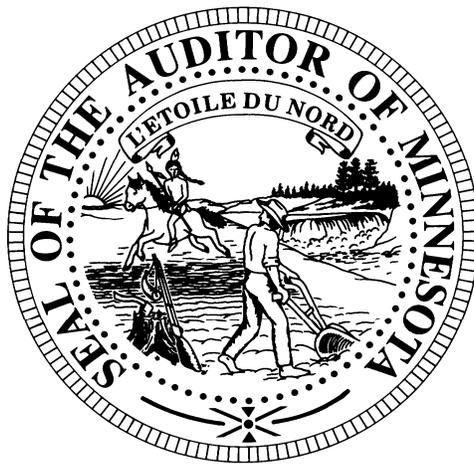
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

Year Ended December 31, 2018



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

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization Schedule		1
Financial Section		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	17
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	19
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	23
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	26
Fiduciary Funds		
Statement of Fiduciary Net Position	7	27
Notes to the Financial Statements		28
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	84
Road and Bridge Special Revenue Fund	A-2	86
Human Services Special Revenue Fund	A-3	87
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits	A-4	88
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-5	89
Schedule of Contributions	A-6	90

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Financial Section		
Required Supplementary Information (Continued)		
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-7	91
Schedule of Contributions	A-8	92
Notes to the Required Supplementary Information		93
Supplementary Information		
Combining and Individual Fund Financial Statements		
Nonmajor Governmental Funds		
Combining Balance Sheet	B-1	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	101
Budgetary Comparison Schedule – Solid Waste Special Revenue Fund	B-3	102
Agency Funds		103
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	C-1	104
Other Schedules		
Balance Sheet – By Ditch – Ditch Special Revenue Fund	D-1	107
Schedule of Intergovernmental Revenue	D-2	109
Schedule of Expenditures of Federal Awards	D-3	111
Notes to the Schedule of Expenditures of Federal Awards		113
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		115
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		118
Schedule of Findings and Questioned Costs		121
Corrective Action Plan		129
Summary Schedule of Prior Audit Findings		132

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2018**

Office	Name	Term Expires
Commissioners		
1st District	Troy Johnson	January 2021
2nd District	Pete Hoff	January 2019
3rd District	Keith Swanson	January 2021
4th District	Bill LaValley*	January 2019
5th District	Doyle Sperr	January 2021
Officers		
Elected		
Attorney	Justin R. Anderson	January 2019
Auditor	Chad Van Santen	January 2019
County Recorder	Diann Giese	January 2019
Sheriff	Troy Langlie	January 2019
Treasurer	Patricia Soberg	January 2019
Appointed		
Assessor	Karl Lindquist	January 2021
Highway Engineer	Tracey Von Bargaen	May 2020
Veterans Service Officer	Joe Hjelmstad	Indefinite
Coroner	Dr. Gregory Smith	January 2021
Social Services Board		
Member	Troy Johnson	January 2021
Member	Bill LaValley	January 2019
Member	Keith Swanson	January 2021
Chair	Pete Hoff	January 2019
Member	Doyle Sperr	January 2021
Director	Stacy Hennen	Indefinite

*Chair

This page was left blank intentionally.

This page was left blank intentionally.



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Grant County
Elbow Lake, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County, Minnesota, as of and for the year ended December 31, 2018, 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 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, 2018, 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 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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 Supplementary 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 23, 2019, 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 solely 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 effectiveness of Grant County's 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 component unit, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 23, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Unaudited)**

INTRODUCTION

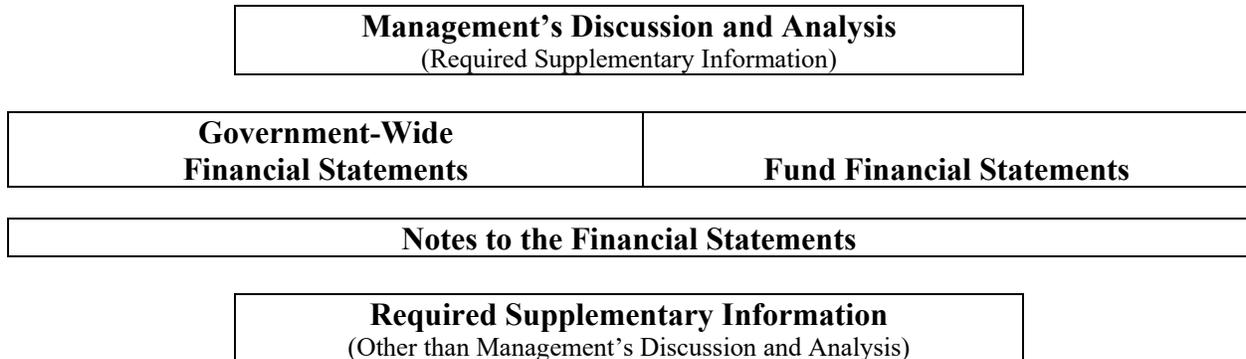
Grant County’s Management’s Discussion and Analysis (MD&A) provides an overview of the County’s financial activities for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with Grant County’s financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities’ total net position is \$40,752,346, of which \$34,440,286 is the net investment in capital assets and \$6,218,650 is restricted to specific purposes/uses by the County.
- The net cost of Grant County’s governmental activities for the year ended December 31, 2018, was \$5,948,304; the net cost was funded by general revenues totaling \$8,131,045.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 plus deferred outflows of resources, and liabilities plus deferred inflows of resources—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 the modified accrual method of accounting, which 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 a trust agreement. The County is also an agent for individuals, private organizations, other governments or other funds. 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 28 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	
	2018	2017
Assets		
Current and other assets	\$ 13,957,583	\$ 12,337,437
Capital assets, net of accumulated depreciation	42,743,391	42,527,026
Total Assets	\$ 56,700,974	\$ 54,864,463
Deferred Outflows of Resources		
Deferred OPEB outflows	\$ 28,686	\$ -
Deferred pension outflows	1,827,135	2,169,202
Total Deferred Outflows of Resources	\$ 1,855,821	\$ 2,169,202
Liabilities		
Current liabilities	\$ 668,531	\$ 687,740
Long-term liabilities	15,159,571	15,622,468
Total Liabilities	\$ 15,828,102	\$ 16,310,208
Deferred Inflows of Resources		
Deferred pension inflows	\$ 1,976,347	\$ 1,914,123
Prepaid property taxes	-	90,691
Total Deferred Inflows of Resources	\$ 1,976,347	\$ 2,004,814
Net Position		
Net investment in capital assets	\$ 34,440,286	\$ 33,937,324
Restricted	6,218,650	4,590,685
Unrestricted	93,410	190,634
Total Net Position	\$ 40,752,346	\$ 38,718,643
Change in accounting principle*		(149,038)
Total Net Position, as restated		\$ 38,569,605

*The January 1, 2018, net position was decreased by \$149,038 to adopt new accounting guidance by implementing the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The County's total net position for the year ended December 31, 2018, totals \$40,752,346. The governmental activities' unrestricted net position, totaling \$93,410, is available to finance the day-to-day operations of the governmental activities of Grant County.

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 2,732,267	\$ 2,090,880
Operating grants and contributions	5,746,581	5,278,240
Capital grants and contributions	213,774	-
General revenues		
Property taxes	6,726,538	6,562,055
Other taxes	231,012	300,173
Payments in lieu of tax	70,351	63,483
Grants and contributions not restricted to specific programs	1,006,924	605,624
Unrestricted investment earnings	96,220	40,281
Total Revenues	<u>\$ 16,823,667</u>	<u>\$ 14,940,736</u>
Expenses		
General government	\$ 3,885,677	\$ 3,205,112
Public safety	2,046,713	2,127,856
Highways and streets	3,629,120	3,409,564
Sanitation	656,204	637,378
Human services	3,267,820	3,238,746
Health	69,918	86,993
Culture and recreation	100,552	98,498
Conservation of natural resources	533,250	550,947
Economic development	50,000	45,000
Interest	401,672	198,975
Total Expenses	<u>\$ 14,640,926</u>	<u>\$ 13,599,069</u>
Change in Net Position	\$ 2,182,741	\$ 1,341,667
Net Position – January 1, as restated (Note 1.E.)	<u>38,569,605</u>	<u>37,376,976</u>
Net Position – December 31	<u>\$ 40,752,346</u>	<u>\$ 38,718,643</u>

Governmental Activities

Revenues for Grant County's governmental activities for the year ended December 31, 2018, were \$16,823,667. The County's cost for all governmental activities for the year ended December 31, 2018, was \$14,640,926. Net position for the County's governmental activities increased by \$2,182,741 in 2018, an increase of 5.6 percent.

As shown in the Statement of Activities, the amount that Grant County taxpayers ultimately financed for these governmental activities through local property taxation was \$6,726,538, because \$8,692,622 of the costs were paid by grants and contributions received for those programs and by those who directly benefited from the programs, and \$1,006,924 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 \$397,583 in other revenues, such as investment income, mortgage registry tax, state deed tax, wind tax, and payments in lieu of tax.

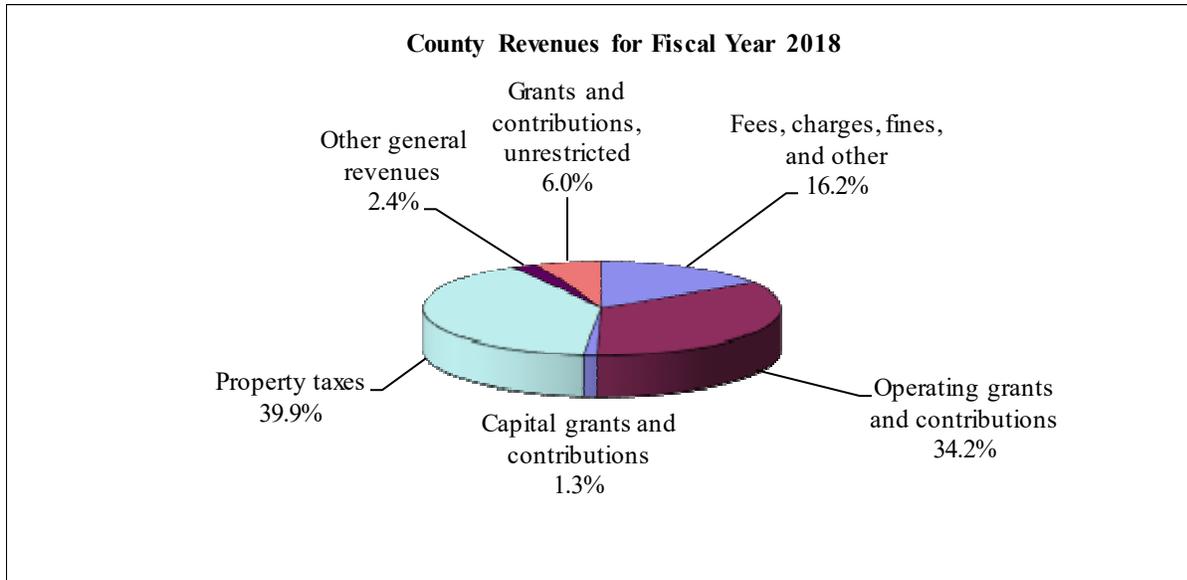
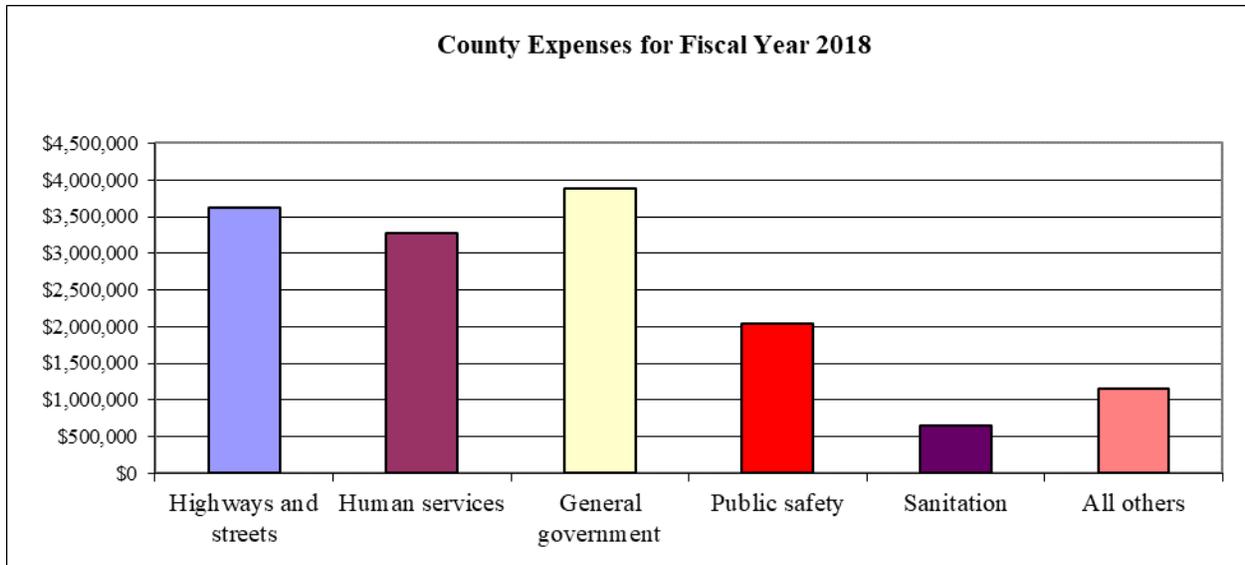


Table 3 presents the cost of each of Grant County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Grant County taxpayers by each of these functions.

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program expenses		
Highways and streets	\$ 3,629,120	\$ (546,281)
Human services	3,267,820	754,257
General government	3,885,677	3,243,381
Public safety	2,046,713	1,549,512
Sanitation	656,204	13,191
All others	<u>1,155,392</u>	<u>934,244</u>
 Total Program Expenses	 <u>\$ 14,640,926</u>	 <u>\$ 5,948,304</u>



THE COUNTY'S FUNDS

As Grant County completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of \$9,107,197.

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; in 2018, no budget amendments were made.

In the General Fund, the actual revenues were \$1,057,611 more than expected revenues, and actual expenditures were \$769,736 more than budgeted expenditures. These increases were primarily due to non-budgeted revenues and expenditures for a grant project and restricted funds such as E-911 and Recorder's compliance and technology.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, Grant County had \$42,743,391 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)

	2018	2017
Land and right-of-way	\$ 1,172,702	\$ 1,172,702
Construction in progress	7,902,951	7,404,714
Buildings	5,281,543	5,701,512
Office furniture and equipment	290,992	324,760
Machinery and automotive	1,091,583	870,437
Infrastructure	27,003,620	27,052,901
Totals	\$ 42,743,391	\$ 42,527,026

Long-Term Debt

As of December 31, 2018, Grant County had \$4,518,105 in bonds outstanding, compared with \$4,874,702 as of December 31, 2017, a decrease of 7.3 percent.

Table 5
Outstanding Debt at Year-End

	2018	2017
Bonds payable		
General obligation bonds	\$ 820,000	\$ 1,110,000
General obligation special assessment bonds	1,715,000	1,785,000
Taxable general obligation capital improvement bonds	2,000,000	2,000,000
Less: unamortized discounts	(16,895)	(20,298)
Totals	\$ 4,518,105	\$ 4,874,702

Other long-term obligations include the capital lease, loans payable, compensated absences, other postemployment benefits, and the net pension liability. 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 2019 budget and tax rates. These factors include federal and state aid, increasing input costs and maintaining appropriate fund balances while being mindful of the burden on County taxpayers and a need to provide a certain level of services to Grant County residents/taxpayers.

- 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 Northeast, Elbow Lake, Minnesota 56531-4400.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
<u>Assets</u>		
Cash and pooled investments	\$ 8,636,409	\$ 659,962
Taxes receivable – net	102,029	-
Special assessments receivable		
Delinquent	4,528	-
Noncurrent	1,682,222	-
Accounts receivable – net	205,952	-
Rent receivable – net	-	8,829
Accrued interest receivable	7,942	-
Due from other governments	3,091,547	-
Prepaid items	11,256	21,943
Inventories	215,698	-
Restricted assets		
Cash and pooled investments	-	25,984
Capital assets		
Non-depreciable	9,075,653	175,846
Depreciable – net of accumulated depreciation	33,667,738	1,862,237
Total Assets	\$ 56,700,974	\$ 2,754,801
<u>Deferred Outflows of Resources</u>		
Deferred other postemployment benefits outflows	\$ 28,686	\$ -
Deferred pension outflows	1,827,135	-
Total Deferred Outflows of Resources	\$ 1,855,821	\$ -
<u>Liabilities</u>		
Accounts payable	\$ 248,667	\$ 82,642
Salaries payable	78,196	-
Contracts payable	132,300	-
Due to other governments	117,475	-
Accrued interest payable	76,874	-
Unearned revenue	15,019	-
Long-term liabilities		
Due within one year	585,838	52,765
Due in more than one year	9,899,764	878,028
Net pension liability	3,969,059	-
Other postemployment benefits liability	704,910	-
Total Liabilities	\$ 15,828,102	\$ 1,013,435

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

Page 15

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
<u>Deferred Inflows of Resources</u>		
Deferred pension inflows	\$ 1,976,347	\$ -
<u>Net Position</u>		
Net investment in capital assets	\$ 34,440,286	\$ 1,120,617
Restricted for		
Debt service	2,160,011	-
General government	174,632	-
Public safety	439,750	-
Highways and streets	2,813,849	-
Conservation of natural resources	582,970	-
Sanitation	29,012	-
Held in trust for other purposes	18,426	-
Other purposes	-	2,417
Unrestricted	93,410	618,332
Total Net Position	\$ 40,752,346	\$ 1,741,366

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Primary government		
Governmental activities		
General government	\$ 3,885,677	\$ 580,523
Public safety	2,046,713	382,103
Highways and streets	3,629,120	83,231
Sanitation	656,204	575,284
Human services	3,267,820	922,387
Health	69,918	-
Culture and recreation	100,552	-
Conservation of natural resources	533,250	188,739
Economic development	50,000	-
Interest	401,672	-
Total Primary Government	<u>\$ 14,640,926</u>	<u>\$ 2,732,267</u>
Component unit		
Housing and Redevelopment Authority of Grant County	<u>\$ 906,627</u>	<u>\$ 539,175</u>

General Revenues

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

Total general revenues

Change in net position

Net Position – Beginning, as restated (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
\$ 61,773	\$ -	\$ (3,243,381)	
115,098	-	(1,549,512)	
3,878,396	213,774	546,281	
67,729	-	(13,191)	
1,591,176	-	(754,257)	
-	-	(69,918)	
-	-	(100,552)	
32,409	-	(312,102)	
-	-	(50,000)	
-	-	(401,672)	
\$ 5,746,581	\$ 213,774	\$ (5,948,304)	
\$ 231,162	\$ -		\$ (136,290)
		\$ 6,726,538	\$ -
		174,237	-
		56,775	-
		70,351	-
		1,006,924	-
		96,220	2,813
		\$ 8,131,045	\$ 2,813
		\$ 2,182,741	\$ (133,477)
		38,569,605	1,874,843
		\$ 40,752,346	\$ 1,741,366

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 2,818,837	\$ 1,242,933
Undistributed cash in agency funds	132,441	38,664
Taxes receivable - net	62,002	19,799
Special assessments		
Delinquent	-	-
Noncurrent	29,012	-
Accounts receivable – net	205,952	-
Accrued interest receivable	7,861	-
Due from other funds	-	-
Due from other governments	25,251	2,456,223
Prepaid expense	-	-
Inventories	-	215,698
	\$ 3,281,356	\$ 3,973,317
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 79,250	\$ 105,398
Salaries payable	38,592	16,386
Contracts payable	-	132,300
Due to other funds	-	1,554
Due to other governments	56,650	36,608
Unearned revenue	-	-
	\$ 174,492	\$ 292,246
 Deferred Inflows of Resources		
Unavailable revenues	\$ 53,798	\$ 2,448,160

EXHIBIT 3

<u>Human Services</u>	<u>County Ditch 29 Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 2,985,415	\$ 139,710	\$ 1,232,973	\$ 8,419,868
30,115	548	14,773	216,541
15,416	-	4,812	102,029
-	-	4,528	4,528
-	1,653,210	-	1,682,222
-	-	-	205,952
-	64	17	7,942
1,554	-	-	1,554
610,073	-	-	3,091,547
11,256	-	-	11,256
-	-	-	215,698
<u>\$ 3,653,829</u>	<u>\$ 1,793,532</u>	<u>\$ 1,257,103</u>	<u>\$ 13,959,137</u>
\$ 55,777	\$ -	\$ 8,242	\$ 248,667
22,938	-	280	78,196
-	-	-	132,300
-	-	-	1,554
10,818	-	13,399	117,475
15,019	-	-	15,019
<u>\$ 104,552</u>	<u>\$ -</u>	<u>\$ 21,921</u>	<u>\$ 593,211</u>
<u>\$ 98,753</u>	<u>\$ 1,653,210</u>	<u>\$ 4,808</u>	<u>\$ 4,258,729</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Trust principal	\$ -	\$ -
Inventories	-	215,698
Missing heirs	18,426	-
Restricted		
Law library	13,507	-
Debt service	-	-
Recorder's technology equipment	65,908	-
Election equipment	54,798	-
E-911	414,471	-
Recorder's compliance	40,419	-
DARE	132	-
Forfeitures	25,147	-
County state-aid highway system	-	875,134
Ditch maintenance and construction	-	-
Committed		
Sheriff's contingencies	5,000	-
Assigned		
Highways and streets	-	142,079
Human services	-	-
Sanitation	-	-
Sheriff improvement	31,174	-
Unassigned	2,384,084	-
Total Fund Balances	\$ 3,053,066	\$ 1,232,911
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,281,356	\$ 3,973,317

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
-	-	-	215,698
-	-	-	18,426
-	-	-	13,507
-	-	506,801	506,801
-	-	-	65,908
-	-	-	54,798
-	-	-	414,471
-	-	-	40,419
-	-	-	132
-	-	-	25,147
-	-	-	875,134
-	140,322	324,443	464,765
-	-	-	5,000
-	-	-	142,079
3,450,524	-	-	3,450,524
-	-	280,925	280,925
-	-	-	31,174
-	-	-	2,384,084
\$ 3,450,524	\$ 140,322	\$ 1,230,374	\$ 9,107,197
\$ 3,653,829	\$ 1,793,532	\$ 1,257,103	\$ 13,959,137

This page was left blank intentionally.

**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, 2018**

Fund balances – total governmental funds (Exhibit 3)		\$	9,107,197
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.			42,743,391
Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds.			
Deferred other postemployment benefits outflows	\$	28,686	
Deferred pension outflows		<u>1,827,135</u>	1,855,821
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.			4,258,729
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
General obligation bonds	\$	(4,535,000)	
Bond discounts		16,895	
Capital lease payable		(5,500,000)	
Loans payable		(34,884)	
Other postemployment benefits liability		(704,910)	
Compensated absences		(432,613)	
Net pension liability		(3,969,059)	
Accrued interest payable		<u>(76,874)</u>	(15,236,445)
Deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.			
Deferred pension inflows			<u>(1,976,347)</u>
Net Position of Governmental Activities (Exhibit 1)		\$	<u>40,752,346</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Road and Bridge
Revenues		
Taxes	\$ 4,364,198	\$ 1,270,627
Special assessments	-	-
Licenses and permits	16,382	-
Intergovernmental	964,327	2,499,095
Charges for services	758,614	57,738
Fines and forfeits	35,398	-
Gifts and contributions	11,153	-
Investment earnings	94,611	-
Miscellaneous	152,712	25,493
	\$ 6,397,395	\$ 3,852,953
Expenditures		
Current		
General government	\$ 3,451,298	\$ -
Public safety	1,968,613	-
Highways and streets	-	3,956,359
Sanitation	-	-
Human services	-	-
Health	69,918	-
Culture and recreation	100,552	-
Conservation of natural resources	441,059	-
Economic development	50,000	-
Intergovernmental		
Highways and streets	-	274,063
Debt service		
Principal	3,504	-
Interest	23,876	-
	\$ 6,108,820	\$ 4,230,422
Net Change in Fund Balance	\$ 288,575	\$ (377,469)
Fund Balance – January 1	2,764,491	1,677,546
Increase (decrease) in inventories	-	(67,166)
Fund Balance – December 31	\$ 3,053,066	\$ 1,232,911

EXHIBIT 5

<u>Human Services</u>	<u>County Ditch 29 Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 989,612	\$ -	\$ 349,113	\$ 6,973,550
-	139,520	202,243	341,763
-	-	-	16,382
1,739,903	-	173,978	5,377,303
706,121	-	453,315	1,975,788
-	-	-	35,398
-	-	-	11,153
-	441	1,168	96,220
175,077	-	6,124	359,406
<u>\$ 3,610,713</u>	<u>\$ 139,961</u>	<u>\$ 1,185,941</u>	<u>\$ 15,186,963</u>
\$ -	\$ -	\$ -	\$ 3,451,298
-	-	-	1,968,613
-	-	-	3,956,359
-	-	649,366	649,366
3,215,291	-	-	3,215,291
-	-	-	69,918
-	-	-	100,552
-	-	88,163	529,222
-	-	-	50,000
-	-	-	274,063
-	70,000	290,000	363,504
187,102	52,195	138,578	401,751
<u>\$ 3,402,393</u>	<u>\$ 122,195</u>	<u>\$ 1,166,107</u>	<u>\$ 15,029,937</u>
\$ 208,320	\$ 17,766	\$ 19,834	\$ 157,026
3,242,204	122,556	1,210,540	9,017,337
-	-	-	(67,166)
<u>\$ 3,450,524</u>	<u>\$ 140,322</u>	<u>\$ 1,230,374</u>	<u>\$ 9,107,197</u>

**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, 2018**

Net change in fund balances – total governmental funds (Exhibit 5) \$ 157,026

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	\$	4,258,729	
Unavailable revenue – January 1		<u>(2,622,026)</u>	1,636,703

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	\$	1,809,654	
Net book value of assets sold		(142,120)	
Current year depreciation		<u>(1,451,169)</u>	216,365

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. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Principal repayments			
General obligation bonds	\$	360,000	
Loans		3,504	
Current year amortization of discounts		<u>(3,403)</u>	360,101

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	\$	3,483	
Change in compensated absences		(24,126)	
Change in other postemployment benefits		(21,478)	
Change in inventories		(67,166)	
Change in deferred other postemployment benefits outflows		28,686	
Change in deferred pension outflows		(342,067)	
Change in deferred pension inflows		(62,224)	
Change in net pension liability		<u>297,438</u>	<u>(187,454)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,182,741

FIDUCIARY FUNDS

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 581,656
Due from other governments	<u>248,341</u>
Total Assets	<u><u>\$ 829,997</u></u>
<u>Liabilities</u>	
Due to other governments	<u><u>\$ 829,997</u></u>

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. 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 by 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, 2018.

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 Northeast 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 4.B. The County also participates in jointly-governed organizations described in Note 4.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 resources 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 financial statements are reported using the economic resources measurement focus and the full 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. Investments are reported at their fair value at December 31, 2018. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

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.

**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)

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2018 were \$94,611.

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 2013 through 2018, and noncurrent special assessments payable in 2019 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.

4. Inventories and Prepaid Items

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items (Continued)

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

5. Capital Assets

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

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

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

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

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

6. Unearned Revenue

All County governmental funds and the government-wide financial statements report unearned 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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

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

The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of compensatory time and 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. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

**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)

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. The County has two 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. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting 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, 2018, 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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. Restatement of Net Position

Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes the amount employers report as OPEB expense and defers some allocations of expenses to future years as deferred outflows or inflows of resources. This statement also requires additional note disclosures and schedules in the required supplementary information. Beginning net position has been restated to reflect this change.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Net Position

Change in Accounting Principles (Continued)

	Governmental Activities
Net Position, January 1, 2018, as previously reported	\$ 38,718,643
Change in accounting principles	(149,038)
Net Position, January 1, 2018, as restated	\$ 38,569,605

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	\$ 8,636,409
Statement of fiduciary net position	
Cash and pooled investments	581,656
Total Cash and Investments	\$ 9,218,065

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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

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, 2018, were entirely covered by federal depository insurance and collateral in accordance with Minnesota statutes.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

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, 2018, were rated.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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. As of December 31, 2018, the County's investments were not exposed to 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.

The following table presents the County's deposit and investment balances at December 31, 2018, and information relating to potential investment risk:

Investment Type	Concentration of Credit Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
Negotiable certificates of deposit			
Discover Bank DE US	<5%	11/22/2020	\$ 242,724
Goldman Sachs Bank NY US	<5%	10/14/2020	236,928
Comenity Bank DE US	<5%	04/15/2019	197,574
Barclays Bank DE US	<5%	11/14/2023	239,292
Total negotiable certificates of deposit			\$ 916,518
Investment pools			
MAGIC Fund	84.47%		5,186,784
Money market accounts with broker	<5%		37,035
Total investments			\$ 6,140,337
Deposits			3,076,303
Petty cash			1,425
Total Cash and Investments			\$ 9,218,065

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2018, the County had the following recurring fair value measurements:

	December 31, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Negotiable certificates of deposit	\$ 916,518	\$ -	\$ 916,518	\$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 4,186,784			
MAGIC Term	1,000,000			
Money Market Mutual Funds	37,035			
Total investments measured at the NAV	\$ 5,223,819			
Total Investments	\$ 6,140,337			

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurement (Continued)

All Level 2 debt securities are valued using a matrix pricing technique based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions.

There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

The County invests in money market funds for the benefit of liquid investments that can be readily re-invested. Money market funds held by the County seek a constant NAV of \$1.00 per share.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2018, 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	\$ 102,029	\$ -
Special assessments	1,686,750	1,682,222
Accounts	205,952	-
Accrued interest	7,942	-
Due from other governments	3,091,547	-
Total Governmental Activities	\$ 5,094,220	\$ 1,682,222

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 244,383	\$ -	\$ -	\$ 244,383
Right-of-way	928,319	-	-	928,319
Construction in progress	7,404,714	1,035,718	537,481	7,902,951
Total capital assets not depreciated	\$ 8,577,416	\$ 1,035,718	\$ 537,481	\$ 9,075,653
Capital assets depreciated				
Buildings	\$ 9,554,925	\$ -	\$ 1,309,518	\$ 8,245,407
Office furniture and equipment	1,047,269	44,762	40,562	1,051,469
Machinery and automotive	3,637,341	401,842	263,179	3,776,004
Infrastructure	43,884,468	864,813	-	44,749,281
Total capital assets depreciated	\$ 58,124,003	\$ 1,311,417	\$ 1,613,259	\$ 57,822,161

**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	\$ 3,853,413	\$ 277,849	\$ 1,167,398	\$ 2,963,864
Office furniture and equipment	722,509	78,530	40,562	760,477
Machinery and automotive	2,766,904	180,696	263,179	2,684,421
Infrastructure	16,831,567	914,094	-	17,745,661
Total accumulated depreciation	\$ 24,174,393	\$ 1,451,169	\$ 1,471,139	\$ 24,154,423
Total capital assets depreciated, net	\$ 33,949,610	\$ (139,752)	\$ 142,120	\$ 33,667,738
Governmental Activities				
Capital Assets, Net	\$ 42,527,026	\$ 895,966	\$ 679,601	\$ 42,743,391

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

Governmental Activities	
General government	\$ 290,242
Public safety	76,379
Highways and streets, including depreciation of infrastructure	1,077,932
Sanitation	6,267
Conservation of natural resources	349
Total Depreciation Expense	\$ 1,451,169

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Description
Human Services Special Revenue Fund	Road and Bridge Special Revenue Fund	\$ 1,554	Charges for services

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2018, were as follows:

	Governmental Activities
Accounts	\$ 248,667
Salaries	78,196
Contracts	132,300
Due to other governments	117,475
Accrued interest	76,874
Total Payables	\$ 653,512

2. Construction Commitments

The County has active construction projects as of December 31, 2018. The projects include the following:

	Spent-to-Date	Remaining Commitment
Highways and streets		
Roads and bridges	\$ 2,586,713	\$ 132,300

3. Operating Lease Commitments

The County has operating leases for vehicles with varying expiration dates, the latest of which expires April 30, 2020. The lease terms range from 36 to 60 months. Including usage charges, the total cost for these leases in 2018 was \$106,585.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Operating Lease Commitments (Continued)

Following are the future minimum operating lease payments:

Year	Future Minimum Lease Payments
2019	\$ 87,634
2020	34,256
Total	\$ 121,890

4. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds 2011A Bonds	2022	\$110,000 – \$300,000	1.00 – 3.20	\$ 2,480,000	\$ 820,000
Taxable general obligation capital improvement plan bonds 2011B Bonds	2026	\$2,000,000	5.50	2,000,000	2,000,000
General obligation special assessment bonds 2015A Bonds	2036	\$70,000 – \$125,000	0.00 – 4.00	1,855,000	1,715,000
Total General Obligation Bonds				\$ 6,335,000	\$ 4,535,000

Loans Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
SRF0280 State of Minnesota Septic System Replacement Loans	2027	\$3,505 – \$4,192	2.00	\$ 38,388	\$ 34,884

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Loans Payable (Continued)

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. Loan payments are reported in the General Fund.

5. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	General Obligation Bonds		Taxable General Obligation Capital Improvement Plan Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 295,000	\$ 19,589	\$ -	\$ 110,000
2020	300,000	11,330	-	110,000
2021	110,000	5,330	-	110,000
2022	115,000	1,840	-	110,000
2023	-	-	-	110,000
2024 – 2026	-	-	2,000,000	275,000
Total	<u>\$ 820,000</u>	<u>\$ 38,089</u>	<u>\$ 2,000,000</u>	<u>\$ 825,000</u>

Year Ending December 31	General Obligation Special Assessment Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2019	\$ 75,000	\$ 50,250	\$ 3,574	\$ 680
2020	75,000	48,750	3,646	608
2021	75,000	47,250	3,720	535
2022	80,000	45,700	3,795	460
2023	80,000	44,100	3,871	384
2024 – 2028	445,000	188,401	16,278	741
2029 – 2033	525,000	117,225	-	-
2034 – 2036	360,000	22,000	-	-
Total	<u>\$ 1,715,000</u>	<u>\$ 563,676</u>	<u>\$ 34,884</u>	<u>\$ 3,408</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Capital Lease

In 2017, Grant County entered into a capital lease agreement with the Economic Development Authority of the City of Elbow Lake (EDA) for the construction of a building to house the County's Human Services Department. This agreement qualifies as a capital lease for accounting purposes. The building is under construction and is recorded by the County as a capital asset (construction in progress) at the amount of the bond issued by the EDA.

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Original</u>	<u>Payment Amount</u>	<u>Balance</u>
Building	2043	\$150,000 – \$335,000	\$ 5,500,000	\$ -	\$ 5,500,000

The future lease obligations equal the bond principal and interest payments of the bond issued by the EDA. The scheduled lease payments as of December 31, 2018, were as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 150,000	\$ 198,711	\$ 348,711
2020	150,000	195,711	345,711
2021	155,000	192,711	347,711
2022	160,000	189,030	349,030
2023	165,000	185,230	350,230
2024 – 2028	880,000	855,519	1,735,519
2029 – 2033	1,045,000	698,850	1,743,850
2034 – 2038	1,250,000	481,150	1,731,150
2039 – 2043	1,545,000	199,920	1,744,920
Total	<u>\$ 5,500,000</u>	<u>\$ 3,196,832</u>	<u>\$ 8,696,832</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,110,000	\$ -	\$ 290,000	\$ 820,000	\$ 295,000
Taxable general obligation capital improvement plan bonds	2,000,000	-	-	2,000,000	-
General obligation special assessment bonds	1,785,000	-	70,000	1,715,000	75,000
Less: unamortized discount	<u>(20,298)</u>	<u>-</u>	<u>(3,403)</u>	<u>(16,895)</u>	<u>-</u>
Total general obligation bonds	\$ 4,874,702	\$ -	\$ 356,597	\$ 4,518,105	\$ 370,000
Loans payable	38,388	-	3,504	34,884	3,574
Capital lease payable	5,500,000	-	-	5,500,000	150,000
Compensated absences	<u>408,487</u>	<u>322,187</u>	<u>298,061</u>	<u>432,613</u>	<u>62,264</u>
Total Long-Term Liabilities	<u>\$ 10,821,577</u>	<u>\$ 322,187</u>	<u>\$ 658,162</u>	<u>\$ 10,485,602</u>	<u>\$ 585,838</u>

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

8. Deferred Inflows of Resources

Deferred inflows of resources – 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, money from state-aid highway allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Unavailable revenue at December 31, 2018, is summarized by fund:

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

8. Deferred Inflows of Resources (Continued)

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Other	Total
Major governmental funds					
General	\$ 53,798	\$ -	\$ -	\$ -	\$ 53,798
Special Revenue					
Road and Bridge	8,181	10,689	2,429,290	-	2,448,160
Human Services	6,366	57,883	-	34,504	98,753
County Ditch 29 Debt Service	1,653,210	-	-	-	1,653,210
Nonmajor governmental funds					
Ditch Special Revenue	334	-	-	-	334
Solid Waste Special Revenue	2,847	-	-	-	2,847
Courthouse Improvement Debt Service	1,627	-	-	-	1,627
Total	\$ 1,726,363	\$ 68,572	\$ 2,429,290	\$ 34,504	\$ 4,258,729

D. 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.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active plan participants	87
Total	88

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

The County's total OPEB liability of \$704,910 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date. The total OPEB liability is liquidated through the General Fund and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.50 percent, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The current year discount rate is 3.30 percent based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).

The actuarial assumptions are currently based on a combination of historical information, projected future data, and the most recent actuarial experience studies for PERA.

The method to develop claims costs was done under the Alternative Measurement Method.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018, as restated (Note 1.E.)	\$ 683,432
Changes for the year	
Service cost	\$ 88,313
Interest	23,981
Benefit payments	(90,816)
Net change	\$ 21,478
Balance at December 31, 2018	\$ 704,910

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	\$ 759,481
Current	3.30	704,910
1% Increase	4.30	653,760

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.50%	\$ 639,039
Current	6.50% Decreasing to 5.50%	704,910
1% Increase	7.50% Decreasing to 6.50%	782,776

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of (\$7,208). The County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to the measurement date	\$ 28,686

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

The \$28,686 reported as deferred outflows of resources related to OPEB resulting from the contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- The retiree plan participation assumption was changed from 50 percent to 25 percent for participants not eligible for a pre-65 subsidy, and from 100 percent to 75 percent for participants eligible for a pre-65 subsidy.
- The percent of married retirees electing spouse coverage was changed from 25 percent to 15 percent.
- The discount rate was changed from 4.00 percent to 3.00 percent.

E. 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 Plan (the General Employees Plan) and the Public Employees Police and

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

1. Plan Description (Continued)

Fire Plan (the Police and Fire Plan), 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.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Grant County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 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. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

benefit increase will be 2.50 percent. If, after reverting to a 2.50 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 1.00 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.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service.

For General Employees Plan 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 Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. 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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018.

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	\$ 291,577
Police and Fire Plan	124,345

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

4. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of \$3,217,602 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.0580 percent. It was 0.0552 percent measured as of June 30, 2017. The County recognized pension expense of \$406,638 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$24,611 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	\$	3,217,602
State of Minnesota's proportionate share of the net pension liability associated with the County		105,539
Total	\$	3,323,141

The County reported its proportionate share of the General Employees Plan'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	\$ 81,237	\$ 83,164
Changes in actuarial assumptions	272,386	349,585
Difference between projected and actual investment earnings	-	353,691
Changes in proportion	297,402	-
Contributions paid to PERA subsequent to the measurement date	147,749	-
Total	\$ 798,774	\$ 786,440

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The \$147,749 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, 2019. 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
2019	\$ 200,511
2020	(59,964)
2021	(208,805)
2022	(67,157)

Police and Fire Plan

At December 31, 2018, the County reported a liability of \$751,457 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.071 percent. It was 0.055 percent measured as of June 30, 2017. The County recognized pension expense of \$116,902 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$6,345 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 Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

The County reported its proportionate share of the Police and Fire Plan'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	\$ 26,434	\$ 145,696
Changes in actuarial assumptions	742,098	868,556
Difference between projected and actual investment earnings	-	148,901
Changes in proportion	194,472	26,754
Contributions paid to PERA subsequent to the measurement date	65,357	-
Total	\$ 1,028,361	\$ 1,189,907

The \$65,357 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, 2019. 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
2019	\$ 20,357
2020	(6,863)
2021	(58,749)
2022	(214,048)
2023	32,400

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$523,540.

5. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The long-term expected rate of return on pension plan investments is 7.50 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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. 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, the fiduciary net position of the General Employees Plan and the Police and Fire Plan were 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. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Plan (Continued)

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

E. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 5,229,016	6.50%	\$ 1,611,172
Current	7.50	3,217,602	7.50	751,457
1% Increase	8.50	1,557,238	8.50	40,509

9. 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.

F. Defined Contribution Plan

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

2. Detailed Notes on All Funds

F. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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, 2018, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 3,920	\$ 3,920
Percentage of covered payroll	5.00%	5.00%

3. 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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2018 and 2019. 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 Lakes Country 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.

4. 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**

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

B. Joint Ventures

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 Grant Public Health Nursing Service began receiving and administering the grant money for Stevens, Traverse, and Grant Counties. Mid-State Community Health Services was renamed to Horizon Community Health Board when Douglas County was added as a member on January 1, 2011. Horizon Community Health Board was renamed to Horizon Public Health on January 1, 2015, when it became a fiscally independent entity. The budget is now approved by the five-county Board.

Control is vested in Horizon's Board, which consists of 13 members comprised of 11 County Commissioners and two 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 and contributions from the five member counties. During 2018, Grant County contributed \$54,162 in funds to Horizon Public Health.

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

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

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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

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

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

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, 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. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership 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 of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board of Directors 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**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

PrimeWest Health (Continued)

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Grant County did not make any contributions to PrimeWest Health in 2018.

Complete financial information can be obtained from:

PrimeWest Health
3905 Dakota Street, Suite 101
Alexandria, Minnesota 56308

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 the City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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 appropriations from member parties and by state and federal grants. During 2018, Grant County did not contribute any funds to the Board.

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

Douglas, Grant, Pope, 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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

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.

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

Complete financial information can be obtained from:

Region 4 South Adult Mental Health Consortium
Region 4 South Consortium
507 North Nokomis Northeast, Suite 203
Alexandria, Minnesota 56308

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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Rainbow Rider Transit Board (Continued)

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 Rainbow Rider 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.

Complete financial information can be obtained from:

Rainbow Rider
PO Box 136
Lowry, Minnesota 56349

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59 for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Grant County and 22 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of \$3,600,000.

Control is vested in the CPT Board, which consists of one individual appointed by each member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by each member is to be repaid from any excess in fund balance at the end of the fiscal year, in proportion to the initial contribution. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Counties Providing Technology (Continued)

Financing is primarily from county member contributions. During 2018, Grant County contributed \$175,000 to CPT.

Current financial information can be obtained from:

Stevens County Auditor/Treasurer
400 Colorado Avenue, Suite 303
Morris, Minnesota 56267

C. Jointly-Governed Organizations

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

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 Homeland 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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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 \$186,428 in 2018 for services purchased through Lakeland Mental Health Center.

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 Rural Counties Caucus

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. 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 United States Housing Act of 1937, as amended. 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, 2018.

2. Basis of Accounting

The HRA is reported and accounted for using the full 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. The collection loss for December 31, 2018, was \$2,983.

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 as follows:

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Capital Assets (Continued)

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, 2018.

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.

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	\$ 246,956
Certificates of deposit	413,006
	<hr/>
Total cash and pooled investments	\$ 659,962
Restricted cash	
Tenant security deposits	25,984
	<hr/>
Total Cash and Investments	<u>\$ 685,946</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits (Continued)

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, 2018, the HRA’s deposits had a carrying amount of \$685,946 and a bank balance of \$718,933. Of the bank balance, \$333,250 was covered by federal depository insurance. Collateral of \$424,251 was required for the remaining funds. The amount of qualified collateral held in safekeeping was \$613,074. The HRA had sufficient collateral coverage on all cash accounts.

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, 2018, the HRA had no investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

3. Capital Assets

The HRA's capital asset activity for the year ended December 31, 2018, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not depreciated				
Land	\$ 175,846	\$ -	\$ -	\$ 175,846
Capital assets depreciated				
Buildings	\$ 5,855,147	\$ -	\$ -	\$ 5,855,147
Equipment, furniture, and fixtures	354,892	-	-	354,892
Total capital assets depreciated	\$ 6,210,039	\$ -	\$ -	\$ 6,210,039
Less: accumulated depreciation	4,138,325	209,477	-	4,347,802
Total capital assets depreciated, net	\$ 2,071,714	\$ (209,477)	\$ -	\$ 1,862,237
Total	\$ 2,247,560	\$ (209,477)	\$ -	\$ 2,038,083

4. Long-Term Debt

Long-term liability activity for the year ended December 31, 2018, was as follows:

Type of Indebtedness	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2002 GMHF Loan	\$ 101,500	\$ -	\$ -	\$ 101,500	\$ -
MHFA Loan	165,966	-	-	165,966	-
2009 Housing Development Bonds	700,000	-	50,000	650,000	45,000
Compensated absences	12,887	7,762	7,322	13,327	7,765
Total Long-Term Debt	\$ 980,353	\$ 7,762	\$ 57,322	\$ 930,793	\$ 52,765

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt (Continued)

Bonds and loans payable at December 31, 2018, consisted of the following issues:

	Original Issue Amount	Final Maturity	Interest Rate (%)	Outstanding Balance December 31, 2018
2002 GMHF Loan	\$ 101,500	2027	–	\$ 101,500
MHFA Loan	165,966	2030	–	165,966
2009 Housing Development Bonds	1,055,000	2029	1.25 – 4.50	650,000
Total Long-Term Debt	<u>\$ 1,322,466</u>			<u>\$ 917,466</u>

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

The 2016 MHFA Loan matures on March 12, 2030. The loan is noninterest-bearing, unsecured, and requires no periodic payments.

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

The annual minimum payment requirements for bonds and loans outstanding as of December 31, 2018, are as follows:

Year Ending December 31	Principal	Interest	Total
2019	\$ 45,000	\$ 27,820	\$ 72,820
2020	50,000	26,020	76,020
2021	50,000	24,020	74,020
2022	55,000	22,020	77,020
2023	55,000	19,710	74,710
2024 – 2028	421,500	60,155	481,655
2029 – 2031	240,966	3,375	244,341
Totals	<u>\$ 917,466</u>	<u>\$ 183,120</u>	<u>\$ 1,100,586</u>

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Component Unit Disclosures (Continued)

C. Defined Contribution Pension Plan

Plan Description

The Billings and Company, Inc., Trust for Certain Governmental Plans (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, 2018, was \$147,238; the HRA's total payroll was \$147,238.

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

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Component Unit Disclosures

C. Defined Contribution Pension Plan (Continued)

Contributions Required and Contributions Made

Covered employees may elect to contribute a percentage 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, 2018, 2017, and 2016, were \$22,220, \$20,022, and \$19,122, respectively.

D. Risk Management

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Component Unit Disclosures (Continued)

F. Subsequent Events

On June 7, 2019, the HRA acquired Ashby Apartments 2. As of that date, the HRA will assume the assets totaling \$175,728, as well as the liabilities totaling \$163,812, of Ashby Apartments 2.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,170,820	\$ 4,170,820	\$ 4,364,198	\$ 193,378
Licenses and permits	90	90	16,382	16,292
Intergovernmental	615,897	615,897	964,327	348,430
Charges for services	477,447	477,447	758,614	281,167
Fines and forfeits	-	-	35,398	35,398
Gifts and contributions	7,500	7,500	11,153	3,653
Investment earnings	10,000	10,000	94,611	84,611
Miscellaneous	58,030	58,030	152,712	94,682
Total Revenues	\$ 5,339,784	\$ 5,339,784	\$ 6,397,395	\$ 1,057,611
Expenditures				
Current				
General government				
Commissioners	\$ 207,275	\$ 207,275	\$ 186,233	\$ 21,042
Retiree insurance	21,000	21,000	51,896	(30,896)
Law library	-	-	13,407	(13,407)
County auditor	310,049	310,049	284,100	25,949
County treasurer	225,290	225,290	223,078	2,212
Blue Cross/Blue Shield	-	-	58,059	(58,059)
Human resources	105,945	105,945	100,489	5,456
Public examiners	55,000	55,000	57,055	(2,055)
Elections	23,250	23,250	49,546	(26,296)
Accounting and auditing	223,712	223,712	301,457	(77,745)
County recorder	241,246	241,246	283,049	(41,803)
County assessor	257,865	257,865	256,698	1,167
County buildings	286,151	286,151	357,852	(71,701)
County fair	16,540	16,540	16,540	-
Veterans service officer	89,114	89,114	74,758	14,356
Coordinator	157,565	157,565	165,979	(8,414)
License bureau	133,399	133,399	133,151	248
GIS services	80,000	80,000	85,147	(5,147)
Collections	-	-	175,812	(175,812)
Other general government	306,738	306,738	576,992	(270,254)
Total general government	\$ 2,740,139	\$ 2,740,139	\$ 3,451,298	\$ (711,159)
Public safety				
Sheriff	\$ 1,647,235	\$ 1,647,235	\$ 1,620,643	\$ 26,592
Coroner	11,000	11,000	11,396	(396)
Sheriff's contingent fund	-	-	38,138	(38,138)
Traffic diversion program	-	-	1,647	(1,647)
Water enforcement	5,000	5,000	73	4,927
Corrections and jails	152,500	152,500	150,528	1,972
E-911 program	-	-	57,479	(57,479)
Emergency management program	91,514	91,514	88,709	2,805
Total public safety	\$ 1,907,249	\$ 1,907,249	\$ 1,968,613	\$ (61,364)

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

Page 84

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Health				
Public health	\$ 87,011	\$ 87,011	\$ 69,918	\$ 17,093
Culture and recreation				
Historical society	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Viking library system	70,552	70,552	70,552	-
Total culture and recreation	\$ 100,552	\$ 100,552	\$ 100,552	\$ -
Conservation of natural resources				
County extension	\$ 83,471	\$ 83,471	\$ 80,337	\$ 3,134
Nutrition education	87,353	87,353	79,454	7,899
Soil and water conservation	112,720	112,720	89,970	22,750
Office of land management	168,310	168,310	162,627	5,683
Water plan	2,979	2,979	28,671	(25,692)
Total conservation of natural resources	\$ 454,833	\$ 454,833	\$ 441,059	\$ 13,774
Economic development				
HRA	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Debt service				
Principal	\$ -	\$ -	\$ 3,504	\$ (3,504)
Interest	-	-	23,876	(23,876)
Total debt service	\$ -	\$ -	\$ 27,380	\$ (27,380)
Total Expenditures	\$ 5,339,784	\$ 5,339,784	\$ 6,108,820	\$ (769,036)
Net Change in Fund Balance	\$ -	\$ -	\$ 288,575	\$ 288,575
Fund Balance – January 1	2,764,491	2,764,491	2,764,491	-
Fund Balance – December 31	\$ 2,764,491	\$ 2,764,491	\$ 3,053,066	\$ 288,575

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,265,748	\$ 1,265,748	\$ 1,270,627	\$ 4,879
Intergovernmental	4,141,528	4,141,528	2,499,095	(1,642,433)
Charges for services	80,000	80,000	57,738	(22,262)
Miscellaneous	2,000	2,000	25,493	23,493
Total Revenues	\$ 5,489,276	\$ 5,489,276	\$ 3,852,953	\$ (1,636,323)
Expenditures				
Current				
Highways and streets				
Administration	\$ 369,616	\$ 369,616	\$ 372,765	\$ (3,149)
Engineering	51,379	51,379	59,363	(7,984)
Authorized work contribution	1,500	1,500	164	1,336
Construction	3,045,838	3,045,838	1,684,342	1,361,496
Maintenance	1,045,802	1,045,802	976,900	68,902
Shops	204,360	204,360	194,566	9,794
Equipment	770,781	770,781	668,259	102,522
Total highways and streets	\$ 5,489,276	\$ 5,489,276	\$ 3,956,359	\$ 1,532,917
Intergovernmental				
Highways and streets	-	-	274,063	(274,063)
Total Expenditures	\$ 5,489,276	\$ 5,489,276	\$ 4,230,422	\$ 1,258,854
Net Change in Fund Balance	\$ -	\$ -	\$ (377,469)	\$ (377,469)
Fund Balance – January 1	1,677,546	1,677,546	1,677,546	-
Increase (decrease) in inventories	-	-	(67,166)	(67,166)
Fund Balance – December 31	\$ 1,677,546	\$ 1,677,546	\$ 1,232,911	\$ (444,635)

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 985,923	\$ 985,923	\$ 989,612	\$ 3,689
Intergovernmental	1,518,664	1,518,664	1,739,903	221,239
Charges for services	511,926	511,926	706,121	194,195
Miscellaneous	102,600	102,600	175,077	72,477
Total Revenues	\$ 3,119,113	\$ 3,119,113	\$ 3,610,713	\$ 491,600
Expenditures				
Current				
Human services				
Income maintenance	\$ 984,061	\$ 984,061	\$ 1,040,747	\$ (56,686)
Social services	2,135,052	2,135,052	2,174,544	(39,492)
Total human services	\$ 3,119,113	\$ 3,119,113	\$ 3,215,291	\$ (96,178)
Debt service				
Interest	-	-	187,102	(187,102)
Total Expenditures	\$ 3,119,113	\$ 3,119,113	\$ 3,402,393	\$ (283,280)
Net Change in Fund Balance	\$ -	\$ -	\$ 208,320	\$ 208,320
Fund Balance – January 1	3,242,204	3,242,204	3,242,204	-
Fund Balance – December 31	\$ 3,242,204	\$ 3,242,204	\$ 3,450,524	\$ 208,320

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018**

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 88,313
Interest	23,981
Benefit payments	<u>(90,816)</u>
Net change in total OPEB liability	\$ 21,478
Total OPEB Liability – Beginning, as restated	<u>683,432</u>
Total OPEB Liability – Ending	<u><u>\$ 704,910</u></u>
Covered-employee payroll	\$ 4,478,940
Total OPEB liability (asset) as a percentage of covered-employee payroll	15.74%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Grant County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0580 %	\$ 3,217,602	\$ 105,539	\$ 3,323,141	\$ 3,889,797	82.72 %	79.53 %
2017	0.0552	3,523,932	44,294	3,568,226	3,554,744	99.13	75.90
2016	0.0514	4,173,425	54,537	4,227,962	3,034,606	137.53	68.91
2015	0.0507	2,627,537	N/A	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.
N/A – Not Applicable

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

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)
2018	\$ 292,342	\$ 291,577	\$ (765)	\$ 3,887,678	7.50 %
2017	277,316	277,316	-	3,697,540	7.50
2016	239,010	239,010	-	3,186,794	7.50
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. The 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 PLAN
DECEMBER 31, 2018**

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
2018	0.071 %	\$ 751,457	\$ 743,327	101.09 %	88.84 %
2017	0.055	742,565	560,023	132.60	85.43
2016	0.056	2,247,377	501,532	448.10	63.88
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 PLAN
DECEMBER 31, 2018**

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)
2018	\$ 124,345	\$ 124,345	\$ -	\$ 767,561	16.20 %
2017	103,045	103,045	-	636,083	16.20
2016	83,446	83,446	-	515,101	16.20
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.
The County's year-end is December 31.

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

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 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.

2. Excess of Expenditures Over Appropriations

The following major funds had expenditures in excess of budget for the year ended December 31, 2018:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 6,108,820	\$ 5,339,784	\$ 769,036
Human Services Special Revenue Fund	3,402,393	3,119,113	283,280

3. Other Postemployment Benefits Funded Status

In 2018, Grant County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 2.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

5. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- The retiree plan participation assumption was changed from 50 percent to 25 percent for participants not eligible for a pre-65 subsidy, and from 100 percent to 75 percent for participants eligible for a pre-65 subsidy.
- The percent of married retirees electing spouse coverage was changed from 25 percent to 15 percent.
- The discount rate was changed from 4.00 percent to 3.30 percent.

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

DEBT SERVICE FUND

The 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.

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<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	\$ 324,046	\$ 297,701	\$ 493,021	\$ 118,205	\$ 1,232,973
Undistributed cash in agency funds	2,108	2,070	10,595	-	14,773
Taxes receivable – net	-	-	4,812	-	4,812
Special assessments receivable					
Delinquent	628	3,900	-	-	4,528
Accrued interest receivable	17	-	-	-	17
Total Assets	\$ 326,799	\$ 303,671	\$ 508,428	\$ 118,205	\$ 1,257,103
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 2,022	\$ 6,220	\$ -	\$ -	\$ 8,242
Salaries payable	-	280	-	-	280
Due to other governments	-	13,399	-	-	13,399
Total Liabilities	\$ 2,022	\$ 19,899	\$ -	\$ -	\$ 21,921
Deferred Inflows of Resources					
Unavailable revenues	\$ 334	\$ 2,847	\$ 1,627	\$ -	\$ 4,808
Fund Balances					
Nonspendable					
Trust principal	\$ -	\$ -	\$ -	\$ 118,205	\$ 118,205
Restricted					
Debt service	-	-	506,801	-	506,801
Ditch maintenance and construction	324,443	-	-	-	324,443
Assigned					
Sanitation	-	280,925	-	-	280,925
Total Fund Balances	\$ 324,443	\$ 280,925	\$ 506,801	\$ 118,205	\$ 1,230,374
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 326,799	\$ 303,671	\$ 508,428	\$ 118,205	\$ 1,257,103

**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, 2018**

	<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>			
Revenues					
Taxes	\$ -	\$ -	\$ 349,113	\$ -	\$ 349,113
Special assessments	77,889	124,354	-	-	202,243
Intergovernmental	-	67,729	106,249	-	173,978
Charges for services	-	453,315	-	-	453,315
Investment earnings	1,168	-	-	-	1,168
Miscellaneous	5,529	595	-	-	6,124
Total Revenues	\$ 84,586	\$ 645,993	\$ 455,362	\$ -	\$ 1,185,941
Expenditures					
Current					
Sanitation	\$ -	\$ 649,366	\$ -	\$ -	\$ 649,366
Conservation of natural resources	88,163	-	-	-	88,163
Debt service					
Principal	-	-	290,000	-	290,000
Interest	-	-	138,578	-	138,578
Total Expenditures	\$ 88,163	\$ 649,366	\$ 428,578	\$ -	\$ 1,166,107
Net Change in Fund Balance	\$ (3,577)	\$ (3,373)	\$ 26,784	\$ -	\$ 19,834
Fund Balance – January 1	328,020	284,298	480,017	118,205	1,210,540
Fund Balance – December 31	\$ 324,443	\$ 280,925	\$ 506,801	\$ 118,205	\$ 1,230,374

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 121,935	\$ 121,935	\$ 124,354	\$ 2,419
Intergovernmental	67,728	67,728	67,729	1
Charges for services	459,339	459,339	453,315	(6,024)
Miscellaneous	-	-	595	595
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 649,002</u>	<u>\$ 649,002</u>	<u>\$ 645,993</u>	<u>\$ (3,009)</u>
Expenditures				
Current				
Sanitation				
Waste collection	\$ 403,400	\$ 403,400	\$ 397,000	\$ 6,400
Recycling	231,600	231,600	239,831	(8,231)
Household hazardous waste	13,000	13,000	12,535	465
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 648,000</u>	<u>\$ 648,000</u>	<u>\$ 649,366</u>	<u>\$ (1,366)</u>
Net Change in Fund Balance	<u>\$ 1,002</u>	<u>\$ 1,002</u>	<u>\$ (3,373)</u>	<u>\$ (4,375)</u>
Fund Balance – January 1	<u>284,298</u>	<u>284,298</u>	<u>284,298</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 285,300</u></u>	<u><u>\$ 285,300</u></u>	<u><u>\$ 280,925</u></u>	<u><u>\$ (4,375)</u></u>

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 2,421,398	\$ 2,421,398	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,421,398	\$ 2,421,398	\$ -
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 23,824	\$ 23,824	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 23,824	\$ 23,824	\$ -
 <u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 258,204	\$ 14,221,157	\$ 14,301,759	\$ 177,602
<u>Liabilities</u>				
Due to other governments	\$ 258,204	\$ 14,221,157	\$ 14,301,759	\$ 177,602

**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, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWNS AND CITIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 2,784,228	\$ 2,784,228	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 2,784,228	\$ 2,784,228	\$ -
 <u>ASSERTIVE COMMUNITY TREATMENT FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 277,881	\$ 1,045,947	\$ 919,774	\$ 404,054
<u>Liabilities</u>				
Due to other governments	\$ 277,881	\$ 1,045,947	\$ 919,774	\$ 404,054
 <u>ADULT MENTAL HEALTH INITIATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,433,704	\$ 1,433,704	\$ -
Due from other governments	54,535	248,341	54,535	248,341
Total Assets	\$ 54,535	\$ 1,682,045	\$ 1,488,239	\$ 248,341
<u>Liabilities</u>				
Due to other governments	\$ 54,535	\$ 1,682,045	\$ 1,488,239	\$ 248,341

**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, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 536,085	\$ 21,930,258	\$ 21,884,687	\$ 581,656
Due from other governments	54,535	248,341	54,535	248,341
Total Assets	\$ 590,620	\$ 22,178,599	\$ 21,939,222	\$ 829,997
<u>Liabilities</u>				
Due to other governments	\$ 590,620	\$ 22,178,599	\$ 21,939,222	\$ 829,997

This page was left blank intentionally.

OTHER SCHEDULES

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET – BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2018**

	<u>Assets</u>			
	<u>Cash</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable Delinquent</u>	<u>Accrued Interest Receivable</u>
County Ditches				
#1	\$ 18,213	\$ 71	\$ 3	\$ 1
#3	27,712	-	-	2
#5	-	275	-	-
#6	4,535	-	-	-
#8	55,956	88	-	4
#9	43,816	-	-	3
#11	9,075	-	-	-
#13	2,126	-	-	-
#15	9,386	-	-	1
#21	28,109	2	5	2
#22	-	1,528	-	-
#23	8,010	-	-	-
#29	185	40	-	-
#30	9,422	-	-	1
#31	3,373	-	-	-
#32	9,410	-	-	1
#33	2,807	104	38	-
Consolidated				
#2	32,410	-	-	2
Judicial Ditches				
#1	5,178	-	579	-
#2	54,323	-	3	-
Total	<u>\$ 324,046</u>	<u>\$ 2,108</u>	<u>\$ 628</u>	<u>\$ 17</u>

EXHIBIT D-1

Total	Liabilities Accounts Payable	Deferred Inflows of Resources Unavailable Revenue	Fund Balances Restricted (Unassigned)	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
\$ 18,288	\$ 1,487	\$ -	\$ 16,801	\$ 18,288
27,714	-	-	27,714	27,714
275	-	-	275	275
4,535	-	-	4,535	4,535
56,048	-	-	56,048	56,048
43,819	-	-	43,819	43,819
9,075	-	-	9,075	9,075
2,126	-	-	2,126	2,126
9,387	-	-	9,387	9,387
28,118	-	-	28,118	28,118
1,528	310	-	1,218	1,528
8,010	-	-	8,010	8,010
225	225	-	-	225
9,423	-	-	9,423	9,423
3,373	-	-	3,373	3,373
9,411	-	-	9,411	9,411
2,949	-	-	2,949	2,949
32,412	-	-	32,412	32,412
5,757	-	331	5,426	5,757
54,326	-	3	54,323	54,326
\$ 326,799	\$ 2,022	\$ 334	\$ 324,443	\$ 326,799

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Appropriations and Shared Revenue

State

Highway users tax	\$	2,120,154
County program aid		467,858
Market value credit		160,127
PERA		43,524
Disparity reduction aid		6,128
Aquatic invasive species aid		53,100
Police aid		76,850
Riparian protection aid		130,551
E-911		76,072
SCORE		67,729
		67,729

Total appropriations and shared revenue **\$ 3,202,093**

Reimbursement for services

Minnesota Department of Human Services	\$	182,260
		182,260

Payments

Local

Payments in lieu of taxes	\$	70,351
Local contributions		52,904
Qualified energy conservation payments		69,564
		69,564

Total payments **\$ 192,819**

Grants

State

Minnesota Department/Board of		
Agriculture	\$	5,000
Corrections		9,913
Public Safety		1,621
Transportation		203,085
Natural Resources		2,309
Human Services		520,565
Veterans Affairs		7,500
Water and Soil Resources		32,409
Peace Officers Standards and Training Board		10,527
Pollution Control Agency		18,600
Supreme Court		7,091
Secretary of State		16,665
		16,665

Total state **\$ 835,285**

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Grants (Continued)

Federal

Department of Agriculture	\$ 104,895
Health and Human Services	843,764
Homeland Security	<u>16,187</u>

Total federal **\$ 964,846**

Total state and federal grants **\$ 1,800,131**

Total Intergovernmental Revenue **\$ 5,377,303**

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	\$ 87,351
U.S. Department of Health and Human Services			
Passed Through Land of the Dancing Sky Area Agency on Aging Aging Cluster Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	333-18	\$ 25,679
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families TANF Cluster Temporary Assistance for Needy Families	93.556	G-1701MNFPS	2,610
Child Support Enforcement	93.558	1801MNTANF	64,350
Child Support Enforcement	93.563	1804MNCSES	28,263
Child Support Enforcement (Total Child Support Enforcement 93.563 \$182,544)	93.563	1804MNCEST	154,281
Refugee and Entrant Assistance - State Administered Programs CCDF Cluster Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.566	1801MNRCA	1
Community-Based Child Abuse Prevention Grants	93.596	G1801MNCCDF	1,763
Stephanie Tubbs Jones Child Welfare Services Program	93.590	G-1702MNFPRG	6,457
Foster Care Title IV-E	93.645	G-1701MNCWSS	2,475
Social Services Block Grant	93.658	1801MNFOST	43,766
Children's Health Insurance Program	93.667	G-1801MNSOSR	68,374
Medicaid Cluster	93.767	1805MN5R21	6
Medical Assistance Program	93.778	1805MN5ADM	402,686
Medical Assistance Program (Total Medical Assistance Program 93.778 \$406,784)	93.778	1805MN5MAP	4,098
Total U.S. Department of Health and Human Services			\$ 804,809
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	A-EMPG-2018-GRANTCO-027	\$ 16,187
Total Federal Awards			\$ 908,347

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 87,351
Total expenditures for Aging Cluster			25,679
Total expenditures for TANF Cluster			64,350
Total expenditures for CCDF Cluster			1,763
Total expenditures for Medicaid Cluster			406,784

Grant County did not pass any federal awards through to subrecipients in 2018.

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Grant County. The County's reporting entity is defined in Note 1 to the financial statements. The Schedule does not include \$231,162 in federal awards expended by the Housing and Redevelopment Authority of Grant County component unit, which had a separate audit performed by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Grant County under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Grant County, it is not intended to and does not present the financial position or changes in net position of Grant County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Grant County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 964,846
Grants received more than 60 days after year-end, unavailable in 2018	
Promoting Safe and Stable Families	1,341
Temporary Assistance for Needy Families	13,265
Community-Based Child Abuse Prevention Grants	3,414
Stephanie Tubbs Jones Child Welfare Services Program	1,283
Grants unavailable in 2017, recognized as revenue in 2018	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(17,544)
Promoting Safe and Stable Families	(1,345)
Temporary Assistance for Needy Families	(15,469)
Child Support Enforcement	(37,127)
Community-Based Child Abuse Prevention Grants	(2,699)
Stephanie Tubbs Jones Child Welfare Services Program	(1,203)
Chafee Foster Care Independence Program	(415)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 908,347

This page was left blank intentionally.



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Grant County
Elbow Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County, Minnesota, as of and for the year ended December 31, 2018, 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 23, 2019. 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 auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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. 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 the attention of those charged with governance.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-002 and 2012-001, that we consider 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*, except as described in the Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002. 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 and legal compliance findings identified in our audit are described in the Corrective Action Plan. 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 23, 2019

This page was left blank intentionally.



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Grant County
Elbow Lake, Minnesota

Report on Compliance for the Major Federal Program

We have audited Grant County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2018. Grant County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Grant County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Grant County component unit, which expended \$231,162 in federal awards during the year ended December 31, 2018, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA of Grant County because it was audited by other auditors.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Grant County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grant County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Grant County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2017-001 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Grant County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medical Assistance Program for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed an additional instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on the major federal program is not modified with respect to this matter.

Grant County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness, and deficiency 2017-002 that we consider to be a significant deficiency.

Grant County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

September 23, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

This page was left blank intentionally.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over the major program:

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

Type of auditor's report issued on compliance for the major federal program: **Qualified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal program is:

Medicaid Cluster

Medical Assistance Program

CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 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. Also, staff who authorize the payment of bills have access to add new vendors.

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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

View of Responsible Official: Acknowledged

Finding Number 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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2017-001

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. The following exceptions were noted in the sample of 37 cases tested:

- Two instances where health insurance information in MAXIS did not match the documentation in the case file.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

- Two instances where citizenship was not verified or did not match the documentation in the case file.
- Two instances where the income in MAXIS did not match the documentation in the case file.
- Two instances where the assets in MAXIS did not match the documentation in the case file.
- Two instances where the assets were not verified with outside sources.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County to perform the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the Minnesota DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The lack of updated information in MAXIS and verification of eligibility-determining factors increases the risk that program participants will receive benefits when they are not eligible.

Cause: County program personnel entering case information into the MAXIS system did not ensure all required information was verified or updated in MAXIS.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly updated in MAXIS. In addition, consideration should be given to providing additional training to program personnel.

View of Responsible Official: Acknowledged

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number 2017-002

Procurement, Suspension, and Debarment

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319, and verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

Condition: One of the two procurement transactions selected for testing did not have sufficient documentation to detail the history of the procurement, nor that there was full and open competition. In addition, there was no documentation that verification procedures were performed to determine that the vendor was not suspended or debarred, or that other exclusions applied.

Questioned Costs: None.

Context: Two of the 12 small purchases were selected for testing, both of which were covered transactions over \$25,000.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The County is not in compliance with federal grant requirements.

Cause: The County informed us it is still adjusting to and gaining an understanding of the new requirements in the Uniform Guidance regarding procurement, suspension, and debarment.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Recommendation: We recommend the County document the history of procurement transactions, including full and open competition and price analysis, in accordance with federal regulations. Additionally, the County should maintain documentation to verify vendors are not suspended or debarred, or that other exclusions apply.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

Finding Number 2018-001

Prompt Payment of Invoices

Criteria: As stated in Minn. Stat. § 471.425, the County is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later. For bills paid after the time period set by contract or standard payment period, the government entity must calculate and pay interest as required.

Condition: Three of the 25 invoices tested for compliance with Minn. Stat. § 471.425 were not paid within 35 days, and interest was not calculated or paid.

Context: Payments not made timely could be an indicator of other issues, such as poor procedural controls, poor internal controls, or cash flow problems.

Effect: Making payment on invoices after 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later, is in noncompliance with Minnesota law if interest is not calculated and paid.

Cause: Some County departments may not be reviewing and approving invoices timely, causing a delay in the payment process.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Recommendation: We recommend the County develop a process to ensure payments are made in accordance with Minn. Stat. § 471.425.

View of Responsible Official: Acknowledged

Finding Number 2018-002

Publication of Board Minutes

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County.

Condition: Based on review of the affidavits of publication related to the publishing of a summary of Board minutes for 2018, not all of the summaries were published in the County's official newspaper within the 30-day requirement.

Context: Of the 24 published summaries reviewed, nine were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County indicated the Board minutes were submitted for publishing to the newspaper within the timeframe required. However, the newspaper delayed the publication, which extended the time beyond the 30-day requirement.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Acknowledged

GRANT COUNTY AUDITOR'S OFFICE



10 Second Street N.E.
Elbow Lake, Minnesota 56531-4400
Ph: 218-685-8236 • Fax: 218-685-4521
auditor@co.grant.mn.us

Chad Van Santen
Auditor

REPRESENTATION OF GRANT COUNTY ELBOW LAKE, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 1996-002

Finding Title: Departmental Internal Accounting Controls

Name of Contact Person Responsible for Corrective Action:

Chad Van Santen, County Auditor

Corrective Action Planned:

Grant County will continue to monitor departmental internal accounting controls with the limited number of staff in certain offices. Management will work on drafting and implementing formal policies and procedures.

Anticipated Completion Date:

2019-2020

Finding Number: 2012-001

Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Chad Van Santen, County Auditor

Corrective Action Planned:

Grant County will attempt to establish a formal plan of monitoring internal controls; until such time, management will continue to maintain narratives to document the controls in place.

Anticipated Completion Date:

2019-2020

Finding Number: 2017-001
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Kim Gullickson, Jen Albjerg

Corrective Action Planned:

Continue to review MAXIS Health Care Cases – will use the End of Month Closure Report to pull cases. Will review the cases at a monthly staff meeting and go over policy which would affect the error.

Anticipated Completion Date:

Reviews will be monthly and ongoing.

Finding Number: 2017-002
Finding Title: Procurement, Suspension, and Debarment
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Jen Albjerg, Stacy Hennen

Corrective Action Planned:

Review procurement policy and create procedure to make the process uniform County-wide, which will include verifying the suspension and/or debarment status. Social Services and the County Attorney are in the process of establishing/updating contracts with current vendors providing services.

Anticipated Completion Date:

2019

The procurement policy was updated in 2018. Social Services has been using procurement procedures for documentation in 2019. The County Attorney is in the process of drafting contracts with current vendors providing services.

Finding Number: 2018-001
Finding Title: Prompt Payment of Invoices

Name of Contact Person Responsible for Corrective Action:

Chad Van Santen, County Auditor

Corrective Action Planned:

The Grant County Auditor will work with departments to review the requirement of payment of invoices in accordance to MN Statute 471.425, and develop a process to ensure payments are made in a timely manner.

Anticipated Completion Date:

2019

Finding Number: 2018-002
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

Chad Van Santen, County Auditor

Corrective Action Planned:

The Grant County Auditor will develop a process to ensure that approved Board minutes are published within the required 30 days and work with the publishing vendor to review they are published in compliance with MN Statute 375.12.

Anticipated Completion Date:

2019

This page was left blank intentionally.

GRANT COUNTY AUDITOR'S OFFICE



10 Second Street N.E.
Elbow Lake, Minnesota 56531-4400
Ph: 218-685-8236 • Fax: 218-685-4521
auditor@co.grant.mn.us

Chad Van Santen
Auditor

REPRESENTATION OF GRANT COUNTY ELBOW LAKE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 1996-002

Finding Title: Departmental Internal Accounting Controls

Summary of 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. Also staff who authorize the payment of bills have access to add new vendors.

Summary of Corrective Action Previously Reported: Grant County will continue to monitor departmental internal accounting controls with the limited number of staff in certain offices. Management will work on drafting and implementing formal policies and procedures.

Status: Not Corrected. Grant County management is aware of the risks associated with the absence of an adopted procedure policy over departmental internal accounting controls but was unable to correct due to the limited resources and personnel. Management will continue to monitor the condition and work on drafting formal policies and procedures. Revenues collected by departments are brought to the Auditors office for receipt processing and then directed to the Treasurer's office for deposit. Monthly reports are available to department heads on a monthly basis or as requested for review and accuracy.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2012-001

Finding Title: Documenting and Monitoring Internal Controls

Summary of 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.

Summary of Corrective Action Previously Reported: Grant County will attempt to establish a formal plan of monitoring internal controls, until such time management will continue to maintain narratives to document the controls in place.

Status: Not Corrected. Grant County management is aware of the need to establish a formal plan for monitoring internal controls and will continue to work on development of such in the future but was unable to correct due to the limited resources and personnel. Until such time that a plan is formalized management will continue to maintain narratives to document controls currently in place.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-001

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Instances of date stamping applications, citizen verification, income, and asset documentation were missing from some case files.

Summary of Corrective Action Previously Reported: Continue to review MAXIS Health Care Cases – will use End of Month Closure Report to pull cases. Will review cases at a monthly staff meeting and go over policy which would affect the error.

Status: Not Corrected. This continues to be reviewed monthly by the supervisor and the staff and supervisor meet weekly to discuss any on-going issues and remedy. This finding was issued late in 2018; therefore full implementation has taken place, but the cases pulled were already incorrect for the 2018 audit year.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-002

Finding Title: Procurement and Suspension and Debarment

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: Grant County lacked documentation demonstrating that it reviewed contractors or subcontractors for suspension or debarment prior to entering into contracts and lacked documentation of competition over \$3,500 in some transactions.

Summary of Corrective Action Previously Reported: Update procurement policy and create procedure to make the process uniform county-wide, which will include verifying the suspension and/or debarment status. Social Services is in the process of establishing/updating contracts with current vendors providing services.

Status: Not Corrected. Social Services continues to work on the procurement procedure and following the policy guidelines. There are shared costs in the building that Social Services is located in and we are continuing to streamline the purchasing for shared costs to ensure that we are meeting the necessary measures. There are still contracts needing updating and the County Attorney's Office is working on this.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X