

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

GRANT COUNTY
ELBOW LAKE, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

Year Ended December 31, 2011



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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2011**

| Office | Name | Term Expires |
|------------------------------|--|--------------|
| Commissioners | | |
| 1st District | Todd Schneeberger | January 2013 |
| 2nd District | Ronald Woltjer | January 2015 |
| 3rd District | Keith Swanson* | January 2013 |
| 4th District | Tom Amundson | January 2015 |
| 5th District | Philip Groneberg | January 2013 |
| Officers | | |
| Elected | | |
| Attorney | Justin R. Anderson | January 2015 |
| Auditor | Chad Van Santen | January 2015 |
| County Recorder | Diann Giese | January 2015 |
| Sheriff | Dwight Walvatne | January 2015 |
| Treasurer | Patricia Soberg | January 2015 |
| Appointed | | |
| Assessor | Susan Lohse | January 2013 |
| Highway Engineer | Tracey Von Bargaen | May 2012 |
| Veterans Service Officer | Dustin Kindelberger - Traverse County | Indefinite |
| Coroner | Larry Rapp, D. O. | January 2012 |
| Social Services Board | | |
| Member | Todd Schneeberger | January 2013 |
| Member | Tom Amundson | January 2015 |
| Member | Keith Swanson | January 2013 |
| Vice Chair | Ronald Woltjer | January 2015 |
| Member | Philip Groneberg | January 2013 |
| Director | Stacy Hennen* | January 2013 |

*Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Grant County

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grant County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing and Redevelopment Authority (HRA) of Grant County, the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA of Grant County, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

As discussed in Note 1.D.7. to the financial statements, Grant County has not reported a liability for its other postemployment benefits (OPEB) in the governmental activities and, accordingly, has not reported an expense for the current period change in the net OPEB obligation. Accounting principles generally accepted in the United States of America require that OPEB obligations, which arise from an exchange of salaries and benefits for employee service and are part of the compensation that employers offer for services received, and the annual OPEB cost be accrued as liabilities and expenses as the employees earn the right to the benefits. Accruing OPEB costs would increase liabilities, reduce net assets, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, except for the effects of not reporting a liability and related expense for OPEB as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Grant County as of December 31, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.9., Grant County has implemented Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the 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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County's basic financial statements taken as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2013, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the HRA of Grant County, which was audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

February 7, 2013

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

| | <u>Primary Government Governmental Activities</u> | <u>Component Unit Housing and Redevelopment Authority of Grant County</u> |
|---|---|---|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 7,376,728 | \$ 617,297 |
| Taxes receivable | | |
| Current | 78,110 | - |
| Prior - net | 53,079 | - |
| Special assessments receivable | | |
| Prior - net | 10,397 | - |
| Accounts receivable - net | 98,434 | 1,111 |
| Rent receivable | - | 4,495 |
| Accrued interest receivable | 84,332 | - |
| Due from other governments | 5,458,817 | - |
| Inventories | 225,084 | - |
| Prepaid items | - | 12,029 |
| Deferred debt issuance costs | 63,628 | 27,142 |
| Restricted assets | | |
| Cash and pooled investments | - | 24,567 |
| Capital assets | | |
| Non-depreciable | 3,349,562 | 530,210 |
| Depreciable - net of accumulated depreciation | 19,407,390 | 1,879,649 |
| Total Assets | \$ 36,205,561 | \$ 3,096,500 |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 135,316 | \$ 37,206 |
| Salaries payable | 128,932 | - |
| Contracts payable | 751,908 | - |
| Due to other governments | 137,527 | 5,256 |
| Accrued interest payable | 67,459 | 3,187 |
| Other accrued liabilities | - | 16,575 |
| Accounts payable from restricted assets | - | 18,350 |
| Long-term liabilities | | |
| Due within one year | 28,805 | 41,156 |
| Due in more than one year | 4,773,818 | 1,021,095 |
| Total Liabilities | \$ 6,023,765 | \$ 1,142,825 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

| | <u>Primary Government Governmental Activities</u> | <u>Component Unit Housing and Redevelopment Authority of Grant County</u> |
|--|---|---|
| <u>Net Assets</u> | | |
| Invested in capital assets - net of related debt | \$ 19,878,910 | \$ 1,254,062 |
| Restricted for | | |
| Debt service | 88,709 | - |
| General government | 172,536 | - |
| Public safety | 371,374 | - |
| Highways and streets | 4,098,323 | - |
| Conservation of natural resources | 276,370 | - |
| Held in trust for other purposes | 2,970 | - |
| Other purposes | - | 10,812 |
| Unrestricted | <u>5,292,604</u> | <u>688,801</u> |
| Total Net Assets | <u><u>\$ 30,181,796</u></u> | <u><u>\$ 1,953,675</u></u> |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Fees, Charges, Fines, and Other</u> |
|--|-----------------------------|--|
| Primary government | | |
| Governmental activities | | |
| General government | \$ 3,773,604 | \$ 364,716 |
| Public safety | 1,410,781 | 115,641 |
| Highways and streets | 3,313,542 | 181,240 |
| Sanitation | 517,618 | 514,743 |
| Human services | 1,863,203 | 241,011 |
| Health | 107,715 | - |
| Culture and recreation | 80,543 | - |
| Conservation of natural resources | 353,849 | 72,381 |
| Economic development | 34,917 | - |
| Interest | 141,636 | - |
| Total Primary Government | <u>\$ 11,597,408</u> | <u>\$ 1,489,732</u> |
| Component unit | | |
| Grant County Housing and Redevelopment Authority | <u>\$ 766,845</u> | <u>\$ 355,530</u> |

General Revenues

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

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

| Program Revenues | | Net (Expense) Revenue and Changes in Net Assets | |
|---|---|--|---|
| Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities | Component Unit Housing and Redevelopment Authority of Grant County |
| \$ 87,320 | \$ 122,890 | \$ (3,198,678) | |
| 342,391 | 174,844 | (777,905) | |
| 3,000,972 | - | (131,330) | |
| - | - | (2,875) | |
| 1,116,945 | - | (505,247) | |
| - | - | (107,715) | |
| 51,350 | - | (29,193) | |
| 97,669 | - | (183,799) | |
| - | - | (34,917) | |
| - | - | (141,636) | |
| \$ 4,696,647 | \$ 297,734 | \$ (5,113,295) | |
| \$ 214,617 | \$ - | | \$ (196,698) |
| | | \$ 5,099,104 | \$ 35,000 |
| | | - | 9,274 |
| | | 42,975 | - |
| | | 402,079 | - |
| | | 18,368 | 5,710 |
| | | - | 23,898 |
| | | \$ 5,562,526 | \$ 73,882 |
| | | \$ 449,231 | \$ (122,816) |
| | | 29,732,565 | 2,076,491 |
| | | \$ 30,181,796 | \$ 1,953,675 |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

| | General | Road and Bridge |
|------------------------------------|---------------------|----------------------------|
| <u>Assets</u> | | |
| Cash and pooled investments | \$ 1,953,782 | \$ 687,309 |
| Petty cash and change funds | 2,025 | 100 |
| Undistributed cash in agency funds | 73,344 | 21,065 |
| Taxes receivable | | |
| Current | 48,680 | 16,340 |
| Prior | 28,652 | 13,639 |
| Special assessments | | |
| Prior | - | - |
| Accounts receivable | 82,174 | 9,118 |
| Accrued interest receivable | 61,419 | - |
| Due from other funds | 9,147 | - |
| Due from other governments | 275,350 | 4,882,994 |
| Inventories | - | 225,084 |
| | \$ 2,534,573 | \$ 5,855,649 |
| Total Assets | \$ 2,534,573 | \$ 5,855,649 |

EXHIBIT 3

| <u>Human Services</u> | <u>Courthouse Improvement</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|---------------------------|-----------------------------------|---------------------------|----------------------|
| \$ 1,986,647 | \$ 2,048,898 | \$ 582,599 | \$ 7,259,235 |
| 25 | - | 200 | 2,350 |
| 17,080 | - | 3,654 | 115,143 |
| 13,090 | - | - | 78,110 |
| 10,788 | - | - | 53,079 |
| - | - | 10,397 | 10,397 |
| 1,078 | 161 | 5,903 | 98,434 |
| - | - | 22,913 | 84,332 |
| 410 | - | - | 9,557 |
| 210,253 | 76,765 | 13,455 | 5,458,817 |
| - | - | - | 225,084 |
| <u>\$ 2,239,371</u> | <u>\$ 2,125,824</u> | <u>\$ 639,121</u> | <u>\$ 13,394,538</u> |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

| | General | Road and Bridge |
|---|---------------------|----------------------------|
| <u>Liabilities and Fund Balances</u> | | |
| Liabilities | | |
| Accounts payable | \$ 28,507 | \$ 60,879 |
| Salaries payable | 48,457 | 43,927 |
| Contracts payable | - | 210,272 |
| Due to other funds | - | 579 |
| Due to other governments | 16,320 | 6,891 |
| Deferred revenue - unavailable | 55,716 | 4,491,783 |
| | \$ 149,000 | \$ 4,814,331 |
| Fund Balances | | |
| Nonspendable | | |
| Inventories | \$ - | \$ 225,084 |
| Restricted | | |
| Endowments | 13,856 | - |
| Law library | 17,198 | - |
| Debt service | 88,709 | - |
| Recorder's technology equipment | 75,300 | - |
| Election equipment | 45,512 | - |
| E-911 | 327,496 | - |
| Recorder's compliance | 20,670 | - |
| DARE | 3,065 | - |
| Capital project | - | - |
| Forfeitures | 40,813 | - |
| County state-aid highway system | - | 278,510 |
| Ditch maintenance and construction | - | - |
| Missing heirs | 2,970 | - |
| Committed | | |
| Sheriff's contingencies | 5,596 | - |
| Assigned | | |
| Transportation | - | - |
| Sanitation | - | - |
| Highways and streets | - | 537,724 |
| Human services | - | - |
| Traffic diversion program | 44,758 | - |
| Unassigned | 1,699,630 | - |
| | \$ 2,385,573 | \$ 1,041,318 |
| Total Fund Balances | \$ 2,385,573 | \$ 1,041,318 |
| Total Liabilities and Fund Balances | \$ 2,534,573 | \$ 5,855,649 |

EXHIBIT 3
(Continued)

| <u>Human Services</u> | <u>Courthouse Improvement</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|----------------------------|-----------------------------------|---------------------------|-----------------------------|
| \$ 43,346 | \$ 521 | \$ 2,063 | \$ 135,316 |
| 35,892 | - | 656 | 128,932 |
| - | 541,636 | - | 751,908 |
| 8,511 | 410 | 57 | 9,557 |
| 105,053 | - | 9,263 | 137,527 |
| 87,805 | 9,372 | 15,758 | 4,660,434 |
| <u>\$ 280,607</u> | <u>\$ 551,939</u> | <u>\$ 27,797</u> | <u>\$ 5,823,674</u> |
| \$ - | \$ - | \$ - | \$ 225,084 |
| - | - | - | 13,856 |
| - | - | - | 17,198 |
| - | - | - | 88,709 |
| - | - | - | 75,300 |
| - | - | - | 45,512 |
| - | - | - | 327,496 |
| - | - | - | 20,670 |
| - | - | - | 3,065 |
| - | 1,573,885 | - | 1,573,885 |
| - | - | - | 40,813 |
| - | - | - | 278,510 |
| - | - | 276,370 | 276,370 |
| - | - | - | 2,970 |
| - | - | - | 5,596 |
| - | - | 5,150 | 5,150 |
| - | - | 329,804 | 329,804 |
| - | - | - | 537,724 |
| 1,958,764 | - | - | 1,958,764 |
| - | - | - | 44,758 |
| - | - | - | 1,699,630 |
| <u>\$ 1,958,764</u> | <u>\$ 1,573,885</u> | <u>\$ 611,324</u> | <u>\$ 7,570,864</u> |
| <u>\$ 2,239,371</u> | <u>\$ 2,125,824</u> | <u>\$ 639,121</u> | <u>\$ 13,394,538</u> |

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

| | | | |
|--|----|-----------------------------|------------------------------------|
| Fund balances - total governmental funds (Exhibit 3) | | \$ | 7,570,864 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | | 22,756,952 |
| Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds. | | | 4,660,434 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | | |
| General obligation bonds | \$ | (4,480,000) | |
| Bond discount | | 40,720 | |
| Deferred debt issuance charges | | 63,628 | |
| Accrued interest payable | | (67,459) | |
| Compensated absences | | (363,343) | |
| | | <u> </u> | <u>(4,806,454)</u> |
| Net Assets of Governmental Activities (Exhibit 1) | | | <u><u>\$ 30,181,796</u></u> |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | General | Road and Bridge |
|---|---------------------|----------------------------|
| Revenues | | |
| Taxes | \$ 3,270,544 | \$ 1,010,005 |
| Special assessments | - | - |
| Licenses and permits | 2,798 | - |
| Intergovernmental | 1,030,521 | 2,255,283 |
| Charges for services | 309,511 | 99,953 |
| Gifts and contributions | 748 | - |
| Investment earnings | 14,555 | - |
| Miscellaneous | 170,357 | 68,990 |
| | \$ 4,799,034 | \$ 3,434,231 |
| Expenditures | | |
| Current | | |
| General government | \$ 2,181,912 | \$ - |
| Public safety | 1,393,953 | - |
| Highways and streets | - | 3,192,740 |
| Sanitation | - | - |
| Human services | - | - |
| Health | 107,715 | - |
| Culture and recreation | 80,543 | - |
| Conservation of natural resources | 297,849 | - |
| Economic development | 34,917 | - |
| Intergovernmental | | |
| Highways and streets | - | 194,973 |
| Capital outlay | - | - |
| Debt service | | |
| Interest | 71,057 | - |
| Bond issuance costs | - | - |
| | \$ 4,167,946 | \$ 3,387,713 |
| Excess of Revenues Over (Under) Expenditures | \$ 631,088 | \$ 46,518 |
| Other Financing Sources (Uses) | | |
| Bonds and notes issued | \$ - | \$ - |
| Discount on bonds/notes issued | - | - |
| | \$ - | \$ - |
| Net Change in Fund Balance | \$ 631,088 | \$ 46,518 |
| Fund Balance - January 1 | 1,754,485 | 1,007,886 |
| Increase (decrease) in inventories | - | (13,086) |
| Fund Balance - December 31 | \$ 2,385,573 | \$ 1,041,318 |

EXHIBIT 5

| <u>Human Services</u> | <u>Courthouse Improvement</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|----------------------------|-------------------------------|--------------------------|------------------------------|
| \$ 810,303 | \$ - | \$ - | \$ 5,090,852 |
| - | - | 198,503 | 198,503 |
| - | - | - | 2,798 |
| 1,275,582 | 75,628 | 60,069 | 4,697,083 |
| 195,884 | - | 403,599 | 1,008,947 |
| - | - | - | 748 |
| - | 1,474 | 2,026 | 18,055 |
| 26,630 | 104 | 157 | 266,238 |
| <u>\$ 2,308,399</u> | <u>\$ 77,206</u> | <u>\$ 664,354</u> | <u>\$ 11,283,224</u> |
| \$ - | \$ - | \$ - | \$ 2,181,912 |
| - | - | - | 1,393,953 |
| - | - | - | 3,192,740 |
| - | - | 547,963 | 547,963 |
| 1,643,084 | - | 22,873 | 1,665,957 |
| - | - | - | 107,715 |
| - | - | - | 80,543 |
| - | - | 56,000 | 353,849 |
| - | - | - | 34,917 |
| - | - | - | 194,973 |
| - | 2,870,456 | - | 2,870,456 |
| - | - | - | 71,057 |
| - | 69,025 | - | 69,025 |
| <u>\$ 1,643,084</u> | <u>\$ 2,939,481</u> | <u>\$ 626,836</u> | <u>\$ 12,765,060</u> |
| <u>\$ 665,315</u> | <u>\$ (2,862,275)</u> | <u>\$ 37,518</u> | <u>\$ (1,481,836)</u> |
| \$ - | \$ 4,480,000 | \$ - | \$ 4,480,000 |
| - | (43,840) | - | (43,840) |
| <u>\$ -</u> | <u>\$ 4,436,160</u> | <u>\$ -</u> | <u>\$ 4,436,160</u> |
| \$ 665,315 | \$ 1,573,885 | \$ 37,518 | \$ 2,954,324 |
| 1,293,449 | - | 573,806 | 4,629,626 |
| - | - | - | (13,086) |
| <u>\$ 1,958,764</u> | <u>\$ 1,573,885</u> | <u>\$ 611,324</u> | <u>\$ 7,570,864</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, 2011**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 2,954,324

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

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

| | | |
|--------------------------------|--------------------|---------|
| Deferred revenue - December 31 | \$ 4,660,434 | |
| Deferred revenue - January 1 | <u>(3,893,292)</u> | 767,142 |

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

| | | |
|--|--------------------|-----------|
| Expenditures for general capital assets and infrastructure | \$ 3,083,622 | |
| Current year depreciation | <u>(1,904,149)</u> | 1,179,473 |

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 assets. Also, governmental funds report the net effect of issuance costs, 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 net assets.

| | | |
|---------------------------------|----------------|-------------|
| Debt issued | | |
| General obligation bonds issued | \$ (4,480,000) | |
| Deferred debt issuance costs | 69,025 | |
| Discount on bonds issued | <u>43,840</u> | (4,367,135) |

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 | \$ (67,459) | |
| Amortization of discounts and deferred issuance charges | (8,517) | |
| Change in compensated absences | 4,489 | |
| Change in inventories | <u>(13,086)</u> | <u>(84,573)</u> |

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 449,231

FIDUCIARY FUNDS

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

| | <u>Agency Funds</u> |
|-----------------------------|--------------------------|
| <u>Assets</u> | |
| Cash and pooled investments | \$ 397,752 |
| Due from other governments | <u>146,184</u> |
| Total Assets | <u>\$ 543,936</u> |
| <u>Liabilities</u> | |
| Due to other governments | <u>\$ 543,936</u> |

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

The Housing and Redevelopment Authority (HRA) of Grant County is a component unit of Grant County and is reported in a separate column in the County's government-wide financial statements to emphasize that the HRA is legally separate from Grant County. The HRA operates as a local governmental unit for the purpose of providing housing and redevelopment services to Grant County. The governing body consists of a five-member Board of Commissioners appointed by the Grant County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended December 31, 2011.

| <u>Component Unit</u> | <u>Component Unit Included in Reporting Entity Because</u> | <u>Separate Financial Statements</u> |
|---|---|--|
| The HRA of Grant County provides services pursuant to Minn. Stat. §§ 469.001-.047 | The County appoints members, and the HRA is a financial burden. | Grant County Coordinator's Office P. O. Box 1007 Elbow Lake, Minnesota 56531 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

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

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

The Courthouse Improvement Capital Projects Fund is used to account for the General Obligation Bonds, Series 2011A, and the Taxable General Obligation Capital Improvement Plan Bonds, Series 2011B, to be used for the Courthouse improvements project.

Additionally, the County reports the following fund type:

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2011 were \$18,368.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

Grant County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

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

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

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

3. Inventories

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Long-Term Obligations (Continued)

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

8. Classification of Net Assets

Net assets in the government-wide financial statements are classified in the following categories:

Invested in capital assets, net of related debt - the amount of net assets representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net assets - the amount of net assets 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 net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

9. Classification of Fund Balances

In 2011, Grant County implemented the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund types.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Classification of Fund Balances (Continued)

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

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

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

Committed - amounts that can be used for the specific purposes imposed by formal action (ordinances or 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 (ordinance or 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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Classification of Fund Balances (Continued)

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.

10. 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, 2011, unrestricted fund balance for the General Fund was above the minimum fund balance level.

11. Use of Estimates

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Reclassifications

Several account balances were reclassified as of and for the year ended December 31, 2010, as previously reported, due to implementation of GASB Statement 54. These reclassifications, which did not require a restatement of net assets or fund balance, were required for comparability to the financial statements as of and for the year ended December 31, 2011. Although comparative statements for 2010 are not presented here, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

E. Potential Impact of New Accounting Standards on Current Period Financial Statements

The GASB has approved GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Application of GASB Statement 63 may restate portions of these financial statements.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of budget for the year ended December 31, 2011:

| | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|--------------|---------------------|---------------------|---------------|
| General Fund | \$ 4,167,946 | \$ 3,732,160 | \$ 435,786 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

| | |
|---|---------------------|
| Government-wide statement of net assets | |
| Governmental activities | |
| Cash and pooled investments | \$ 7,376,728 |
| Statement of fiduciary net assets | |
| Cash and pooled investments | <u>397,752</u> |
| Total Cash and Investments | <u>\$ 7,774,480</u> |

a. Deposits

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. The County's deposits in banks at December 31, 2011, were entirely covered by federal depository insurance and collateral in accordance with Minnesota statutes.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. None of the County's investments at December 31, 2011, were rated.

Custodial Credit Risk

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2011, and information relating to potential investment risk:

| <u>Investment Type</u> | <u>Concentration of Credit Risk Over 5 Percent of Portfolio</u> | <u>Interest Rate Risk Maturity Date</u> | <u>Carrying (Fair) Value</u> |
|--|---|---|--------------------------------------|
| Negotiable certificates of deposit | | | |
| GE Money BK UT US | 5.9% | 02/13/2012 | \$ 239,986 |
| Beal Bank NV USA | 5.9% | 10/03/2012 | 239,808 |
| Bank of the West Institutional CTF | N/A | 12/27/2016 | 21,064 |
| HSBC Bank Virginia | N/A | 11/29/2016 | 24,458 |
| HSBC Bank Virginia | N/A | 12/30/2016 | <u>18,734</u> |
| Total negotiable certificates of deposit | | | \$ 544,050 |
| Investment pools | | | |
| MAGIC Fund | 86.5% | | <u>3,489,901</u> |
| Total investments | | | \$ 4,033,951 |
| Deposits | | | 3,067,054 |
| Money market accounts with broker | | | 371,125 |
| Certificates of deposit | | | 300,000 |
| Petty cash | | | <u>2,350</u> |
| Total Cash and Investments | | | <u>\$ 7,774,480</u> |

N/A - Not Applicable

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2011, 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 | \$ 131,189 | \$ - |
| Special assessments | 10,397 | - |
| Accounts | 98,434 | - |
| Accrued interest | 84,332 | - |
| Due from other governments | 5,458,817 | - |
| Total Governmental Activities | \$ 5,783,169 | \$ - |

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--------------------------------------|----------------------|--------------|--------------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 223,383 | \$ - | \$ - | \$ 223,383 |
| Right-of-way | 341,653 | 133,257 | - | 474,910 |
| Construction in progress | 1,196,746 | 2,690,844 | 1,236,321 | 2,651,269 |
| Total capital assets not depreciated | \$ 1,761,782 | \$ 2,824,101 | \$ 1,236,321 | \$ 3,349,562 |
| Capital assets depreciated | | | | |
| Buildings | \$ 3,970,615 | \$ 26,685 | \$ 684,803 | \$ 3,312,497 |
| Office furniture and equipment | 1,513,897 | 36,546 | 1,125,768 | 424,675 |
| Machinery and automotive | 3,226,505 | 196,290 | 331,528 | 3,091,267 |
| Infrastructure | 27,984,097 | 1,236,321 | - | 29,220,418 |
| Total capital assets depreciated | \$ 36,695,114 | \$ 1,495,842 | \$ 2,142,099 | \$ 36,048,857 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|--------------|--------------|-------------------|
| Less: accumulated depreciation for | | | | |
| Buildings | \$ 2,253,048 | \$ 574,750 | \$ 684,803 | \$ 2,142,995 |
| Office furniture and equipment | 1,283,030 | 187,639 | 1,125,768 | 344,901 |
| Machinery and automotive | 2,430,312 | 328,237 | 331,528 | 2,427,021 |
| Infrastructure | 10,913,027 | 813,523 | - | 11,726,550 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total accumulated depreciation | \$ 16,879,417 | \$ 1,904,149 | \$ 2,142,099 | \$ 16,641,467 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total capital assets depreciated, net | \$ 19,815,697 | \$ (408,307) | \$ - | \$ 19,407,390 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Governmental Activities Capital Assets, Net | \$ 21,577,479 | \$ 2,415,794 | \$ 1,236,321 | \$ 22,756,952 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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

| | |
|---|--------------|
| Governmental Activities | |
| General government | \$ 759,111 |
| Public safety | 16,828 |
| Highways and streets, including depreciation of infrastructure | 933,536 |
| Human services | 194,674 |
| | <hr/> |
| Total Depreciation Expense | \$ 1,904,149 |
| | <hr/> |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

Due To/From Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | <u>Description</u> |
|-------------------------------------|--|-----------------|----------------------|
| General Fund | Road and Bridge Special Revenue Fund | \$ 579 | Charges for services |
| | Human Services Special Revenue Fund | 8,511 | Charges for services |
| | Ditch Special Revenue Fund | <u>57</u> | Charges for services |
| Total Due To General Fund | | \$ 9,147 | |
| Human Services Special Revenue Fund | Courthouse Improvement Capital Projects Fund | <u>410</u> | Charges for services |
| Total Due To/From Other Funds | | <u>\$ 9,557</u> | |

C. Liabilities

1. Payables

Payables at December 31, 2011, were as follows:

| | <u>Governmental Activities</u> |
|--------------------------|------------------------------------|
| Accounts | \$ 135,316 |
| Salaries | 128,932 |
| Contracts payable | 751,908 |
| Due to other governments | <u>137,527</u> |
| Total Payables | <u>\$ 1,153,683</u> |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state and federal grants not collected soon enough after year-end to pay liabilities of the current period, and money from state-aid highway allotments received but not yet earned. Deferred revenue at December 31, 2011, is summarized by fund:

| | <u>Taxes and Special Assessments</u> | <u>Grants</u> | <u>State-Aid Highway Allotments</u> | <u>Other</u> | <u>Total</u> |
|-----------------------------|--|-------------------|---|------------------|---------------------|
| Major governmental funds | | | | | |
| General | \$ 52,014 | \$ - | \$ - | \$ 3,702 | \$ 55,716 |
| Road and Bridge | 21,504 | 369,256 | 4,088,726 | 12,297 | 4,491,783 |
| Human Services | 17,074 | 55,634 | - | 15,097 | 87,805 |
| Courthouse Improvement | - | 9,372 | - | - | 9,372 |
| Nonmajor governmental funds | | | | | |
| Ditch | 1,200 | - | - | 313 | 1,513 |
| Solid Waste | 8,495 | - | - | - | 8,495 |
| Transportation | - | 4,750 | - | 1,000 | 5,750 |
| Total | <u>\$ 100,287</u> | <u>\$ 439,012</u> | <u>\$ 4,088,726</u> | <u>\$ 32,409</u> | <u>\$ 4,660,434</u> |

3. Other Postemployment Benefits - Retirees

The County pays health insurance for employees who retire with at least 12 years of experience, who have reached the age of 55, but who are under the age of 65 and not eligible for Medicare. The County pays 50 percent of the cost of single coverage. The County's contributions for the year ended December 31, 2011, were \$25,020. During 2011, six employees qualified for retired employee health insurance coverage.

4. Construction Commitments

The County has entered into construction commitments which have not been completed as of December 31, 2011.

| | <u>Spent-to-Date</u> | <u>Remaining Commitment</u> |
|-------------------------------|----------------------|---------------------------------|
| Courthouse remodeling project | <u>\$ 2,507,366</u> | <u>\$ 1,065,845</u> |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Bonds Payable

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

6. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

| <u>Year Ending December 31</u> | <u>General Obligation Bonds</u> | | <u>Taxable General Obligation Capital Improvement Plan Bonds</u> | |
|------------------------------------|---------------------------------|-------------------|--|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2012 | \$ - | \$ 51,902 | \$ - | \$ 110,000 |
| 2013 | 270,000 | 50,553 | - | 110,000 |
| 2014 | 270,000 | 47,515 | - | 110,000 |
| 2015 | 275,000 | 43,696 | - | 110,000 |
| 2016 | 275,000 | 39,021 | - | 110,000 |
| 2017 - 2021 | 1,275,000 | 96,695 | - | 550,000 |
| 2022 - 2026 | 115,000 | 1,840 | 2,000,000 | 495,000 |
| Total | <u>\$ 2,480,000</u> | <u>\$ 331,222</u> | <u>\$ 2,000,000</u> | <u>\$ 1,595,000</u> |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|--------------|------------|-------------------|------------------------|
| Long-Term Liabilities | | | | | |
| Bonds payable | | | | | |
| General obligation bonds | \$ - | \$ 2,480,000 | \$ - | \$ 2,480,000 | \$ - |
| Taxable general obligation capital improvement bonds | - | 2,000,000 | - | 2,000,000 | - |
| Less: unamortized discount | - | (43,840) | (3,120) | (40,720) | - |
| Total G.O. bonds | \$ - | \$ 4,436,160 | \$ (3,120) | \$ 4,439,280 | \$ - |
| Compensated absences | 367,832 | 211,182 | 215,671 | 363,343 | 28,805 |
| Total Long-Term Liabilities | \$ 367,832 | \$ 4,647,342 | \$ 212,551 | \$ 4,802,623 | \$ 28,805 |

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

The County is required to contribute the following percentages of annual covered payroll in 2011:

| | |
|---------------------------------------|--------|
| General Employees Retirement Fund | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 7.25 |
| Public Employees Police and Fire Fund | 14.40 |

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

| | 2011 | 2010 | 2009 |
|---------------------------------------|------------|------------|------------|
| General Employees Retirement Fund | \$ 205,970 | \$ 190,126 | \$ 209,919 |
| Public Employees Police and Fire Fund | 36,442 | 55,439 | 55,234 |

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

C. Defined Compensation 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. This plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2011, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount | \$ 3,407 | \$ 3,407 |
| Percentage of covered payroll | 5% | 5% |

Required contribution rates were 5.0 percent.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011 and \$460,000 per claim in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

West Central Area Agency on Aging

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

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

Complete financial information can be obtained from:

West Central Area Agency on Aging
313 South Mill Street
Fergus Falls, Minnesota 56537-2577

Stevens Traverse Grant Public Health Nursing Service

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

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

Financing is provided by state grants; appropriations from Stevens, Traverse, and Grant Counties; and charges for services. Grant County's contribution for 2011 was \$95,965.

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Horizon Community Health Board

Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services pursuant to Minn. Stat. § 471.59 (following a budget approved by the four-county Board). Mid-State Community Health Services' was renamed to Horizon Community Health Services when Douglas County was added as a member on January 1, 2011. The budget is now approved by the five-county Board. During 2011, Grant County did not contribute to the Board.

Complete financial information can be obtained from:

Horizon Community Health Board
211 East Minnesota Avenue, Suite 100
Glenwood, Minnesota 56334

Minnesota River Board

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

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

Control is vested in an executive board of five officers elected from the membership of the Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement. During 2011, Grant County did not contribute to the Board.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota River Board (Continued)

Complete financial information can be obtained from:

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

West Central Minnesota Drug Task Force

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

Control of the West Central Minnesota Drug Task Force is vested in a Board of Directors, which consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. However, if only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force. Financing and equipment will be provided by the full-time and associate member agencies. Grant County provided \$3,500 to this organization in 2011.

Douglas County, in an agent capacity, reports the cash transactions of the West Central Minnesota Drug Task Force as an agency fund on its financial statements. Separate financial information is not available.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by a joint powers agreement between Grant County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River.

Administrative costs are apportioned equally to the soil and water conservation districts included in the Association based on actual costs.

Control is vested in a Joint Powers Board, comprised of one representative of each of the County Boards of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement. During 2011, Grant County did not contribute any funds to the Association.

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

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

Prime West Central County-Based Purchasing Initiative

The Prime West Central County-Based Purchasing Initiative was established December 1998 by a joint powers agreement among Grant County and nine other counties under the authority of Minn. Stat. § 471.59. An additional three counties joined in 2008. The purpose of this agreement is to plan and administer a multi-county-based purchasing program for medical assistance and general assistance medical care services and other health care programs as authorized by Minn. Stat. § 256B.692.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prime West Central County-Based Purchasing Initiative (Continued)

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

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

Financing is provided by medical assistance and general assistance medical care payments from the Minnesota Department of Human Services. Grant County did not contribute any funds to the Prime West Central County-Based Purchasing Initiative during 2011.

Complete financial information can be obtained from:

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

Supporting Hands Nurse Family Partnership Board

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Supporting Hands Nurse Family Partnership Board (Continued)

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

McLeod County Auditor's Office
2385 Hennepin Avenue North
Glencoe, Minnesota 55336

Central Minnesota Emergency Services Board

The Central Minnesota Emergency Services Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, 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.

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

In the event of dissolution of the Central Minnesota Emergency Services Board, all property, assets, and funds of the Board are to 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 will share in the distribution of property, assets, and funds of the Board only to the extent it shared in the original expense.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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. 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.

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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

Dissolution of the Consortium will 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 will 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. Separate financial information is not available.

C. Jointly-Governed Organizations

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

Western Area City/County Co-Op

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

District IV Transportation Planning

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

Grant County Child and Youth Council Collaborative

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

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Grant County Child and Youth Council Collaborative (Continued)

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

Financing is provided by state and federal grants and contributions from the member parties. During 2011, Grant County did not contribute to the Collaborative.

D. Related Organization

Lakeland Mental Health Center

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

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

Services are provided to the member counties through purchase of services agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Grant County paid \$51,481 in 2011 for services purchased through Lakeland Mental Health Center.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity

The Housing and Redevelopment Authority (HRA) of Grant County is a component unit of Grant County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Grant County. The HRA operates as a public agency created by Grant County under the Minnesota Housing and Redevelopment Authority Act of 1947. The primary purpose is to provide housing and redevelopment services to the County. The governing body consists of a five-member Board of Commissioners appointed by the Grant County Board of Commissioners to serve five-year terms. The financial statements included are as of and for the year ended December 31, 2011.

2. Basis of Accounting

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

3. Operating Revenues and Expenses

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

4. Cash

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

5. Rent Receivable

Rent is due at the first of the month for the current month. Rent which remains uncollected is accrued as a receivable. Management represents all rent receivable is collectible either through normal collection procedures or through revenue recapture through the State of Minnesota. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

6. Capital Assets

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

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

7. Capitalized Interest

In determining the cost of capital projects, the HRA capitalizes that portion of the interest cost which could have been avoided if the capital project had not been undertaken. No interest was capitalized for the year ended December 31, 2011.

8. Estimates

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures (Continued)

B. Detailed Notes on All Funds

1. Deposits

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

| | |
|-----------------------------------|--------------------------|
| Cash and pooled investments | |
| Deposits | \$ 177,505 |
| Certificates of deposit | <u>439,792</u> |
| Total cash and pooled investments | \$ 617,297 |
| Restricted cash | |
| Tenant security deposits | <u>24,567</u> |
| Total Cash and Investments | <u><u>\$ 641,864</u></u> |

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

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

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

At December 31, 2011, the HRA's deposits had a carrying amount of \$641,864 and a bank balance of \$650,991. Of the bank balance, \$250,100 was covered by federal depository insurance, and the remainder was covered by qualified collateral held in safekeeping.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

1. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the HRA's deposits may not be returned to it. The HRA does not have a deposit policy for custodial credit risk. As of December 31, 2011, the HRA's deposits were not exposed to custodial credit risk.

2. Investments

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

During the year ended December 31, 2011, the HRA had no investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk or concentration of credit risk.

3. Capital Assets

The HRA's capital asset activity for the year ended December 31, 2011, follows:

| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|-------------|----------|-------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 530,210 | \$ - | \$ - | \$ 530,210 |
| Capital assets depreciated | | | | |
| Building | \$ 4,490,226 | \$ 17,849 | \$ - | \$ 4,508,075 |
| Equipment, furniture, and fixtures | 170,494 | 49,354 | - | 219,848 |
| Total capital assets depreciated | \$ 4,660,720 | \$ 67,203 | \$ - | \$ 4,727,923 |
| Less: accumulated depreciation | 2,689,977 | 158,297 | - | 2,848,274 |
| Total capital assets depreciated, net | \$ 1,970,743 | \$ (91,094) | \$ - | \$ 1,879,649 |
| Total | \$ 2,500,953 | \$ (91,094) | \$ - | \$ 2,409,859 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

4. Long-Term Debt

Long-term liability activity for the year ended December 31, 2011, was as follows:

| Type of Indebtedness | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------------|----------------------|---------------|------------------|---------------------|------------------------|
| Market Rate Rent | | | | | |
| 2002 GMHF Loan | \$ 101,500 | \$ - | \$ - | \$ 101,500 | \$ - |
| 2009 Housing Development Bonds | 985,000 | - | 35,000 | 950,000 | 35,000 |
| Compensated absences | 10,502 | 249 | - | 10,751 | 6,156 |
| Total Long-Term Debt | \$ 1,097,002 | \$ 249 | \$ 35,000 | \$ 1,062,251 | \$ 41,156 |

Bonds and loans payable at December 31, 2011, consisted of the following issues:

| | Original Issue Amount | Final Maturity | Interest Rate (%) | Outstanding Balance December 31, 2011 |
|--------------------------------|--------------------------|-------------------|-------------------------|--|
| Market Rate Rent | | | | |
| 2002 GMHF Loan | \$ 101,500 | 2027 | - | \$ 101,500 |
| 2009 Housing Development Bonds | 1,055,000 | 2029 | 1.25 - 4.50 | 950,000 |
| Total Long-Term Debt | \$ 1,156,500 | | | \$ 1,051,500 |

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

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

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt (Continued)

The annual minimum payment requirements for bonds and loans outstanding as of December 31, 2011, are as follows:

| <u>Year Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------|---------------------|
| 2012 | \$ 35,000 | \$ 38,245 | \$ 73,245 |
| 2013 | 40,000 | 37,283 | 77,283 |
| 2014 | 40,000 | 36,183 | 76,183 |
| 2015 | 45,000 | 34,883 | 79,883 |
| 2016 | 45,000 | 33,420 | 78,420 |
| 2017 - 2021 | 240,000 | 139,300 | 379,300 |
| 2022 - 2026 | 295,000 | 85,975 | 380,975 |
| 2027 - 2029 | 311,500 | 19,285 | 330,785 |
| Totals | <u>\$ 1,051,500</u> | <u>\$ 424,574</u> | <u>\$ 1,476,074</u> |

C. Defined Contribution Pension Plan

Plan Description

The Principal Mutual Life Insurance Company Retirement Plan (Plan) is a defined contribution retirement plan covering essentially all employees of the various participating employers. Since the participating employers are all government units, the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, except for the contribution limitations of Section 415. The payroll for employees covered by the Plan for the year ended December 31, 2011, was \$122,233; the HRA's total payroll was \$135,948.

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.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures

C. Defined Contribution Pension Plan

Plan Description (Continued)

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

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

Contributions Required and Contributions Made

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

| | |
|----------|--------|
| Employee | - |
| Employer | 14.00% |

Total contributions made during the fiscal years ending December 31, 2011, 2010, and 2009, were \$17,134, \$16,976, and \$19,881, respectively.

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

7. Component Unit Disclosures (Continued)

D. Risk Management

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

The ultimate course of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. Settled claims to date have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with coverage in the prior year.

E. Contingencies

The HRA receives grant funds, principally from the U.S. Department of Housing and Urban Development (HUD), for the Section 8 Housing Choice Vouchers Program, the Public Housing Operating Subsidy, and the Capital Fund. Monies from HUD are received directly from the federal agency. Certain expenditures are subject to audit by HUD, and the HRA is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the HRA, no material refunds will be required as a result of expenditures disallowed by HUD.

REQUIRED SUPPLEMENTARY INFORMATION

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 3,025,868 | \$ 3,025,868 | \$ 3,270,544 | \$ 244,676 |
| Licenses and permits | 75 | 75 | 2,798 | 2,723 |
| Intergovernmental | 406,063 | 406,063 | 1,030,521 | 624,458 |
| Charges for services | 227,587 | 227,587 | 309,511 | 81,924 |
| Gifts and contributions | - | - | 748 | 748 |
| Investment earnings | 20,000 | 20,000 | 14,555 | (5,445) |
| Miscellaneous | 88,562 | 88,562 | 170,357 | 81,795 |
| Total Revenues | \$ 3,768,155 | \$ 3,768,155 | \$ 4,799,034 | \$ 1,030,879 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 185,324 | \$ 185,324 | \$ 174,284 | \$ 11,040 |
| County coordinator | 120,995 | 120,995 | 118,575 | 2,420 |
| County auditor | 236,815 | 236,815 | 225,044 | 11,771 |
| License bureau | 102,355 | 102,355 | 67,381 | 34,974 |
| County treasurer | 153,838 | 153,838 | 182,975 | (29,137) |
| County assessor | 222,215 | 222,215 | 207,513 | 14,702 |
| Elections | 1,500 | 1,500 | 3,991 | (2,491) |
| Accounting and auditing | 50,000 | 50,000 | 48,525 | 1,475 |
| Data processing | - | - | 168,541 | (168,541) |
| Attorney | 175,845 | 175,845 | 206,462 | (30,617) |
| Law library | - | - | 6,551 | (6,551) |
| Recorder | 193,505 | 193,505 | 159,749 | 33,756 |
| Land management | 122,004 | 122,004 | 71,848 | 50,156 |
| Buildings and plant | 302,323 | 302,323 | 188,779 | 113,544 |
| Veterans service officer | 38,221 | 38,221 | 8,222 | 29,999 |
| Other general government | 113,083 | 113,083 | 343,472 | (230,389) |
| Total general government | \$ 2,018,023 | \$ 2,018,023 | \$ 2,181,912 | \$ (163,889) |
| Public safety | | | | |
| Sheriff | \$ 1,021,884 | \$ 1,021,884 | \$ 997,159 | \$ 24,725 |
| Boat and water safety | - | - | 2,821 | (2,821) |
| Emergency management | 40,787 | 40,787 | 47,516 | (6,729) |
| E-911 system | 75,000 | 75,000 | 236,767 | (161,767) |
| Coroner | 6,000 | 6,000 | 5,325 | 675 |
| Community corrections | 108,500 | 108,500 | 104,365 | 4,135 |
| Total public safety | \$ 1,252,171 | \$ 1,252,171 | \$ 1,393,953 | \$ (141,782) |

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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Health | | | | |
| Nursing service | \$ 108,465 | \$ 108,465 | \$ 107,715 | \$ 750 |
| Culture and recreation | | | | |
| Historical society | \$ 20,000 | \$ 20,000 | \$ 20,000 | \$ - |
| County/regional library | 60,543 | 60,543 | 60,543 | - |
| Total culture and recreation | \$ 80,543 | \$ 80,543 | \$ 80,543 | \$ - |
| Conservation of natural resources | | | | |
| County extension | \$ 139,115 | \$ 139,115 | \$ 131,009 | \$ 8,106 |
| Soil and water conservation | 79,938 | 79,938 | 79,938 | - |
| Agricultural society/county fair | 16,540 | 16,540 | 16,540 | - |
| Water planning | 2,365 | 2,365 | 70,362 | (67,997) |
| Total conservation of natural resources | \$ 237,958 | \$ 237,958 | \$ 297,849 | \$ (59,891) |
| Economic development | | | | |
| Economic development | \$ 35,000 | \$ 35,000 | \$ 34,917 | \$ 83 |
| Debt service | | | | |
| Interest | \$ - | \$ - | \$ 71,057 | \$ (71,057) |
| Total Expenditures | \$ 3,732,160 | \$ 3,732,160 | \$ 4,167,946 | \$ (435,786) |
| Net Change in Fund Balance | \$ 35,995 | \$ 35,995 | \$ 631,088 | \$ 595,093 |
| Fund Balance - January 1 | 1,754,485 | 1,754,485 | 1,754,485 | - |
| Fund Balance - December 31 | \$ 1,790,480 | \$ 1,790,480 | \$ 2,385,573 | \$ 595,093 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 1,007,208 | \$ 1,007,208 | \$ 1,010,005 | \$ 2,797 |
| Intergovernmental | 2,613,792 | 2,613,792 | 2,255,283 | (358,509) |
| Charges for services | 72,000 | 72,000 | 99,953 | 27,953 |
| Miscellaneous | 7,000 | 7,000 | 68,990 | 61,990 |
| Total Revenues | \$ 3,700,000 | \$ 3,700,000 | \$ 3,434,231 | \$ (265,769) |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Administration | \$ 212,350 | \$ 212,350 | \$ 137,629 | \$ 74,721 |
| Maintenance | 865,950 | 865,950 | 1,234,285 | (368,335) |
| Construction | 1,762,800 | 1,762,800 | 959,726 | 803,074 |
| Equipment maintenance and shop | 772,700 | 772,700 | 769,700 | 3,000 |
| Materials and services for resale | 77,600 | 77,600 | 91,400 | (13,800) |
| Total highways and streets | \$ 3,691,400 | \$ 3,691,400 | \$ 3,192,740 | \$ 498,660 |
| Intergovernmental | | | | |
| Highways and streets | - | - | 194,973 | (194,973) |
| Total Expenditures | \$ 3,691,400 | \$ 3,691,400 | \$ 3,387,713 | \$ 303,687 |
| Net Change in Fund Balance | \$ 8,600 | \$ 8,600 | \$ 46,518 | \$ 37,918 |
| Fund Balance - January 1 | 1,007,886 | 1,007,886 | 1,007,886 | - |
| Increase (decrease) in inventories | - | - | (13,086) | (13,086) |
| Fund Balance - December 31 | \$ 1,016,486 | \$ 1,016,486 | \$ 1,041,318 | \$ 24,832 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 806,864 | \$ 806,864 | \$ 810,303 | \$ 3,439 |
| Intergovernmental | 751,179 | 751,179 | 1,275,582 | 524,403 |
| Charges for services | 190,460 | 190,460 | 195,884 | 5,424 |
| Miscellaneous | 19,272 | 19,272 | 26,630 | 7,358 |
| Total Revenues | \$ 1,767,775 | \$ 1,767,775 | \$ 2,308,399 | \$ 540,624 |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 610,395 | \$ 610,395 | \$ 651,477 | \$ (41,082) |
| Social services | 1,083,827 | 1,083,827 | 991,607 | 92,220 |
| Total Expenditures | \$ 1,694,222 | \$ 1,694,222 | \$ 1,643,084 | \$ 51,138 |
| Net Change in Fund Balance | \$ 73,553 | \$ 73,553 | \$ 665,315 | \$ 591,762 |
| Fund Balance - January 1 | 1,293,449 | 1,293,449 | 1,293,449 | - |
| Fund Balance - December 31 | \$ 1,367,002 | \$ 1,367,002 | \$ 1,958,764 | \$ 591,762 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Appropriations

The following major fund had expenditures in excess of budget for the year ended December 31, 2011:

| | <u>Expenditures</u> | <u>Final Budget</u> | <u>Excess</u> |
|--------------|---------------------|---------------------|---------------|
| General Fund | \$ 4,167,946 | \$ 3,732,160 | \$ 435,786 |

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

| | Special Revenue Funds | | | |
|---|------------------------------|------------------------|-----------------------|-------------------|
| | Ditch | Solid Waste | Transportation | Total |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 254,175 | \$ 323,850 | \$ 4,574 | \$ 582,599 |
| Petty cash and change funds | - | 200 | - | 200 |
| Undistributed cash in agency funds | 727 | 2,927 | - | 3,654 |
| Special assessments receivable | | | | |
| Prior | 1,200 | 9,197 | - | 10,397 |
| Accounts receivable | - | 4,903 | 1,000 | 5,903 |
| Accrued interest receivable | 22,913 | - | - | 22,913 |
| Due from other governments | - | 8,129 | 5,326 | 13,455 |
| Total Assets | \$ 279,015 | \$ 349,206 | \$ 10,900 | \$ 639,121 |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 1,075 | \$ 988 | \$ - | \$ 2,063 |
| Salaries payable | - | 656 | - | 656 |
| Due to other funds | 57 | - | - | 57 |
| Due to other governments | - | 9,263 | - | 9,263 |
| Deferred revenue - unavailable | 1,513 | 8,495 | 5,750 | 15,758 |
| Total Liabilities | \$ 2,645 | \$ 19,402 | \$ 5,750 | \$ 27,797 |
| Fund Balances | | | | |
| Restricted | | | | |
| Ditch maintenance | \$ 276,370 | \$ - | \$ - | \$ 276,370 |
| Assigned | | | | |
| Transportation | - | - | 5,150 | 5,150 |
| Sanitation | - | 329,804 | - | 329,804 |
| Total Fund Balances | \$ 276,370 | \$ 329,804 | \$ 5,150 | \$ 611,324 |
| Total Liabilities and Fund Balances | \$ 279,015 | \$ 349,206 | \$ 10,900 | \$ 639,121 |

**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, 2011**

| | Special Revenue Funds | | | Total |
|-----------------------------------|------------------------------|------------------------|-----------------------|-------------------|
| | Ditch | Solid Waste | Transportation | |
| Revenues | | | | |
| Special assessments | \$ 72,413 | \$ 126,090 | \$ - | \$ 198,503 |
| Intergovernmental | - | 55,950 | 4,119 | 60,069 |
| Charges for services | - | 401,331 | 2,268 | 403,599 |
| Investment earnings | 2,026 | - | - | 2,026 |
| Miscellaneous | - | - | 157 | 157 |
| Total Revenues | \$ 74,439 | \$ 583,371 | \$ 6,544 | \$ 664,354 |
| Expenditures | | | | |
| Current | | | | |
| Sanitation | \$ - | \$ 547,963 | \$ - | \$ 547,963 |
| Human services | - | - | 22,873 | 22,873 |
| Conservation of natural resources | 56,000 | - | - | 56,000 |
| Total Expenditures | \$ 56,000 | \$ 547,963 | \$ 22,873 | \$ 626,836 |
| Net Change in Fund Balance | \$ 18,439 | \$ 35,408 | \$ (16,329) | \$ 37,518 |
| Fund Balance - January 1 | 257,931 | 294,396 | 21,479 | 573,806 |
| Fund Balance - December 31 | \$ 276,370 | \$ 329,804 | \$ 5,150 | \$ 611,324 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special assessments | \$ 126,180 | \$ 126,180 | \$ 126,090 | \$ (90) |
| Intergovernmental | 55,950 | 55,950 | 55,950 | - |
| Charges for services | 397,556 | 397,556 | 401,331 | 3,775 |
| Total Revenues | \$ 579,686 | \$ 579,686 | \$ 583,371 | \$ 3,685 |
| Expenditures | | | | |
| Current | | | | |
| Sanitation | | | | |
| Solid waste | \$ 321,371 | \$ 321,371 | \$ 309,784 | \$ 11,587 |
| Recycling | 230,280 | 230,280 | 224,817 | 5,463 |
| Hazardous waste | 14,000 | 14,000 | 13,362 | 638 |
| Total Expenditures | \$ 565,651 | \$ 565,651 | \$ 547,963 | \$ 17,688 |
| Net Change in Fund Balance | \$ 14,035 | \$ 14,035 | \$ 35,408 | \$ 21,373 |
| Fund Balance - January 1 | 294,396 | 294,396 | 294,396 | - |
| Fund Balance - December 31 | \$ 308,431 | \$ 308,431 | \$ 329,804 | \$ 21,373 |

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

AGENCY FUNDS

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

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

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

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

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

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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|------------------|-------------------|--------------------------------|
| <u>SCHOOL FUND</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 2,976,461 | \$ 2,976,461 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 2,976,461 | \$ 2,976,461 | \$ - |
| <u>STATE REVENUE FUND</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 24,661 | \$ 24,661 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 24,661 | \$ 24,661 | \$ - |
| <u>TAXES AND PENALTIES FUND</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 260,303 | \$ 15,325,764 | \$ 15,315,583 | \$ 270,484 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 260,303 | \$ 15,325,764 | \$ 15,315,583 | \$ 270,484 |

**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, 2011**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|------------------------------|-------------------|-------------------|--------------------------------|
| <u>TOWNS AND CITIES FUND</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 3,625,326 | \$ 3,625,326 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ - | \$ 3,625,326 | \$ 3,625,326 | \$ - |
| <u>ASSERTIVE COMMUNITY TREATMENT FUND</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 48,564 | \$ 407,896 | \$ 602,644 | \$ (146,184) |
| Due from other governments | - | 146,184 | - | 146,184 |
| Total Assets | \$ 48,564 | \$ 554,080 | \$ 602,644 | \$ - |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 48,564 | \$ 554,080 | \$ 602,644 | \$ - |
| <u>ADULT MENTAL HEALTH INITIATIVE FUND</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 392,959 | \$ 962,272 | \$ 1,081,779 | \$ 273,452 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 392,959 | \$ 962,272 | \$ 1,081,779 | \$ 273,452 |

**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, 2011**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--------------------------------------|------------------------------|----------------------|----------------------|--------------------------------|
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 701,826 | \$ 23,322,380 | \$ 23,626,454 | \$ 397,752 |
| Due from other governments | - | 146,184 | - | 146,184 |
| Total Assets | \$ 701,826 | \$ 23,468,564 | \$ 23,626,454 | \$ 543,936 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 701,826 | \$ 23,468,564 | \$ 23,626,454 | \$ 543,936 |

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OTHER SCHEDULES

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2011**

| | Assets | | | | Total |
|-------------------------|-------------------|-----------------------|--------------------------------------|-----------------------------------|-------------------|
| | Cash | Undistributed Cash | Special Assessments Delinquent | Accrued Interest Receivable | |
| County Ditches | | | | | |
| #1 | \$ 6,646 | \$ - | \$ - | \$ 1,393 | \$ 8,039 |
| #3 | 21,051 | 203 | 1 | 1,963 | 23,218 |
| #5 | 1,967 | - | - | - | 1,967 |
| #6 | 3,035 | - | - | - | 3,035 |
| #8 | 22,907 | 170 | - | 3,011 | 26,088 |
| #9 | 20,242 | 234 | - | 3,173 | 23,649 |
| #11 | 1,699 | - | - | - | 1,699 |
| #13 | 2,126 | - | - | - | 2,126 |
| #15 | 3,273 | - | - | - | 3,273 |
| #21 | 45,951 | - | 5 | 6,307 | 52,263 |
| #22 | 2,722 | - | - | - | 2,722 |
| #23 | 423 | - | - | - | 423 |
| #29 | 42,063 | - | 1,088 | 4,259 | 47,410 |
| #30 | 2,007 | - | - | - | 2,007 |
| #31 | 2,015 | 119 | 106 | - | 2,240 |
| #32 | 6,868 | 1 | - | 950 | 7,819 |
| #33 | 1,235 | - | - | - | 1,235 |
| Consolidated | | | | | |
| #2 | 13,369 | - | - | 1,849 | 15,218 |
| Judicial Ditches | | | | | |
| #1 | 757 | - | - | - | 757 |
| #2 | 53,819 | - | - | 8 | 53,827 |
| Total | \$ 254,175 | \$ 727 | \$ 1,200 | \$ 22,913 | \$ 279,015 |

EXHIBIT D-1

| Liabilities | | | | | |
|-------------------------|---------------------------|-------------------------|-----------------|-----------------------------------|--|
| Accounts Payable | Due to Other Funds | Deferred Revenue | Total | Fund Balances - Restricted | Total Liabilities and Fund Balances |
| \$ - | \$ 5 | \$ 19 | \$ 24 | \$ 8,015 | \$ 8,039 |
| - | 6 | 27 | 33 | 23,185 | 23,218 |
| - | - | - | - | 1,967 | 1,967 |
| - | - | - | - | 3,035 | 3,035 |
| - | 8 | 41 | 49 | 26,039 | 26,088 |
| - | 7 | 44 | 51 | 23,598 | 23,649 |
| - | - | - | - | 1,699 | 1,699 |
| - | - | - | - | 2,126 | 2,126 |
| - | - | - | - | 3,273 | 3,273 |
| - | 16 | 91 | 107 | 52,156 | 52,263 |
| - | - | - | - | 2,722 | 2,722 |
| - | 1 | - | 1 | 422 | 423 |
| 1,075 | 5 | 1,146 | 2,226 | 45,184 | 47,410 |
| - | - | - | - | 2,007 | 2,007 |
| - | - | 106 | 106 | 2,134 | 2,240 |
| - | 3 | 13 | 16 | 7,803 | 7,819 |
| - | - | - | - | 1,235 | 1,235 |
| - | 6 | 26 | 32 | 15,186 | 15,218 |
| - | - | - | - | 757 | 757 |
| - | - | - | - | 53,827 | 53,827 |
| \$ 1,075 | \$ 57 | \$ 1,513 | \$ 2,645 | \$ 276,370 | \$ 279,015 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011**

Shared Revenue

State

| | | |
|-----------------------------------|----|-----------|
| Highway users tax | \$ | 2,158,567 |
| County program aid | | 124,611 |
| Market value credit | | 224,153 |
| Market value credit - mobile home | | 1,183 |
| PERA rate reimbursement | | 12,568 |
| Disparity reduction aid | | 6,128 |
| Police aid | | 39,913 |
| | | 39,913 |

Total shared revenue **\$ 2,567,123**

Reimbursement for services

| | | |
|--|----|----------------|
| Minnesota Department of Human Services | \$ | 126,564 |
| | | 126,564 |

Payments

Local

| | | |
|--|----|--------|
| Payments in lieu of taxes | \$ | 42,975 |
| Qualified energy conservation payments | | 32,688 |
| | | 32,688 |

Total payments **\$ 75,663**

Grants

State

| | | |
|------------------------------------|----|---------|
| Minnesota Department/Board of | | |
| Corrections | \$ | 10,432 |
| Public Safety | | 298,742 |
| Transportation | | 576 |
| Natural Resources | | 41,719 |
| Human Services | | 281,298 |
| Veterans Affairs | | 26,000 |
| Water and Soil Resources | | 51,350 |
| Office of Environmental Assistance | | 55,950 |
| Secretary of State | | 1,437 |
| | | 1,437 |

Total state **\$ 767,504**

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

***EXHIBIT D-2
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011**

Grants (Continued)

Federal

| | |
|-------------------------------|-----------|
| Department of | |
| Agriculture | \$ 72,197 |
| Commerce | 30,507 |
| Housing and Urban Development | 243,568 |
| Justice | 2,382 |
| Transportation | 3,543 |
| Energy | 113,518 |
| Health and Human Services | 543,726 |
| Homeland Security | 150,788 |
| | <hr/> |

Total federal **\$ 1,160,229**

Total state and federal grants **\$ 1,927,733**

Total Intergovernmental Revenue **\$ 4,697,083**

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|--|------------------------------------|---------------------|
| U.S. Department of Agriculture | | |
| Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | <u>\$ 72,197</u> |
| U.S. Department of Commerce | | |
| Passed Through Minnesota Department of Public Safety and Central Minnesota Emergency Services Board Public Safety Interoperable Communications Grant Program | 11.555 | <u>\$ 30,507</u> |
| U.S. Department of Housing and Urban Development | | |
| Direct Shelter Plus Care | 14.238 | <u>\$ 124,719</u> |
| U.S. Department of Justice | | |
| Direct Bulletproof Vest Partnership Program | 16.607 | <u>\$ 2,382</u> |
| U.S. Department of Transportation | | |
| Passed Through Minnesota Department of Transportation Formula Grants for Other Than Urbanized Areas | 20.509 | <u>\$ 1,615</u> |
| U.S. Department of Energy | | |
| Passed Through Minnesota Department of Commerce Energy Efficiency and Conservation Block Grant Program - ARRA | 81.128 | <u>\$ 122,890</u> |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| Federal Grantor Pass-Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|---------------------|
| U.S. Department of Health and Human Services | | |
| Passed Through West Central Area Agency on Aging Special Programs for the Aging, Title III Part B - Grants for Supportive Services and Senior Centers | 93.044 | \$ 32,050 |
| Passed Through Minnesota Department of Human Services | | |
| Promoting Safe and Stable Families | 93.556 | 1,578 |
| Temporary Assistance for Needy Families | 93.558 | 67,471 |
| Child Support Enforcement | 93.563 | 137,180 |
| Child Care Cluster | | |
| Child Care and Development Block Grant | 93.575 | 1,514 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 1,519 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 3,000 |
| Foster Care Title IV-E Cluster | | |
| Foster Care Title IV-E | 93.658 | 15,799 |
| Foster Care Title IV-E - ARRA | 93.658 | 1,365 |
| Social Services Block Grant | 93.667 | 69,211 |
| Chafee Foster Care Independence Program | 93.674 | 1,963 |
| Children's Health Insurance Program | 93.767 | 42 |
| Medical Assistance Program | 93.778 | 206,049 |
| Block Grants for Community Mental Health Services | 93.958 | 1,585 |
| Total U.S. Department of Health and Human Services | | \$ 540,326 |
| U.S. Department of Homeland Security | | |
| Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | \$ 276,942 |
| Passed Through Minnesota Department of Public Safety and Central Minnesota Emergency Services Board | | |
| Homeland Security Grant Program | 97.067 | 96,504 |
| Passed Through Minnesota Department of Public Safety and West Central Minnesota EMS Corporation | | |
| Homeland Security Grant Program | 97.067 | 47,833 |
| Total U.S. Department of Homeland Security | | \$ 421,279 |
| Total Federal Awards | | \$ 1,315,915 |

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 \$214,617 in federal awards expended by the Grant County Housing and Redevelopment Authority 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, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Grant County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Grant County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

| | |
|------------------------------------|----------|
| Child Care and Development Cluster | \$ 3,033 |
| Foster Care Title IV-E Cluster | 17,164 |

**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

| | |
|--|--------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 1,160,229 |
| Expenditures in prior years, recognized as revenue in 2011 | |
| Formula Grants for Other Than Urbanized Areas (CFDA #20.509) | (5,827) |
| Grants received more than 60 days after year-end, deferred in 2011 | |
| Formula Grants for Other Than Urbanized Areas (CFDA #20.509) | 3,899 |
| Energy Efficiency and Conservation Block Grant Program - ARRA (CFDA #81.128) | 9,372 |
| Medical Assistance Program (CFDA #93.778) | 65 |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036) | 276,942 |
| Deferred in 2010, recognized as revenue in 2011 | |
| Shelter Plus Care (CFDA #14.238) | (118,849) |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA #93.596) | (648) |
| Medical Assistance Program (CFDA #93.778) | (2,817) |
| Emergency Management Performance Grants (CFDA #97.042) | (6,451) |
| Expenditures per Schedule of Expenditures of Federal Awards | \$ 1,315,915 |

6. Subrecipients

The County passed through the \$124,719 Shelter Plus Care (CFDA #14.238) grant to subrecipients during the year ended December 31, 2011.

7. American Recovery and Reinvestment Act

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

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**GRANT COUNTY
ELBOW LAKE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Qualified on the governmental activities because Grant County has not reported a liability and related expense for other postemployment benefits. The opinions on the financial statements of the discretely presented component unit, each major fund, and the aggregate remaining fund information are unqualified.**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

| | |
|---|--------------|
| State Administrative Matching Grants for SNAP | CFDA #10.561 |
| Energy Efficiency and Conservation Block Grant Program - ARRA | CFDA #81.128 |
| Medical Assistance Program | CFDA #93.778 |
| Disaster Grants - Public Assistance | CFDA #97.036 |

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-2 Departmental Internal Accounting Controls

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

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

Context: It is not unusual in operations the size of Grant County to be limited in the internal control that management can design and implement into the organization.

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, it is impractical for the County to hire enough staff to achieve a desirable level of segregation of duties in every department.

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

00-1 Capital Asset Records

Criteria: Governmental Accounting Standards Board (GASB) Statement 34 requires governments to include capital assets on the statement of net assets and to report depreciation expense for those assets on the statement of activities. Detailed policies and procedures should include guidance so those responsible for maintaining appropriate internal controls over capital assets understand the responsibilities and procedures for ensuring proper approval and recording of acquisitions, transfers, disposals, and depreciation of capital assets.

Condition: Grant County's policy provides guidance on the County's capitalization threshold, depreciation method, and the useful lives of capital assets, including infrastructure. However, the policy does not address the responsibilities and procedures for ensuring acquisitions, transfers, and disposals are properly communicated and recorded, which assets should be identified with inventory tags, the need for and responsibilities in conducting a periodic inventory, and the process for approval and adjustment of inventory records for differences noted or obsolete inventory items. We noted certain infrastructure and construction in progress costs for road projects and the courthouse project that were not included in the capital asset system. We also noted certain hospital items (improvements or attachments to the building) had been removed from the capital asset records but should not have been. Finally, we noted four buses in the system that should have been deleted.

Context: Grant County has made progress in improving its capital asset records in recent years by eliminating many of the issues with the hospital equipment assets and centralizing the capital asset records in the County Auditor's Office.

Effect: Audit adjustments were necessary to ensure that capital assets were fairly presented for financial statement purposes.

Cause: The capital asset policy provides guidance only on the County's capitalization threshold, depreciation method, and the useful life. It is not comprehensive in addressing the responsibilities, procedures, and communication necessary to fully support proper capital asset record-keeping.

Recommendation: We recommend the County Board review and update its capital asset policies and procedures providing the directives necessary to strengthen internal control and record-keeping for capital assets. We further recommend the capital asset records be adjusted for the missing infrastructure, construction in progress, other assets, and the removal of the buses no longer owned by Grant County to ensure the capital asset records are current and materially correct.

06-3 Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable probability that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements.

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

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

- In the General Fund, receivables were increased by \$358,796 to record transactions not recognized by the County, resulting in increased revenue of \$355,094 and deferred revenue of \$3,702 for amounts not collected within the revenue recognition period. Revenues and expenditures were decreased by \$407,565 to reclassify transactions related to employee payroll withholdings.
- In the Human Services Special Revenue Fund, compensated absences and related expenditures were reduced by \$120,679 to correct a journal entry setting up the long-term liability in the fund. Beginning fund balance was reduced by \$243,788 to adjust for various accrual accounts from the prior year not reflected in the general ledger, including but not limited to, a due from other governments of \$257,771, a due to other governments of \$256,520, and deferred revenue unearned of \$166,099. Adjustments were also necessary to reverse the prior year due to other governments and reduce the expenditure by \$242,040, reverse prior year deferred unavailable and increase revenue by \$148,744, and reverse due from other governments by \$257,771 and reduce revenues \$118,849 for Shelter Care Plus and \$138,922 for various other revenue accounts. An entry was made to reflect a due to other governments and expenditures of \$79,839 for the amount determined to be payable to the Department of Human Services (DHS) based on a DHS audit report.
- In the Courthouse Improvement Capital Projects Fund, contracts payable and related expenditures were increased by \$541,636 for unrecorded contracts payable.
- Several adjustments were made to capital assets, resulting in an increase to the December 31, 2011, net capital asset balance of \$7,802,338.

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

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

Client's Response:

Grant County Social Services has begun working with the State Auditor's Office and the County Auditor's Office to determine how best to start this process since it has not historically been done. We have discussed however, with the Board that we feel this should be done in a uniform fashion throughout the County to provide the best consistency, so we will continue to work with the Auditor to determine the best solution for this.

07-2 Segregation of Duties - Payroll

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

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

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

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

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

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

07-3 Bank Reconciliations

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

Condition: The Grant County Treasurer maintains a Quicken electronic cashbook system, a manual cashbook for all accounts, as well as a separate cashbook for the County's main Bank of the West checking account. The Quicken cashbook has a balance \$2,148 larger than the balance shown in the County Integrated Financial System (IFS) due to a change fund of \$1,500 included in Quicken but not in the IFS and a \$648 adjustment made to the IFS several years ago. According to the County Treasurer, the original manual cashbook balance for the main checking account at the Bank of the West contained some errors, so a second corrected cashbook for that account is being maintained. It is this second manual cashbook that the County reconciles to the bank. The book balance in the second manual cashbook is \$37,932 less than the balance shown in the original manual cashbook. The original manual cashbook balance is \$2,239 less than the amount shown in the IFS, making the overall difference between the amounts reconciled to the bank balance and the balance on the IFS \$40,171 at December 31, 2011.

When an investment with UBS Financial Services Incorporated comes due, the principal and interest earned on the investment are rolled into a new investment. Since the principal and interest are not physically paid out to the County, the Treasurer has not received the interest for several years, resulting in accrued interest of \$60,463 not shown in the cashbook or the IFS.

The County did not have year-end bank reconciliations for one account at the Bank of the West and one MAGIC Fund account done for auditors to review during the course of the audit.

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

Effect: The County Treasurer's cash balance used for reconciliations with the bank balance differs from the cash balance reflected in the IFS by \$40,171. This difference increased \$10,543 from the \$29,628 noted in the previous audit. These differences have accumulated over a period of several years and will take a substantial amount of time to reconcile and make the necessary adjustments to the appropriate records. Interest earned on investments with UBS Financial Services Incorporated in the amount of \$60,463 accumulated over a period of several years has not been received by the County and, therefore, is not reflected in the Treasurer's cashbooks or the IFS. Additional audit time was required to reconcile differences between the confirmations received by auditors and the various records provided by the County.

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

Recommendation: We recommend the County reconcile the differences and make adjustments as necessary so that the cashbook balance agrees with the IFS. We further recommend that interest earned on investments that have matured be received in the County's records before reinvesting the interest in another investment, thus reducing the number of reconciliations necessary to properly record the cash and investment balance in the financial statements. Bank reconciliations for all accounts should be performed in a timely manner.

09-1 Budget Documentation

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

Condition: The County Board adopted formal budgets for its General Fund, and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds. The County Board adopts the budget in summary form. We were unable to reconcile the detailed budget posted to the general ledger to the summary budget approved by the County Board for the Road and Bridge Special Revenue Fund, noting an unexplained difference in budgeted expenditures of \$117,850. In addition, the County could not

provide us with the detail for the budget adopted for the Human Services Special Revenue Fund, nor could we find documentation in the County Board minutes showing a budget was adopted for the Transportation or Ditch Special Revenue Funds or the Courthouse Improvement Capital Projects Fund.

Context: The appropriations constitute maximum expenditure authorizations during the fiscal year and cannot legally be exceeded unless subsequently amended by the County Board. Budgets may not have been approved for the Transportation or Ditch Special Revenue Funds because there was little activity projected for 2011 or for the Courthouse Improvement Capital Projects Fund because it was a new fund for 2011.

Effect: The lack of accurate detailed budgets within the IFS for certain funds makes it difficult to monitor expenditure authority in relation to budgeted appropriations approved by the Board.

Cause: Detail budgets were not adopted or available.

Recommendation: We recommend that the County implement procedures to improve its budgetary accounting by retaining any detailed support for the budgets approved by the Board. Once approved, the detailed budget information should be included in the County's general ledger so that progress can be monitored by management. We also recommend that any changes to the original budget be approved and documented in the minutes by a formal County Board resolution.

Client's Response:

Grant County Social Services now has a detailed budget in IFS for 2012 and 2013 and will have one on an ongoing basis. The County Board will be given a copy of that detailed budget when it is adopted.

09-2 Other Postemployment Benefits (OPEB)

Criteria: GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, provides the accounting and reporting standards for the various OPEB many local governments offer to their employees. This statement requires that OPEB obligations and the annual OPEB cost be accrued as liabilities and expenses as the employees earn the right to the benefits.

Condition: Grant County has not reported its OPEB liability in the governmental activities and, accordingly, has not reported the change to the net OPEB obligation.

Context: OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage. If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance.

Effect: The amount by which this departure would affect the liabilities, net assets, and expenses of the governmental activities is not reasonably determinable. However, it is likely that the liabilities are understated, and we have accordingly qualified our opinion on the County's government-wide financial statements.

Cause: The County did not wish to incur the costs associated with obtaining actuarial services, nor did it consider the Alternative Measurement Method to provide the valuation and cost data necessary for reporting its OPEB liability.

Recommendation: We recommend the County comply with the requirements of GASB Statement 45.

PREVIOUSLY REPORTED ITEMS RESOLVED

Computer Disaster Recovery Plan (96-4)

Grant County developed an electronic data processing disaster recovery plan; however, the plan did not address personal computers, and the plan had never been tested.

Resolution

Grant County now contracts with Computer Professionals Unlimited to provide the hardware to process all the significant financial applications used by the County. Computer Professionals Unlimited has a current Business Continuity Plan that includes a recovery site and hardware replacement agreement with CPS Technology Solutions. CPS Technology Solutions periodically tests the recovery systems to ensure full recovery in the event of a disaster. The system recovery was tested in October 2010.

Preparation of Financial Statements (06-2)

The County needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

Resolution

The County provides a general ledger, accruals, and other supporting schedules necessary for preparing fund level and government-wide financial statements. The County has improved its understanding and preparation of underlying accounting data used in the preparation of the financial statements.

Cash Account Balances (09-3)

During our process of confirming depository and investment balances at December 31, 2010, some of the depositories included account balances for accounts opened with the County's federal identification number that were not included in the County Treasurer's cashbook.

Resolution

At December 31, 2011, we noted only one bank account that should not be using the County federal tax identification number. Some departmental accounts exist to deposit current collections of departmental fees that are periodically deposited with the County Treasurer.

Schedule of Expenditures of Federal Awards (10-1)

The County needed to improve its system of identifying federal award information to facilitate preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Resolution

The County has improved its system of identifying federal award information to provide sufficient information for the preparation of the SEFA.

Prior Period Adjustment (10-2)

The January 1, 2010, net assets and fund balance of the governmental activities and the Human Services Special Revenue Fund, respectively, were restated by \$242,040 to report a previously unrecorded payable.

Resolution

No restatements were necessary for 2011.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

11-1 Income Maintenance DHS-2550 Reporting

Programs: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.561), and Medical Assistance Program (CFDA No. 93.778).

Criteria: Standard internal control procedures should include timely communication of all necessary information and a review process of the reports submitted to the Minnesota Department of Human Services for reimbursement of program expenditures to ensure accurate and timely reporting.

Condition: During our testing of DHS-2550 quarterly reports, we noted expenses for an employee and a portion of expenses for Board members reported as Income Maintenance Random Moments Time Study (IMRMS) employees under Section A of the report that should not have been reported under this section since they were not IMRMS participants at the time of the report. These salary and benefits expenses were incorrectly reported under section A for all four quarters of 2011, when they should have been included in Section E - IM Administrative Overhead Expenditures.

Questioned Costs: None.

Context: Section A of the DHS-2550 is where the County is to report the quarter's IMRMS salary and benefits. Employees included in amounts posted to these accounts are those that have been reported as participating in the IMRMS by the IMRMS Coordinator.

Effect: All eligible expenditures were reported on the DHS-2550 quarterly reports for 2011; however, reporting the expenses in the incorrect section resulted in the County receiving less federal administrative aid than it was entitled to.

Cause: The amount for salary and benefits reported in Section A of the DHS-2550 was determined by taking total expenses reduced by amounts reported in other sections. Procedures are not currently in place for the IMRMS Coordinator to provide the Accounting Supervisor with copies of the employee data base to ensure employees are participating in the IMRMS before coding them for reporting in Section A of the DHS-2550.

Recommendation: We recommend the IMRMS Coordinator provide the Accounting Supervisor with copies of the employee data base to ensure employees are participating in the IMRMS before coding them for reporting in Section A of the DHS-2550 quarterly report. We further recommend Grant County carefully review the information reported on the DHS-2550 quarterly reports to ensure that the amounts are correctly reported and are accurate.

Corrective Action Plan:

Name of Contact Persons Responsible for Corrective Action:

Jill Frisell and Lorin Remmick

Corrective Action Planned:

We have had the County Auditor update the three IMRMS employees to different accounts effective January 1, 2012, so this will not happen again.

Anticipated Completion Date:

January 1, 2012

11-2 Supervisory Review Over Eligibility - Intake Function

Program: Medical Assistance (MA) (CFDA No. 93.778)

Criteria: OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

Condition: The state maintains the MAXIS computer system, which is used by the County to support the eligibility determination process. During our testing of controls over the MA case files, we noted no documented review process of case files by a supervisor. For 5 of the 40 cases tested, we noted that not all the documentation used to support participant eligibility as noted in MAXIS was retained in the manual case files.

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). The state maintains the computer systems supporting the eligibility determination process and actually pays the benefits to participants.

Effect: Case files are missing some of the documentation that supports the eligibility for the client to receive benefits.

Cause: The County does not have a procedure in place to ensure that case files are reviewed and approved.

Recommendation: We recommend Grant County establish a process for reviewing a sample of case files periodically by a program supervisor or other person with knowledge of the program to ensure that all the required information affecting eligibility is obtained, correctly entered into MAXIS, and is retained in the manual case file. We further recommend that those reviews be documented.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Stacy Hennen, until a Supervisor is hired; then it will be that person.

Corrective Action Planned:

An Income Maintenance Supervisor is being hired in 2013, and that person will be doing quarterly audits and sampling random cases of each staff at that time and documenting results. They will also be ensuring that items found are corrected and documenting that.

Anticipated Completion Date:

March 1, 2013

PREVIOUSLY REPORTED ITEM RESOLVED

Shelter Plus Care (CFDA No. 14.238) - Subrecipient Monitoring (10-3)

Grant County provided federal awards to subrecipients (various Housing and Redevelopment Authorities) for the Shelter Plus Care Grant. Grant County did not have agreements with its subrecipients or other evidence that the County had actually performed procedures to determine that subrecipients had complied with applicable grant requirements.

Resolution

Working with Housing and Urban Development, Grant County transferred the Shelter Plus Care Grant to the Clay County Housing and Redevelopment Authority in January 2012, so it is no longer responsible for subrecipient monitoring.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

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

Criteria: Grant County is required by Minn. Stat. § 118A.03, subd. 3, to obtain an assignment of pledged collateral equal to “at least ten percent more than the amount on deposit at the close of the financial institution’s banking day,” in excess of federal deposit insurance. In a Federal Court decision, the Court ruled that if a municipality fails to perfect a security interest under federal law, its right to such collateral in the event of default is not enforceable. To obtain an enforceable assignment under federal law (12 U.S.C. § 1823(e)), Grant County must obtain a written assignment of collateral, which is approved by the depository bank’s Board of Directors or loan committee and is thereafter a continuous official record of the bank.

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

Context: At December 31, 2011, the Grant County Treasurer had deposits in excess of Federal Deposit Insurance in three banks. Two of those banks had documentation of a perfected security interest in the pledged collateral.

Effect: Deposits in excess of Federal Deposit Insurance are at risk of loss if Eagle Bank failed.

Cause: The County Treasurer was unaware that the documentation of a perfected interest in collateral for Eagle Bank was not in her files.

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

08-3 Conflicts of Interest

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

Condition: During the year ended December 31, 2011, Grant County purchased various supplies from a local vendor in which a County Commissioner has an ownership interest. We found no evidence in the form of a resolution or an affidavit that documents the County met the requirements of Minn. Stat. § 471.89.

Context: Payments made to the local vendor for various supplies purchased throughout the year totaled \$1,480. The County seat is located in a small community of 1,200 people, limiting the local vendors available for such purchases.

Effect: These transactions result in a potential conflict of interest.

Cause: Although the County has previously been made aware of the statutory requirements governing contracting with interested parties, it did not comply.

Recommendation: We recommend the County follow the requirements of Minn. Stat. § 471.89 for any purchases from a vendor in which a County official has an ownership interest and only if the transaction is allowable under Minn. Stat. § 471.88, subs. 1 and 5.

08-5 Safe Driving Class

Criteria: As stated in Minn. Stat. § 169.022, in part, “. . . Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalties provided for in this chapter for the same offense.”

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

Condition: Grant County has established a traffic safety course option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff's Deputies have the discretion to offer traffic violators the option of attending the traffic safety course in lieu of a citation. The course costs \$65 payable to the Grant County Sheriff, and the funds generated are dedicated for use by the County Sheriff's Department. In 2011, the County Sheriff's Department received \$9,030 in fees related to violators attending the traffic safety course in lieu of a citation.

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

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

Effect: The County's Safe Driving Class is unauthorized and in violation of Minn. Stat. § 169.022.

Cause: The County asserts that the County can offer the Safe Driving Class option in lieu of issuance or court filing of a state uniform traffic ticket as a safe driving diversionary program.

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

10-4 Publication of Board Minutes

Criteria: County Board minutes are required by Minn. Stat. § 375.12 to be published within 30 days of the meeting.

Condition: We reviewed the affidavits of publication related to the publishing of a summary of the County Board minutes for 2011 and found that some of the summaries were not published in the County's official newspaper within the 30-day requirement.

Context: Of the 24 published summaries reviewed, 11 were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The minutes were not presented to the County's official newspaper in time to meet publication within the 30-day requirement.

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

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Board of County Commissioners
Grant County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 7, 2013. The report on the government-wide financial statements was qualified because Grant County has not reported other postemployment benefits (OPEB) obligations in the Statement of Net Assets and has not reported the related net OPEB obligation change in the Statement of Activities as required by generally accepted accounting principles. Our report was further modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Housing and Redevelopment Authority of Grant County, a discretely reported component unit, as described in our report on Grant County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of Grant County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Grant County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the

purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 00-1, 06-3, and 09-2 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-2, 07-2, 07-3, and 09-1 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that for the items tested, Grant County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 07-5, 08-3, 08-5, and 10-4.

Grant County's written responses to certain of the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

February 7, 2013

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Grant County

Compliance

We have audited Grant County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. Grant County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Grant County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Grant County component unit, which expended \$214,617 in federal awards during the year ended December 31, 2011, 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.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grant County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Grant County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Grant County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 11-1 and 11-2. A significant deficiency in internal control over compliance is a deficiency, or

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report is solely to describe the scope of our testing of internal control related to major programs and compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs, and the results of that testing, and to provide an opinion on compliance but not to provide an opinion on the effectiveness of the County's internal control over compliance. This report is an integral part of an audit performed in accordance with OMB Circular A-133 in considering the County's internal control over compliance and compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

February 7, 2013