STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

GRANT COUNTY
ELBOW LAKE, MINNESOTA

YEAR ENDED DECEMBER 31, 2013

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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GRANT COUNTY
ELBOW LAKE, MINNESOTA

Year Ended December 31, 2013

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

ORGANIZATION SCHEDULE
DECEMBER 31, 2013

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

*Chair

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Financial Section

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Grant County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

An Equal Opportunity Employer

County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant County as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle
As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities,* which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of Grant County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grant County's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 26, 2014

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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GRANT COUNTY
ELBOW LAKE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013
(Unaudited)

INTRODUCTION

Grant County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with Grant County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $35,220,965, of which $27,008,630 is the net investment in capital assets and $2,712,153 is restricted to specific purposes/uses by the County.

- The net cost of Grant County's governmental activities for the year ended December 31, 2013, was $5,146,510; the net cost was funded by general revenues totaling $6,148,398.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management's Discussion and Analysis
(Required Supplementary Information)

Government-Wide Financial Statements	**Fund Financial Statements**

Notes to the Financial Statements

Required Supplementary Information
(Other than Management's Discussion and Analysis)

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

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

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

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

- Governmental activities--Grant County reports its basic services in the "Governmental Activities" column of these reports. The activities reported by the County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Grant County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.

- Component unit--Grant County includes a separate legal entity in its report, the Housing and Redevelopment Authority of Grant County. This entity is presented in a separate column. Although legally separate, the component unit is important because the County is financially accountable for it.

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

THE COUNTY AS A WHOLE

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

Table 1
Net Position

	Governmental Activities	
	2013	2012
Assets		
Current and other assets	$ 9,314,834	$ 11,615,077
Capital assets, net of accumulated depreciation	31,184,718	28,519,399
Total Assets	$ 40,499,552	$ 40,134,476
Liabilities		
Current liabilities	$ 559,525	$ 997,176
Long-term liabilities	4,719,062	4,918,223
Total Liabilities	$ 5,278,587	$ 5,915,399
Net Position		
Net investment in capital assets	$ 27,008,630	$ 24,134,456
Restricted	2,712,153	4,518,734
Unrestricted	5,500,182	5,565,887
Total Net Position	$ 35,220,965	$ 34,219,077

Grant County's total net position for the year ended December 31, 2013, totals $35,220,965. The governmental activities' unrestricted net position, totaling $5,500,182, is available to finance the day-to-day operations of the governmental activities of Grant County.

Table 2
Changes in Net Position

	Governmental Activities	
	2013	2012
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 1,589,519	$ 1,530,169
Operating grants and contributions	4,593,682	4,297,036
Capital grants and contributions	20,000	402,821
General revenues		
Property taxes	5,360,706	5,447,773
Other taxes	232,192	-
Payments in lieu of tax	36,727	38,326
Grants and contributions not restricted to specific programs	407,781	303,730
Unrestricted investment earnings	10,043	14,501
Miscellaneous	3,544	133,565
Contributions to permanent fund	97,405	-
Total Revenues	$ 12,351,599	$ 12,167,921

	Governmental Activities	
	2013	2012
Expenses		
General government	$ 2,555,076	$ 1,461,897
Public safety	1,405,516	1,510,519
Highways and streets	3,744,588	3,166,655
Sanitation	512,198	557,807
Human services	2,236,388	1,904,201
Health	102,811	96,505
Culture and recreation	87,057	80,543
Conservation of natural resources	500,745	364,975
Economic development	42,500	35,083
Interest	162,832	165,306
Total Expenses	$ 11,349,711	$ 9,343,491
Change in Net Position	$ 1,001,888	$ 2,824,430
Net Position - January 1	34,219,077	31,394,647
Net Position - December 31	$ 35,220,965	$ 34,219,077

Governmental Activities

Revenues for Grant County's governmental activities for the year ended December 31, 2013, were $12,351,599. The County's cost for all governmental activities for the year ended December 31, 2013, was $11,349,711. Net position for the County's governmental activities increased by $1,001,888 in 2013.

As shown in the Statement of Activities, the amount that Grant County taxpayers ultimately financed for these governmental activities through local property taxation was $5,360,706, because $6,203,201 of the costs were paid by grants and contributions received for those programs and by those who directly benefited from the programs, and $407,781 was paid by other governments and organizations that provided additional grants and contributions. Grant County paid for the remaining "public benefit" portion of governmental activities with $282,506 in other revenues, such as investment income, mortgage registry tax, state deed tax, payments in lieu of tax and miscellaneous revenues. Additionally, the County received contributions to the Permanent Fund of $97,405, the investment earnings from which will benefit the County in future periods.

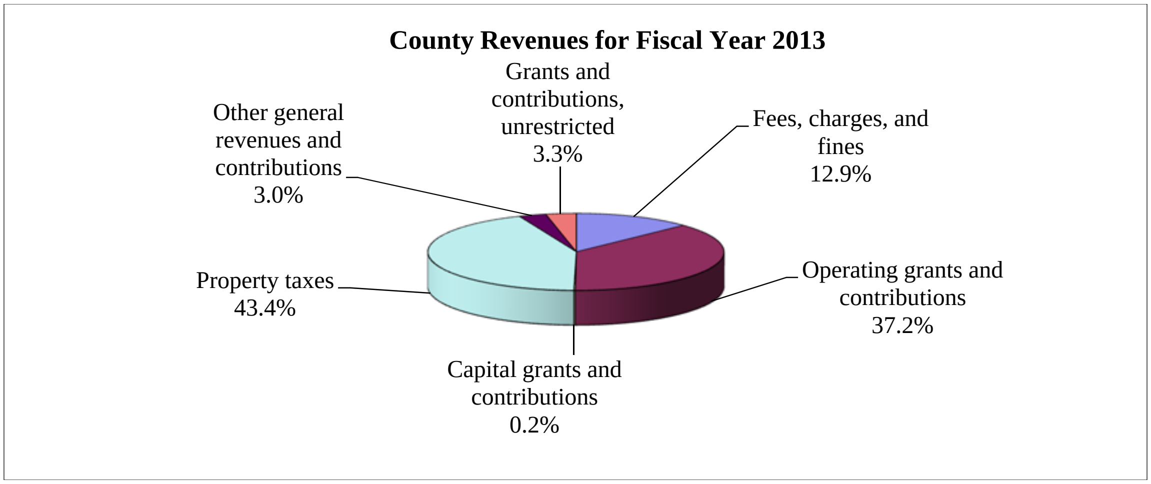
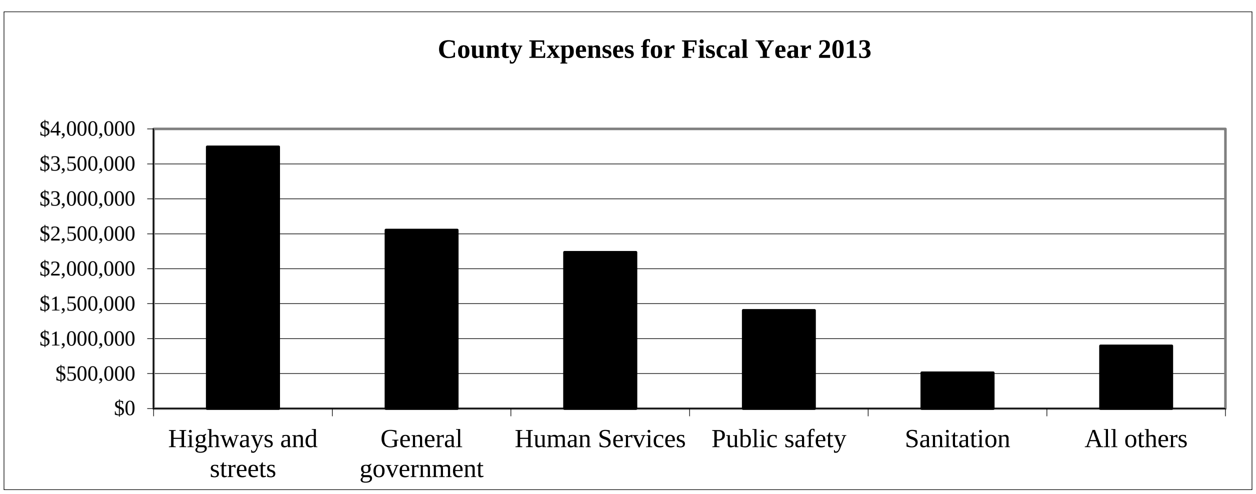


Table 3 presents the cost of each of Grant County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Grant County taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Program expenses		
Highways and streets	$ 3,744,588	$ 406,053
General government	2,555,076	2,104,807
Human services	2,236,388	828,196
Public safety	1,405,516	1,086,071
Sanitation	512,198	(33,236)
All others	895,945	754,619
Total Program Expenses	$ 11,349,711	$ 5,146,510



THE COUNTY'S FUNDS

As Grant County completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of $7,292,297.

General Fund Budgetary Highlights

The Grant County Board of Commissioners, over the course of a budget year, may amend/revise the County's General Fund budget; however, in 2013, the County Board of Commissioners made no changes to the adopted budget. If the County Board of Commissioners had made changes to the budget as originally adopted, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In the General Fund, the actual revenues were $518,144 more than expected revenues, and actual expenditures were $714,855 more than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, Grant County had $31,184,718 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, and equipment (see Table 4).

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

	2013	2012
Land and right-of-way	$ 843,887	$ 698,293
Construction in progress	443,432	1,052,805
Buildings	6,691,280	6,971,116
Office furniture and equipment	698,975	460,081
Machinery and automotive	972,983	675,627
Infrastructure	21,534,161	18,661,477
Totals	$ 31,184,718	$ 28,519,399

Long-Term Debt

As of December 31, 2013, Grant County had $4,176,088 in bonds outstanding, compared with $4,442,684 as of December 31, 2012, a decrease of six percent.

Table 5
Outstanding Debt at Year-End

	2013	2012
Bonds payable		
General obligation bonds	$ 2,210,000	$ 2,480,000
Taxable general obligation capital improvement bonds	2,000,000	2,000,000
Less: unamortized discounts	(33,912)	(37,316)
Totals	$ 4,176,088	$ 4,442,684

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2014 budget and tax rates.

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
Assets		
Cash and pooled investments	$ 6,923,139	$ 651,891
Taxes receivable - delinquent	176,197	-
Special assessments receivable		
Prior - net	10,496	-
Accounts receivable - net	33,789	-
Rent receivable	-	2,657
Accrued interest receivable	5,106	-
Due from other governments	1,841,163	-
Inventories	319,534	-
Prepaid items	5,410	18,667
Restricted assets		
Cash and pooled investments	-	22,575
Capital assets		
Non-depreciable	1,287,319	163,546
Depreciable - net of accumulated depreciation	29,897,399	2,209,660
Total Assets	**$ 40,499,552**	**$ 3,068,996**
Liabilities		
Accounts payable	$ 180,432	$ 55,317
Salaries payable	145,760	-
Contracts payable	79,238	-
Due to other governments	87,761	5,867
Accrued interest payable	66,334	3,015
Other accrued liabilities	-	15,418
Unearned revenue	-	887
Accounts payable from restricted assets	-	20,450
Long-term liabilities		
Due within one year	303,367	46,445
Due in more than one year	4,415,695	941,313
Total Liabilities	**$ 5,278,587**	**$ 1,088,712**

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

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority of Grant County
Net Position		
Net investment in capital assets	$ 27,008,630	$ 1,498,205
Restricted for		
General government	187,489	-
Public safety	341,339	-
Highways and streets	1,813,045	-
Conservation of natural resources	367,810	-
Held in trust for other purposes	2,470	-
Other purposes	-	2,126
Unrestricted	5,500,182	479,953
Total Net Position	**$ 35,220,965**	**$ 1,980,284**

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

GRANT COUNTY
ELBOW LAKE, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 2,555,076	$ 261,737
Public safety	1,405,516	177,134
Highways and streets	3,744,588	163,986
Sanitation	512,198	489,484
Human services	2,236,388	406,861
Health	102,811	-
Culture and recreation	87,057	-
Conservation of natural resources	500,745	90,317
Economic development	42,500	-
Interest	162,832	-
Total Primary Government	**$ 11,349,711**	**$ 1,589,519**
Component unit		
Grant County Housing and Redevelopment Authority	**$ 822,570**	**$ 398,033**

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

Contributions to Permanent Fund

Total general revenues and contributions

Change in net position

Net Position - Beginning, as restated in (Note 7.A.2.)

Net Position - Ending

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

EXHIBIT 2

Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: Housing and Redevelopment Authority of Grant County
$ 188,532	$ -	$ (2,104,807)	
142,311	-	(1,086,071)	
3,154,549	20,000	(406,053)	
55,950	-	33,236	
1,001,331	-	(828,196)	
-	-	(102,811)	
-	-	(87,057)	
51,009	-	(359,419)	
-	-	(42,500)	
-	-	(162,832)	
$ 4,593,682	**$ 20,000**	**$ (5,146,510)**	
$ 205,686	**$ 75,191**		**$ (143,660)**
		$ 5,360,706	$ 42,500
		-	8,412
		232,192	-
		36,727	-
		407,781	-
		10,043	3,102
		3,544	-
		97,405	-
		$ 6,148,398	**$ 54,014**
		$ 1,001,888	**$ (89,646)**
		34,219,077	**2,069,930**
		$ 35,220,965	**$ 1,980,284**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Road and Bridge	Human Services	Nonmajor Funds	Total
Assets					
Cash and pooled investments	$ 1,885,683	$ 1,485,965	$ 2,374,010	$ 1,076,215	$ 6,821,873
Petty cash and change funds	2,325	100	225	200	2,850
Undistributed cash in agency funds	61,114	19,579	15,346	2,377	98,416
Taxes receivable - delinquent	109,006	37,739	29,452	-	176,197
Special assessments					
Prior	-	-	-	10,496	10,496
Accounts receivable	23,779	2,049	7,961	-	33,789
Accrued interest receivable	4,622	-	-	484	5,106
Due from other funds	673	-	-	-	673
Due from other governments	1,433	1,625,168	202,531	12,031	1,841,163
Prepaid expense	-	-	5,410	-	5,410
Inventories	-	319,534	-	-	319,534
Total Assets	**$ 2,088,635**	**$ 3,490,134**	**$ 2,634,935**	**$ 1,101,803**	**$ 9,315,507**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 12,254	$ 82,299	$ 50,938	$ 34,941	$ 180,432
Salaries payable	54,809	45,689	44,445	817	145,760
Contracts payable	15,300	63,938	-	-	79,238
Due to other funds	-	-	673	-	673
Due to other governments	56,548	21,607	9,606	-	87,761
Total Liabilities	**$ 138,911**	**$ 213,533**	**$ 105,662**	**$ 35,758**	**$ 493,864**
Deferred Inflows of Resources					
Unavailable revenues	**$ 84,534**	**$ 1,325,065**	**$ 109,691**	**$ 10,056**	**$ 1,529,346**

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

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Road and Bridge	Human Services	Nonmajor Funds	Total
Fund Balances					
Nonspendable					
Trust principal	$ -	$ -	$ -	$ 97,405	$ 97,405
Inventories	-	319,534	-	-	319,534
Restricted					
Endowments	13,869	-	-	-	13,869
Law library	21,338	-	-	-	21,338
Debt service	-	-	-	360,097	360,097
Recorder's technology equipment	56,607	-	-	-	56,607
Election equipment	41,756	-	-	-	41,756
E-911	326,558	-	-	-	326,558
Recorder's compliance	53,919	-	-	-	53,919
DARE	1,560	-	-	-	1,560
Forfeitures	13,221	-	-	-	13,221
County state-aid highway system	-	897,685	-	-	897,685
Ditch maintenance and construction	-	-	-	270,405	270,405
Missing heirs	2,470	-	-	-	2,470
Committed					
Sheriff's contingencies	5,000	-	-	-	5,000
Assigned					
Highways and streets	-	734,317	-	-	734,317
Human services	-	-	2,419,582	-	2,419,582
Sanitation	-	-	-	337,175	337,175
Traffic diversion program	40,515	-	-	-	40,515
Unassigned	1,288,377	-	-	(9,093)	1,279,284
Total Fund Balances	**$ 1,865,190**	**$ 1,951,536**	**$ 2,419,582**	**$ 1,055,989**	**$ 7,292,297**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 2,088,635**	**$ 3,490,134**	**$ 2,634,935**	**$ 1,101,803**	**$ 9,315,507**

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2013

Fund balances - total governmental funds (Exhibit 3)		**$ 7,292,297**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		31,184,718
Revenue in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		1,529,346
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (4,210,000)	
Other postemployment benefits	(186,149)	
Bond discount	33,912	
Accrued interest payable	(66,334)	
Compensated absences	(356,825)	(4,785,396)
Net Position of Governmental Activities (Exhibit 1)		**$ 35,220,965**

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

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Road and Bridge	Human Services	Nonmajor Funds	Total
Revenues					
Taxes	$ 3,174,101	$ 1,129,556	$ 892,635	$ 376,182	$ 5,572,474
Special assessments	-	-	-	184,930	184,930
Licenses and permits	9,305	-	-	-	9,305
Intergovernmental	615,807	4,151,855	1,025,581	127,191	5,920,434
Charges for services	336,395	105,887	458,952	382,526	1,283,760
Fines and forfeits	6,665	-	-	-	6,665
Gifts and contributions	90	-	-	97,405	97,495
Investment earnings	9,402	-	-	194	9,596
Miscellaneous	99,428	72,651	25,377	665	198,121
Total Revenues	**$ 4,251,193**	**$ 5,459,949**	**$ 2,402,545**	**$ 1,169,093**	**$ 13,282,780**
Expenditures					
Current					
General government	$ 2,407,188	$ -	$ -	$ 5,000	$ 2,412,188
Public safety	1,426,740	-	-	-	1,426,740
Highways and streets	-	6,029,895	-	-	6,029,895
Sanitation	-	-	-	564,912	564,912
Human services	-	-	2,203,428	-	2,203,428
Health	102,811	-	-	-	102,811
Culture and recreation	87,057	-	-	-	87,057
Conservation of natural resources	381,608	-	-	116,438	498,046
Economic development	42,500	-	-	-	42,500
Intergovernmental					
Highways and streets	-	219,436	-	-	219,436
Debt service					
Principal	-	-	-	270,000	270,000
Interest	-	-	-	160,553	160,553
Total Expenditures	**$ 4,447,904**	**$ 6,249,331**	**$ 2,203,428**	**$ 1,116,903**	**$ 14,017,566**
Excess of Revenues Over (Under) Expenditures	**$ (196,711)**	**$ (789,382)**	**$ 199,117**	**$ 52,190**	**$ (734,786)**
Other Financing Sources (Uses)					
Transfers in	$ 47,227	$ -	$ -	$ 358,527	$ 405,754
Transfers out	(358,527)	-	-	(47,227)	(405,754)
Total Other Financing Sources (Uses)	**$ (311,300)**	**$ -**	**$ -**	**$ 311,300**	**$ -**
Net Change in Fund Balance	**$ (508,011)**	**$ (789,382)**	**$ 199,117**	**$ 363,490**	**$ (734,786)**
Fund Balance - January 1	**2,373,201**	**2,880,992**	**2,220,465**	**692,499**	**8,167,157**
Increase (decrease) in inventories	**-**	**(140,074)**	**-**	**-**	**(140,074)**
Fund Balance - December 31	**$ 1,865,190**	**$ 1,951,536**	**$ 2,419,582**	**$ 1,055,989**	**$ 7,292,297**

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

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, 2013

Net change in fund balances - total governmental funds (Exhibit 5)		**$ (734,786)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.		
Unavailable revenue - December 31	$ 1,529,346	
Unavailable revenue - January 1	(2,460,462)	(931,116)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from sales increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets sold.		
Expenditures for general capital assets and infrastructure	$ 4,148,651	
Current year depreciation	(1,483,332)	2,665,319
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.		
Principal repayments		
General obligation bonds		270,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ 1,125	
Expense deferred debt issuance costs	(57,741)	
Amortization of discounts	(3,404)	
Change in compensated absences	19,519	
Change in other postemployment benefits	(86,954)	
Change in inventories	(140,074)	(267,529)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 1,001,888**

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

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FIDUCIARY FUNDS

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GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

		Agency Funds
Assets		
Cash and pooled investments	$	123,068
Due from other governments		29,419
Total Assets	**$**	**152,487**
Liabilities		
Due to other governments	**$**	**152,487**

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

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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, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, and amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.6. for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance of Grant County were not required as a result of adopting these changes in accounting principles.

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.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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, 2013.

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

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

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

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

      2. Fund Financial Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund 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.

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.

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Cash and pooled investments are reported at their fair value at December 31, 2013, 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 2013 were $9,596.

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.

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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

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

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:

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

1. Summary of Significant Accounting Policies

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

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

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

1. Summary of Significant Accounting Policies

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

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

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

      8. Classification of Net Position

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

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

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

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

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances

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

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

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

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position 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, 2013, 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.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2013:

	Expenditures	Final Budget	Excess
General Fund	$ 4,447,904	$ 3,733,049	$ 714,855
Road and Bridge Special Revenue Fund	6,249,331	5,204,254	1,045,077
Human Services Special Revenue Fund	2,203,428	2,099,851	103,577
Solid Waste Special Revenue Fund	564,912	548,000	16,912

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	$ 6,923,139
Statement of fiduciary net position	
Cash and pooled investments	123,068
Total Cash and Investments	$ 7,046,207

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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2013, $79,422 of the County's deposits were exposed to custodial credit risk.

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;

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. None of the County's investments at December 31, 2013, were rated.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

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

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, 2013, and information relating to potential investment risk:

Investment Type	Concentration of Credit Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
Negotiable certificates of deposit			
Bank of Baroda	6.5%	01/08/2014	$ 199,998
Bank of China NY US	6.5%	04/09/2014	199,898
GE Capital Retail UT US	6.5%	07/03/2014	199,804
Compass Bk Birming AL US	6.5%	11/10/2014	199,676
HSBC Bank	<5%	11/29/2016	24,273
Bank of the West Instl CTF	<5%	12/27/2016	21,178
HSBC Bank	<5%	12/30/2016	18,293
Total negotiable certificates of deposit			$ 863,120
Investment pools			
MAGIC Fund	71.8%		2,200,316
Total investments			$ 3,063,436
Deposits			3,866,080
Money market accounts with broker			113,841
Petty cash			2,850
Total Cash and Investments			$ 7,046,207

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, 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	$ 176,197	$ -
Special assessments	10,496	9,821
Accounts	33,789	-
Accrued interest	5,106	-
Due from other governments	1,841,163	-
Total Governmental Activities	$ 2,066,751	$ 9,821

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 223,383	$ -	$ -	$ 223,383
Right-of-way	474,910	145,594	-	620,504
Construction in progress	1,052,805	134,993	744,366	443,432
Total capital assets not depreciated	$ 1,751,098	$ 280,587	$ 744,366	$ 1,287,319
Capital assets depreciated				
Buildings	$ 9,435,940	$ -	$ -	$ 9,435,940
Office furniture and equipment	850,302	319,420	-	1,169,722
Machinery and automotive	3,216,775	508,813	221,191	3,504,397
Infrastructure	31,244,772	3,784,197	-	35,028,969
Total capital assets depreciated	$ 44,747,789	$ 4,612,430	$ 221,191	$ 49,139,028

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 2,464,824	$ 279,836	$ -	$ 2,744,660
Office furniture and equipment	390,221	80,526	-	470,747
Machinery and automotive	2,541,148	211,457	221,191	2,531,414
Infrastructure	12,583,295	911,513	-	13,494,808
Total accumulated depreciation	$ 17,979,488	$ 1,483,332	$ 221,191	$ 19,241,629
Total capital assets depreciated, net	$ 26,768,301	$ 3,129,098	$ -	$ 29,897,399
Governmental Activities Capital Assets, Net	$ 28,519,399	$ 3,409,685	$ 744,366	$ 31,184,718

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

Governmental Activities	
General government	$ 295,129
Public safety	74,355
Highways and streets, including depreciation of infrastructure	1,091,564
Human services	1,149
Sanitation	20,786
Conservation of natural resources	349
Total Depreciation Expense	$ 1,483,332

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2013, is as follows:

Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Description
General Fund	Human Services Special Revenue Fund	$ 673	Charges for services

3. Detailed Notes on All Funds

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

Transfer to Debt Service Fund from General Fund	$ 343,227	To set up a new Debt Service Fund in 2013
Transfer to General Fund from Courthouse Improvement Capital Projects Fund	47,227	To close the Courthouse Improvement Fund in 2013
Transfer to Courthouse Improvement Capital Projects Fund from General Fund	15,300	To move contracts payable in 2013
	$ 405,754	

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

	Governmental Activities
Accounts	$ 180,432
Salaries	145,760
Contracts payable	79,238
Due to other governments	87,761
Interest	66,334
Total Payables	$ 559,525

2. Other Postemployment Benefits - Retirees

The County pays health insurance for employees who retire with at least 12 years of experience, who have reached the age of 55, but who are under the age of 65 and not eligible for Medicare. The County pays 50 percent of the cost of single coverage. The County's contributions for the year ended December 31, 2013, were $9,331. During 2013, three employees qualified for retired employee health insurance coverage.

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Bonds Payable

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2013
General obligation bonds 2011A Bonds	2022	$110,000 - $300,000	1.00 - 3.20	$ 2,480,000	$ 2,210,000
Taxable general obligation capital improvement plan bonds 2011B Bonds	2026	$2,000,000	5.50	$ 2,000,000	$ 2,000,000

4. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Taxable General Obligation Capital Improvement Plan Bonds Principal	Taxable General Obligation Capital Improvement Plan Bonds Interest
2014	$ 270,000	$ 47,515	$ -	$ 110,000
2015	275,000	43,696	-	110,000
2016	275,000	39,021	-	110,000
2017	280,000	33,468	-	110,000
2018	290,000	26,978	-	110,000
2019 - 2023	820,000	38,089	-	550,000
2024 - 2026	-	-	2,000,000	275,000
Total	$ 2,210,000	$ 228,767	$ 2,000,000	$ 1,375,000

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term liabilities					
Bonds payable					
General obligation bonds	$ 2,480,000	$ -	$ 270,000	$ 2,210,000	$ 270,000
Taxable general obligation capital improvement bonds	2,000,000	-	-	2,000,000	-
Less: unamortized discount	(37,316)	-	(3,404)	(33,912)	-
Total G.O. bonds	$ 4,442,684	$ -	$ 266,596	$ 4,176,088	$ 270,000
Other postemployment benefits	99,195	86,954	-	186,149	-
Compensated absences	376,344	233,112	252,631	356,825	33,367
Total Long-Term Liabilities	$ 4,918,223	$ 320,066	$ 519,227	$ 4,719,062	$ 303,367

D. Deferred Inflows

1. Unavailable Revenue

Unavailable revenue consists of taxes and special assessments receivable, state and federal grants not collected soon enough after year-end to pay liabilities of the current period, and money from state-aid highway allotments received but not yet earned. Unavailable revenue at December 31, 2013, is summarized by fund:

	Taxes and Special Assessments	Grants	State-Aid Highway Allotments	Other	Total
Major governmental funds					
General	$ 83,901	$ -	$ -	$ 633	$ 84,534
Special Revenue					
Road and Bridge	29,007	81,061	1,214,997	-	1,325,065
Human Services	22,616	86,290	-	785	109,691
Nonmajor governmental funds					
Ditch	286	-	-	472	758
Solid Waste	9,298	-	-	-	9,298
Total	$ 145,108	$ 167,351	$ 1,214,997	$ 1,890	$ 1,529,346

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

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 salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

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

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature.

The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members 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.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2013:

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, 2013, 2012, and 2011, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2013	2012	2011
General Employees Retirement Fund	$ 203,751	$ 189,560	$ 205,970
Public Employees Police and Fire Fund	65,422	63,132	36,442

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

B. Defined Contribution Plan

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

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

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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, 2013, were:

	Employee	Employer
Contribution amount	$ 3,564	$ 3,564
Percentage of covered payroll	5%	5%

Required contribution rates were 5.0 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Grant County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. At December 31, 2013, there were 35 participants in the plan, including 2 retirees.

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

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

ARC	$	156,064
Interest on net OPEB obligation		4,464
Adjustment to ARC		(5,957)
Annual OPEB cost (expense)	$	154,571
Contributions made		(67,617)
Increase in net OPEB obligation	$	86,954
Net OPEB Obligation - Beginning of Year		99,195
Net OPEB Obligation - End of Year	$	186,149

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	$ 156,064	$ 56,869	36.4%	$ 99,195
December 31, 2013	154,571	67,617	43.7	186,149

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was $1,223,986, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,223,986. The covered payroll (annual payroll of active employees covered by the plan) was $3,032,227, and the ratio of the UAAL to the covered payroll was 40.4 percent.

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Grant County's implicit rate of return on the General Fund. The annual health care cost trend is 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 28 years.

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 $470,000 per claim in 2013 and $480,000 per claim in 2014. 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.

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

West Central Area Agency on Aging

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

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

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

Complete financial information can be obtained from:

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

Stevens Traverse Grant Public Health

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

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

The primary functions of the Health Service are to prevent illness and to promote efficiency and economy in the delivery of community health services. Financing is provided by federal and state grants; appropriations from Stevens, Traverse, and Grant Counties; and charges for services. Stevens County, as an agent, reports the cash transactions of Stevens Traverse Grant Public Health in an agency fund on its annual financial statements. Grant County's contribution for 2013 was $90,060.

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Horizon Community Health Board

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

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

Financing is provided by state and federal grants and contributions from the member parties. Pope County, in an agent capacity, reports the cash transactions of Horizon as an agency fund on its financial statements. During 2013, Grant County did not contribute to the Board.

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

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

West Central Minnesota Drug Task Force

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Grant County provided $3,500 to this organization in 2013.

Separate financial information can be obtained from:

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

Pomme de Terre River Association

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

During 2013, Grant County did not contribute any funds to the Association.

Complete financial information can be obtained from:

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

Prime West Health System

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

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Prime West Health System (Continued)

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

Complete financial information can be obtained from:

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

Supporting Hands Nurse Family Partnership

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

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2013, Grant County did not make a contribution to the Partnership, as a contribution was made by the Countryside Public Health Service.

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

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

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

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

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2013, Grant County did not contribute any funds to the Board.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

Complete financial information can be obtained from:

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

Region 4 South Adult Mental Health Consortium

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

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

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

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

Grant County Child and Youth Council Collaborative

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

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

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

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

Financing is provided by state and federal grants and contributions from the member parties. During 2013, Grant did not contribute to the Collaborative.

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Land of the Dancing Sky Area Agency on Aging

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

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

Rainbow Rider Transit Board

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

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

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

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Rainbow Rider Transit Board (Continued)

Complete financial information can be obtained from:

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

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

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

During 2013, the County did not contribute any funds to this organization.

C. Jointly-Governed Organizations

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

Western Area City/County Co-Op

Grant County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burdens on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county. The County did not contribute to WACCO during 2013.

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

District IV Transportation Planning

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

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

Lakeland Mental Health Center

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

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

Services are provided to the member counties through purchase of service agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Grant County paid $143,782 in 2013 for services purchased through Lakeland Mental Health Center.

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2013, the County did not contribute any funding to the Joint Powers Board.

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

Minnesota River Board

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

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota River Board (Continued)

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

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

Complete financial statements can be obtained from:

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

Minnesota Rural Counties Caucus

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

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Sentence to Serve

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

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2013.

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entity

The Housing and Redevelopment Authority (HRA) of Grant County is a component unit of Grant County and is reported in a separate column in the County's financial statements to emphasize that the HRA is a legally separate entity from Grant County. The HRA operates as a public agency created by Grant County under the Minnesota Housing and Redevelopment Authority Act of 1937. The primary purpose is to provide housing and redevelopment services to the County. The governing body 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, 2013.

7. Component Unit Disclosures

   A. Summary of Significant Accounting Policies (Continued)

      2. Restatement of Net Position

         The HRA adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ending December 31, 2013. Beginning net position has been restated from $2,095,564 to $2,069,930.

      3. 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.

      4. Operating Revenues and Expenses

         Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

      5. 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.

      6. Rent Receivable

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

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

6. Rent Receivable (Continued)

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

7 Capital Assets

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

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

8. 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, 2013.

9. 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.

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	$	224,024
Certificates of deposit		427,867
Total cash and pooled investments	$	651,891
Restricted cash		
Tenant security deposits		22,575
Total Cash and Investments	$	674,466

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

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

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

At December 31, 2013, the HRA's deposits had a carrying amount of $674,466 and a bank balance of $694,665. Of the bank balance, $250,000 was covered by federal depository insurance. Collateral of $484,131 was required for the remaining funds of which $754,111 was covered by qualified collateral held in safekeeping. The HRA had sufficient collateral coverage on all cash accounts.

7. Component Unit Disclosures

B. Detailed Notes on All Funds (Continued)

2. Investments

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

During the year ended December 31, 2013, 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, 2013, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not depreciated				
Land	$ 163,546	$ -	$ -	$ 163,546
Capital assets depreciated				
Buildings	$ 5,046,712	$ 42,437	$ -	$ 5,089,149
Equipment, furniture, and fixtures	262,193	38,743	-	300,936
Total capital assets depreciated	$ 5,308,905	$ 81,180	$ -	$ 5,390,085
Less: accumulated depreciation	3,004,110	176,315	-	3,180,425
Total capital assets depreciated, net	$ 2,304,795	$ (95,135)	$ -	$ 2,209,660
Total	$ 2,468,341	$ (95,135)	$ -	$ 2,373,206

4. Long-Term Debt

Long-term liability activity for the year ended December 31, 2013, was as follows:

Type of Indebtedness	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2002 GMHF loan	$ 101,500	$ -	$ -	$ 101,500	$ -
2009 Housing Development bonds	915,000	-	40,000	875,000	40,000
Compensated absences	11,007	251	-	11,258	6,445
Total Long-Term Debt	$ 1,027,507	$ 251	$ 40,000	$ 987,758	$ 46,445

7. Component Unit Disclosures

B. Detailed Notes on All Funds

4. Long-Term Debt (Continued)

Bonds and loans payable at December 31, 2013, consisted of the following issues:

	Original Issue Amount	Final Maturity	Interest Rate (%)	Outstanding Balance December 31, 2013
2002 GMHF Loan	$ 101,500	2027	-	$ 101,500
2009 Housing Development Bonds	1,055,000	2029	1.25 - 4.50	875,000
Total Long-Term Debt	$ 1,156,500			$ 976,500

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

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

The annual minimum payment requirements for bonds and loans outstanding as of December 31, 2013, are as follows:

Year Ending December 31	Principal	Interest	Total
2014	$ 40,000	$ 36,183	$ 76,183
2015	45,000	34,883	79,883
2016	45,000	33,420	78,420
2017	45,000	31,620	76,620
2018	50,000	29,820	79,820
2019 - 2023	255,000	119,590	374,590
2024 - 2028	421,500	60,155	481,655
2029	75,000	3,375	78,375
Totals	$ 976,500	$ 349,046	$ 1,325,546

7. Component Unit Disclosures (Continued)

   C. Defined Benefit Pension Plan

   Plan Description

   The Principal Mutual Life Insurance Company Retirement Plan (Plan) is a defined contribution retirement plan covering essentially all employees of the various participating employers. Since the participating employers are all government units, the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, except for the contribution limitations of Section 415. The payroll for employees covered by the Plan for the year ended December 31, 2013, was $128,600; the HRA's total payroll was $142,342.

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

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

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

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

7. Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

Contributions Required and Contributions Made

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

Employee	-
Employer	14.00%

Total contributions made during the fiscal years ending December 31, 2013, 2012, and 2011, were $17,964, $17,497, and $17,134, respectively.

D. Risk Management

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

E. Contingencies

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

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,968,945	$ 2,968,945	$ 3,174,101	$ 205,156
Licenses and permits	75	75	9,305	9,230
Intergovernmental	360,517	360,517	615,807	255,290
Charges for services	222,700	222,700	336,395	113,695
Fines and forfeits	-	-	6,665	6,665
Gifts and contributions	-	-	90	90
Investment earnings	18,000	18,000	9,402	(8,598)
Miscellaneous	162,812	162,812	99,428	(63,384)
Total Revenues	**$ 3,733,049**	**$ 3,733,049**	**$ 4,251,193**	**$ 518,144**
Expenditures				
Current				
General government				
Commissioners	$ 188,609	$ 188,609	$ 177,316	$ 11,293
Retiree insurance	11,700	11,700	46,200	(34,500)
Law library	-	-	10,034	(10,034)
County auditor	247,035	247,035	244,001	3,034
County treasurer	162,780	162,780	162,733	47
Blue Cross/Blue Shield	-	-	7,212	(7,212)
Public examiners	50,000	50,000	66,557	(16,557)
Elections	15,000	15,000	6,574	8,426
Accounting and auditing	152,937	152,937	147,655	5,282
County recorder	184,572	184,572	205,530	(20,958)
County assessor	192,715	192,715	216,526	(23,811)
County buildings	206,407	206,407	237,305	(30,898)
County fair	16,540	16,540	16,540	-
Veterans service officer	62,135	62,135	95,302	(33,167)
Coordinator	132,634	132,634	129,922	2,712
License bureau	100,971	100,971	108,442	(7,471)
County safety program	-	-	19	(19)
Collections	-	-	186,466	(186,466)
Other general government	120,008	120,008	342,854	(222,846)
Total general government	**$ 1,844,043**	**$ 1,844,043**	**$ 2,407,188**	**$ (563,145)**
Public safety				
Sheriff	$ 1,123,170	$ 1,123,170	$ 1,131,369	$ (8,199)
Coroner	6,000	6,000	6,020	(20)
Sheriff's contingent fund	-	-	33,791	(33,791)
Traffic diversion program	-	-	6,785	(6,785)
DARE account	-	-	1,555	(1,555)
Water enforcement	-	-	3,247	(3,247)
Corrections and jails	108,500	108,500	112,490	(3,990)
E-911 program	-	-	73,515	(73,515)
Emergency management program	61,256	61,256	57,968	3,288
Total public safety	**$ 1,298,926**	**$ 1,298,926**	**$ 1,426,740**	**$ (127,814)**

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

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Health				
Public health	**$ 102,716**	**$ 102,716**	**$ 102,811**	**$ (95)**
Culture and recreation				
Historical society	$ 25,000	$ 25,000	$ 25,000	$ -
Viking library system	62,057	62,057	62,057	-
Total culture and recreation	**$ 87,057**	**$ 87,057**	**$ 87,057**	**$ -**
Conservation of natural resources				
County extension	$ 139,712	$ 139,712	$ 147,031	$ (7,319)
Soil and water conservation	82,336	82,336	82,336	-
Office of land management	133,394	133,394	126,549	6,845
Water plan	2,365	2,365	25,692	(23,327)
Total conservation of natural resources	**$ 357,807**	**$ 357,807**	**$ 381,608**	**$ (23,801)**
Economic development				
HRA	**$ 42,500**	**$ 42,500**	**$ 42,500**	**$ -**
Total Expenditures	**$ 3,733,049**	**$ 3,733,049**	**$ 4,447,904**	**$ (714,855)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ (196,711)**	**$ (196,711)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 47,227	$ 47,227
Transfers out	-	-	(358,527)	(358,527)
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ (311,300)**	**$ (311,300)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ (508,011)**	**$ (508,011)**
Fund Balance - January 1	**2,373,201**	**2,373,201**	**2,373,201**	**-**
Fund Balance - December 31	**$ 2,373,201**	**$ 2,373,201**	**$ 1,865,190**	**$ (508,011)**

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,200,000	$ 1,200,000	$ 1,129,556	$ (70,444)
Intergovernmental	3,707,322	3,707,322	4,151,855	444,533
Charges for services	100,000	100,000	105,887	5,887
Miscellaneous	25,000	25,000	72,651	47,651
Total Revenues	**$ 5,032,322**	**$ 5,032,322**	**$ 5,459,949**	**$ 427,627**
Expenditures				
Current				
Highways and streets				
Administration	$ 317,573	$ 317,573	$ 317,713	$ (140)
Engineering	19,500	19,500	19,760	(260)
Authorized work contribution	2,200	2,200	141	2,059
Construction	2,753,751	2,753,751	3,376,256	(622,505)
Maintenance	1,309,503	1,309,503	1,118,127	191,376
Shops	172,488	172,488	186,659	(14,171)
Equipment	629,239	629,239	1,011,239	(382,000)
Total highways and streets	**$ 5,204,254**	**$ 5,204,254**	**$ 6,029,895**	**$ (825,641)**
Intergovernmental				
Highways and streets	-	-	219,436	(219,436)
Total Expenditures	**$ 5,204,254**	**$ 5,204,254**	**$ 6,249,331**	**$ (1,045,077)**
Net Change in Fund Balance	**$ (171,932)**	**$ (171,932)**	**$ (789,382)**	**$ (617,450)**
Fund Balance - January 1	**2,880,992**	**2,880,992**	**2,880,992**	**-**
Increase (decrease) in inventories	**-**	**-**	**(140,074)**	**(140,074)**
Fund Balance - December 31	**$ 2,709,060**	**$ 2,709,060**	**$ 1,951,536**	**$ (757,524)**

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

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 882,121	$ 882,121	$ 892,635	$ 10,514
Intergovernmental	1,012,730	1,012,730	1,025,581	12,851
Charges for services	200,200	200,200	458,952	258,752
Miscellaneous	4,800	4,800	25,377	20,577
Total Revenues	**$ 2,099,851**	**$ 2,099,851**	**$ 2,402,545**	**$ 302,694**
Expenditures				
Current				
Human services				
Income maintenance	$ 701,520	$ 701,520	$ 722,180	$ (20,660)
Social services	1,398,331	1,398,331	1,481,248	(82,917)
Total Expenditures	**$ 2,099,851**	**$ 2,099,851**	**$ 2,203,428**	**$ (103,577)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 199,117**	**$ 199,117**
Fund Balance - January 1	**2,220,465**	**2,220,465**	**2,220,465**	**-**
Fund Balance - December 31	**$ 2,220,465**	**$ 2,220,465**	**$ 2,419,582**	**$ 199,117**

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

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT A-4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2013

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

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

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GRANT COUNTY
ELBOW LAKE, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Appropriations

The following major funds had expenditures in excess of budget for the year ended December 31, 2013:

	Expenditures	Final Budget	Excess
General Fund	$ 4,447,904	$ 3,733,049	$ 714,855
Road and Bridge Special Revenue Fund	6,249,331	5,204,254	1,045,077
Human Services Special Revenue Fund	2,203,428	2,099,851	103,577

3. <u>Other Postemployment Benefits Funding Status</u>

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

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

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUND

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

PERMANENT FUND

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

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GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Special Revenue Funds				
	Ditch	Solid Waste	Debt Service	Trust Payment Permanent	Total
Assets					
Cash and pooled investments	$ 283,776	$ 334,937	$ 360,097	$ 97,405	$ 1,076,215
Petty cash and change funds	-	200	-	-	200
Undistributed cash in agency funds	435	1,942	-	-	2,377
Special assessments receivable					
Prior	300	10,196	-	-	10,496
Accrued interest receivable	484	-	-	-	484
Due from other governments	-	12,031	-	-	12,031
Total Assets	**$ 284,995**	**$ 359,306**	**$ 360,097**	**$ 97,405**	**$ 1,101,803**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 22,925	$ 12,016	$ -	$ -	$ 34,941
Salaries payable	-	817	-	-	817
Total Liabilities	**$ 22,925**	**$ 12,833**	**$ -**	**$ -**	**$ 35,758**
Deferred Inflows of Resources					
Unavailable revenues	**$ 758**	**$ 9,298**	**$ -**	**$ -**	**$ 10,056**
Fund Balances					
Nonspendable					
Trust principal	$ -	$ -	$ -	$ 97,405	$ 97,405
Restricted					
Debt service	-	-	360,097	-	360,097
Ditch maintenance and construction	270,405	-	-	-	270,405
Assigned					
Sanitation	-	337,175	-	-	337,175
Unassigned	(9,093)	-	-	-	(9,093)
Total Fund Balances	**$ 261,312**	**$ 337,175**	**$ 360,097**	**$ 97,405**	**$ 1,055,989**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 284,995**	**$ 359,306**	**$ 360,097**	**$ 97,405**	**$ 1,101,803**

GRANT COUNTY
ELBOW LAKE, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue Funds	
	Ditch	Solid Waste
Revenues		
Taxes	$ -	$ -
Special assessments	77,031	107,899
Intergovernmental	-	55,950
Charges for services	-	382,526
Gifts and contributions	-	-
Investment earnings	161	-
Miscellaneous	-	665
Total Revenues	**$ 77,192**	**$ 547,040**
Expenditures		
Current		
General government	$ -	$ -
Sanitation	-	564,912
Conservation of natural resources	116,438	-
Debt service		
Principal	-	-
Interest	-	-
Total Expenditures	**$ 116,438**	**$ 564,912**
Excess of Revenues Over (Under) Expenditures	**$ (39,246)**	**$ (17,872)**
Other Financing Sources (Uses)		
Transfers in	$ -	$ -
Transfers out	-	-
Total Other Financing Sources (Uses)	**$ -**	**$ -**
Net Change in Fund Balance	**$ (39,246)**	**$ (17,872)**
Fund Balance - January 1	**300,558**	**355,047**
Fund Balance - December 31	**$ 261,312**	**$ 337,175**

EXHIBIT B-2

Courthouse Improvement Capital Projects	Debt Service	Trust Payment Permanent	Total
$ -	$ 376,182	$ -	$ 376,182
-	-	-	184,930
-	71,241	-	127,191
-	-	-	382,526
-	-	97,405	97,405
33	-	-	194
-	-	-	665
$ 33	**$ 447,423**	**$ 97,405**	**$ 1,169,093**
$ 5,000	$ -	$ -	$ 5,000
-	-	-	564,912
-	-	-	116,438
-	270,000	-	270,000
-	160,553	-	160,553
$ 5,000	**$ 430,553**	**$ -**	**$ 1,116,903**
$ (4,967)	**$ 16,870**	**$ 97,405**	**$ 52,190**
$ 15,300	$ 343,227	$ -	$ 358,527
(47,227)	-	-	(47,227)
$ (31,927)	**$ 343,227**	**$ -**	**$ 311,300**
$ (36,894)	**$ 360,097**	**$ 97,405**	**$ 363,490**
36,894	**-**	**-**	**692,499**
$ -	**$ 360,097**	**$ 97,405**	**$ 1,055,989**

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT B-3

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 104,348	$ 104,348	$ 107,899	$ 3,551
Intergovernmental	55,950	55,950	55,950	-
Charges for services	31,300	31,300	382,526	351,226
Miscellaneous	359,474	359,474	665	(358,809)
Total Revenues	**$ 551,072**	**$ 551,072**	**$ 547,040**	**$ (4,032)**
Expenditures				
Current				
Sanitation				
Waste collection	$ 319,400	$ 319,400	$ 316,200	$ 3,200
Recycling	216,600	216,600	231,260	(14,660)
Household hazardous waste	12,000	12,000	17,452	(5,452)
Total Expenditures	**$ 548,000**	**$ 548,000**	**$ 564,912**	**$ (16,912)**
Net Change in Fund Balance	**$ 3,072**	**$ 3,072**	**$ (17,872)**	**$ (20,944)**
Fund Balance - January 1	**355,047**	**355,047**	**355,047**	**-**
Fund Balance - December 31	**$ 358,119**	**$ 358,119**	**$ 337,175**	**$ (20,944)**

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, 2013

	Balance January 1	Additions	Deductions	Balance December 31
SCHOOL FUND				
Assets				
Cash and pooled investments	$ -	$ 2,499,245	$ 2,499,245	$ -
Liabilities				
Due to other governments	$ -	$ 2,499,245	$ 2,499,245	$ -
STATE REVENUE FUND				
Assets				
Cash and pooled investments	$ 190	$ 27,884	$ 27,884	$ 190
Liabilities				
Due to other governments	$ 190	$ 27,884	$ 27,884	$ 190
TAXES AND PENALTIES FUND				
Assets				
Cash and pooled investments	$ 225,862	$ 12,216,760	$ 12,320,592	$ 122,030
Liabilities				
Due to other governments	$ 225,862	$ 12,216,760	$ 12,320,592	$ 122,030

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, 2013

	Balance January 1	Additions	Deductions	Balance December 31
TOWNS AND CITIES FUND				
Assets				
Cash and pooled investments	**$ 25**	**$ 2,899,381**	**$ 2,899,406**	**$ -**
Liabilities				
Due to other governments	**$ 25**	**$ 2,899,381**	**$ 2,899,406**	**$ -**
ASSERTIVE COMMUNITY TREATMENT FUND				
Assets				
Cash and pooled investments	$ (133,200)	$ 706,974	$ 543,507	$ 30,267
Due from other governments	133,200	-	133,200	-
Total Assets	**$ -**	**$ 706,974**	**$ 676,707**	**$ 30,267**
Liabilities				
Due to other governments	**$ -**	**$ 706,974**	**$ 676,707**	**$ 30,267**

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, 2013

	Balance January 1	Additions	Deductions	Balance December 31
ADULT MENTAL HEALTH INITIATIVE FUND				
Assets				
Cash and pooled investments	$ 319,673	$ 1,126,129	$ 1,475,221	$ (29,419)
Due from other governments	-	29,419	-	29,419
Total Assets	**$ 319,673**	**$ 1,155,548**	**$ 1,475,221**	**$ -**
Liabilities				
Due to other governments	**$ 319,673**	**$ 1,155,548**	**$ 1,475,221**	**$ -**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 412,550	$ 19,476,373	$ 19,765,855	$ 123,068
Due from other governments	133,200	29,419	133,200	29,419
Total Assets	**$ 545,750**	**$ 19,505,792**	**$ 19,899,055**	**$ 152,487**
Liabilities				
Due to other governments	**$ 545,750**	**$ 19,505,792**	**$ 19,899,055**	**$ 152,487**

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OTHER SCHEDULES

GRANT COUNTY
ELBOW LAKE, MINNESOTA

BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2013

	Assets			
	Cash	Undistributed Cash	Special Assessments Delinquent	Accrued Interest Receivable
County Ditches				
#1	$ 11,430	$ -	$ -	$ 23
#3	27,830	54	14	61
#5	1,967	-	-	-
#6	4,304	231	-	-
#8	37,064	23	-	76
#9	29,618	46	286	58
#11	2,199	-	-	-
#13	2,126	-	-	-
#15	5,990	-	-	-
#21	50,799	-	-	112
#22	2,621	-	-	-
#23	8,806	-	-	18
#29	13,016	81	-	83
#30	2,007	-	-	-
#31	3,373	-	-	-
#32	8,821	-	-	19
#33	1,235	-	-	-
Consolidated				
#2	15,839	-	-	-
Judicial Ditches				
#1	757	-	-	-
#2	53,974	-	-	34
Total	**$ 283,776**	**$ 435**	**$ 300**	**$ 484**

EXHIBIT D-1

Total	Liabilities Accounts Payable	Deferred Inflows Unavailable Revenue	Fund Balances - Restricted	Fund Balances - Unassigned	Total Liabilities, Deferred Inflows, and Fund Balances
$ 11,453	$ 42	$ 23	$ 11,388	$ -	$ 11,453
27,959	113	60	27,786	-	27,959
1,967	-	-	1,967	-	1,967
4,535	-	-	4,535	-	4,535
37,163	138	74	36,951	-	37,163
30,008	106	342	29,560	-	30,008
2,199	-	-	2,199	-	2,199
2,126	-	-	2,126	-	2,126
5,990	-	-	5,990	-	5,990
50,911	205	109	50,597	-	50,911
2,621	-	-	2,621	-	2,621
8,824	33	18	8,773	-	8,824
13,180	22,192	81	-	(9,093)	13,180
2,007	-	-	2,007	-	2,007
3,373	-	-	3,373	-	3,373
8,840	34	18	8,788	-	8,840
1,235	-	-	1,235	-	1,235
15,839	62	-	15,777	-	15,839
757	-	-	757	-	757
54,008	-	33	53,975	-	54,008
$ 284,995	**$ 22,925**	**$ 758**	**$ 270,405**	**$ (9,093)**	**$ 284,995**

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT D-2

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013

Shared Revenue		
State		
Highway users tax	$	3,763,948
County program aid		234,617
Market value credit		83,227
PERA rate reimbursement		12,568
Disparity reduction aid		6,128
Police aid		43,431
Total shared revenue	**$**	**4,143,919**
Reimbursement for services		
Minnesota Department of Human Services	**$**	**127,676**
Payments		
Local		
Payments in lieu of taxes	$	36,727
Local contributions		90,000
Qualified energy conservation payments		71,241
Total payments	**$**	**197,968**
Grants		
State		
Minnesota Department/Board of		
Corrections	$	10,365
Public Safety		131,170
Transportation		55,710
Natural Resources		38,286
Human Services		273,233
Historical Society		7,000
Veteran Affairs		11,198
Water and Soil Resources		51,009
Peace Officers Standards and Training Board		3,076
Pollution Control Agency		55,950
Total state	**$**	**636,997**
Federal		
Department of		
Agriculture	$	55,718
Health and Human Services		553,119
Homeland Security		205,037
Total federal	**$**	**813,874**
Total state and federal grants	**$**	**1,450,871**
Total Intergovernmental Revenue	**$**	**5,920,434**

GRANT COUNTY
ELBOW LAKE, MINNESOTA

EXHIBIT D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

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	**$**	**55,718**
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	$	28,250
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556		1,387
Temporary Assistance for Needy Families	93.558		52,839
Child Support Enforcement	93.563		160,414
Refugee and Entrant Assistance - State-Administered Programs	93.566		138
Child Care and Development Block Grant	93.575		2,776
Community-Based Child Abuse Prevention Grants	93.590		2,500
Foster Care - Title IV-E	93.658		54,778
Social Services Block Grant	93.667		68,376
Chafee Foster Care Independence Program	93.674		607
Children's Health Insurance Program	93.767		27
Medical Assistance Program	93.778		217,739
Block Grants for Community Mental Health Services	93.958		6,928
Total U.S. Department of Health and Human Services		**$**	**596,759**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	$	1,433
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		188,659
Emergency Management Performance Grants	97.042		14,274
Passed Through the City of St. Cloud			
Homeland Security Grant Program	97.067		1,507
Total U.S. Department of Homeland Security		**$**	**205,873**
Total Federal Awards		**$**	**858,350**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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GRANT COUNTY
ELBOW LAKE, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 $280,877 in federal awards expended by the Housing and Redevelopment Authority of Grant County component unit, which had a separate audit performed by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Grant County under programs of the federal government for the year ended December 31, 2013. 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 position, or cash flows of Grant County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	813,874
Grants received more than 60 days after year-end, unavailable in 2013		
Temporary Assistance for Needy Families (CFDA #93.558)		5,550
Child Care and Development Block Grant (CFDA #93.575)		175
Foster Care - Title IV-E (CFDA #93.658)		488
Medical Assistance Program (CFDA #93.778)		38,775
Block Grants for Community Mental Health Services (CFDA #93.958)		6,928
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		55,443
Unavailable in 2012, recognized as revenue in 2013		
Child Care and Development Block Grant (CFDA #93.575)		(176)
Foster Care - Title IV-E (CFDA #93.658)		(8,100)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)		(54,607)
Expenditures per Schedule of Expenditures of Federal Awards	$	858,350

5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2013.

Management and
Compliance Section

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GRANT COUNTY
ELBOW LAKE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major programs are:

Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA #97.036

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-002

Departmental Internal Accounting Controls

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

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

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

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

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

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

Client's Response:

The County's management has been made aware of the situation and will continue to monitor the internal controls that are in place.

Finding 2006-003

Audit Adjustments

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

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

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

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

- An adjustment was made in the General Fund to reduce revenues and expenditures by $231,765 to reclassify transactions relating to computer charges that were provided by outside vendors.

- An adjustment was made in the Road and Bridge Special Revenue Fund to increase due from other governments by $1,438,674, increase unavailable revenue by $1,296,058, and increase intergovernmental revenue by $142,616. Also, fund balance was reclassified, reducing the unassigned fund balance by $1,217,219, increasing restricted for County state-aid highway system by $897,685 and nonspendable for inventories by $319,534.

- Several adjustments were made to capital assets. The most significant adjustments made were the lack of infrastructure changes being recorded in the County's general capital asset records, including $4,249,096 of infrastructure additions and $744,366 in deletions.

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:

The General Fund adjustment was due to allocations to departments for yearly computer and technology charges within the Computer Fund. The Auditor's Office has been made aware of the adjustments and entries will be made to properly classify the charges in the future.

Significant changes have been made to the County's capital asset software system in 2013/2014. Management is aware of the adjustments and will monitor to ensure the correct recording of assets in the future.

The adjustment for Road and Bridge is currently being discussed between the Highway Department, the State Auditor's Office, and the County Auditor's Office for application in the future also.

Finding 2007-002

Segregation of Duties - Payroll

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

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

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

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

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

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

<u>Client's Response</u>:

The County's management is aware of the lack of segregation of duties in payroll processing. Management will continue to monitor and evaluate the payroll process along with the possibility of assigning the duties of maintaining the payroll master file to another office.

Finding 2007-003

<u>Bank Reconciliations</u>

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: At the time of our audit, the cashbook and bank reconciliation for the main checking account at the Bank of the West was completed only through June 2012. 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 County Treasurer maintains a Quicken electronic cashbook system, a manual cashbook for all accounts, and a separate cashbook for the County's main checking account at the Bank of the West. The December 31, 2013, Quicken cashbook balance was $28,147 larger than the balance shown in the County's Integrated Financial System (IFS), due to a $1,500 change fund included in Quicken but not in the IFS, and correcting adjustments made in IFS of $26,647 that have not been recorded by the Treasurer.

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

Effect: Since reconciliations were not completed through year-end for the main checking account at the Bank of the West, we could not determine the difference between the reconciled cashbook and the IFS. At December 31, 2011, the last fiscal year with completed bank reconciliations, this difference was $40,171.

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

Recommendation: We recommend that bank reconciliations for all accounts should be performed timely. We further recommend the County reconcile the differences and make adjustments as necessary so that the cashbook balance agrees with the IFS.

Client's Response:

The County Treasurer is aware of the urgency of getting the bank reconciliations up to date and has been working diligently to bring them up to date. However, due to limited staff and the office responsibilities, it has been a process more than what the County Treasurer anticipated. However, the reconciliations are, at this time, completed through December 2012 due to the hiring of extra help to bring these reconciliations up to date. It is fully anticipated that by the end of 2014, bank reconciliations will be current, and the adjustments, along with the updated journal entries, will bring this issue to a close.

Finding 2009-001

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 in a summary form for its General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds. Budgets were not adopted for the Ditch Special Revenue Fund or the Courthouse Improvement Capital Projects Fund. During our review of budgets, we noted differences between the approved budgets and the budgets reflected in the County's general ledger. The approved levy, in the amount of $3,445,458, for the General Fund was not reflected in the County's general ledger. The budget reflected in the County's general ledger for the Road and Bridge Special Revenue Fund contained $25,000 that was approved as miscellaneous revenues that was classified in the general ledger as current year property tax levies.

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

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

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

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

<u>Client's Response</u>:

In past years, it was not a requirement of the auditing crews that the approved levy be reflected as a budget line item in the County IFS system. The property tax levy has been entered in the IFS system as part of the General Fund approved budget for 2014 and will continue to be for future years.

Finding 2012-001

<u>Documenting and Monitoring Internal Controls</u>

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

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

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

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

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

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

Finding 2012-002

<u>Network/Application Password Controls</u>

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

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

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

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

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

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

<u>Client's Response</u>:

The County's management is aware of the network password controls for the IFS system and will work with its software vendors to review and put controls in place to limit the access to the applications.

PREVIOUSLY REPORTED ITEM RESOLVED

Unreconciled Difference in the Taxes and Penalties Agency Fund (2012-003)

The cash account in the Taxes and Penalties Fund did not reconcile with the unapportioned and prepaid tax amounts. Included in the unreconciled difference were unrecorded payments to the State of Minnesota in the amount of $72,826, $53,135 in funds received from the U.S Fish and Wildlife for trust payments, and $73,867 of funds to be distributed to other funds or other local governments.

Resolution

The Taxes and Penalties Fund has been reconciled, and the cash account includes only unapportioned and prepaid tax amounts.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2011-002

Supervisory Review Over Eligibility - Intake Function

Program: U.S. Department of Health and Human Services' Medical Assistance Program (MA) (CFDA No. 93.778)

Pass-Through Agency: Minnesota Department of Human Services

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 the review process of case files by a supervisor was not complete. We also noted that not all the documentation used to support participant eligibility was retained in the manual case files or matched the information entered into the MAXIS system. The following instances were noted in our sample of 40 cases tested:

- One case did not have documentation to verify citizenship in the case file; however, the MAXIS system indicated that a birth certificate was the verification of citizenship.

- For two cases, we noted certain assets listed in the case files for asset verification that either differed from the assets listed in MAXIS or lacked supporting documentation.

- One case file indicated that there was current insurance other than Medical Assistance; however, there was no such documentation in MAXIS.

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

Context: During October 2013, a process was started by the County to review case files. With the implementation of MNSure, this process was put on hold.

Effect: Case file documentation is missing or does not match the documentation entered into the MAXIS system 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.

<u>Corrective Action Plan</u>:

<u>Name of Contact Person Responsible for Corrective Action</u>:

Kim Gullickson, Financial Assistance Specialist

<u>Corrective Action Planned</u>:

The Income Maintenance Supervisor will review and document eight MA cases per month, two from each worker. Errors in cases will be discussed at monthly staff meetings and yearly employee performance reviews. Copies of the reviews will be kept on file.

<u>Anticipated Completion Date</u>:

Monthly reviews of eight cases started in 2014. This is an on-going process.

ITEMS ARISING THIS YEAR

Finding 2013-001

Activities Allowed or Unallowed and Allowable Costs/Cost Principles - Approval of Disbursements

Programs: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778) and Child Support Enforcement (CFDA No 93.563)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133, § .300(b), indicates auditee responsibilities include maintaining internal controls over federal programs that provide 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.

Condition: During our testing of internal controls over disbursements we noted instances where there was no documentation to indicate disbursements are being reviewed and approved by a supervisor or the Director prior to payment being made.

- Of the 55 Medical Assistance Program payroll and other disbursements reviewed, we noted one timesheet lacking documentation of supervisory approval, three disbursements lacking documentation of approval by someone knowledgeable from the Human Services Department, and three disbursements approved by the Human Services Director after they were already paid.

- Of the 50 Child Support payroll and other disbursements reviewed, we noted four disbursements were approved by the Human Services Director after payment had already occurred.

Questioned Costs: None.

Context: The approval of disbursements by a supervisor or the Director is an important function, ensuring that amounts charged to federal programs are accurate and proper.

Effect: As a result of this condition, the Medical Assistance Program and the Child Support Enforcement Programs lack proper internal controls over the disbursements process, increasing the risk of fraudulent disbursements and incorrect charges to federal programs.

Cause: There was not a process in place for approval of all disbursements to occur when certain staff are not available.

Recommendation: We recommend that internal controls be implemented to ensure all disbursements are reviewed and that the review is documented by a supervisor or the Director prior to payment being made.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Stacey Hennen

Corrective Action Planned:

Bills will be approved prior to warrants being printed. Note: Almost all of the bills are signed off on before they are given to accounting to process. The MA access trips are prior authorized by a financial worker and if there is not a prior authorization, a trip is not paid. The SSIS invoices have service arrangements put in by a social worker, which is then approved by their supervisor. Any child support direct invoices are approved by the IV-D worker before they are paid by accounting as well.

Anticipated Completion Date:

October 2014.

Finding 2013-002

Cash Management

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA # 93.778)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: The 2013 *OMB Circular A-133 Compliance Supplement*, Part 3, C. Cash Management states that, when entities are funded on a reimbursement basis, the costs for which reimbursement was requested should be paid prior to the date of the reimbursement request.

Condition: The County requested reimbursement from the pass-through agency for federal program expenditures before some of the costs for which reimbursement was requested were paid. The County's practice for MA ACCESS program reimbursements is to receive the supporting documentation from its vendors requesting payment and upload this information to a clearing house that submits it to the Minnesota Department of Human Services (DHS). After DHS approves to pay the County's request for reimbursement, the County pays its vendors.

Questioned Costs: None.

Context: The County followed the guidance in the DHS Bulletin #12-21-08 which states that reimbursement is available after an allowed expense has been incurred by the vendor and required documentation, such as individual receipts for each meal, lodging, parking (except meters), and client-paid transportation services has been provided to the County.

Effect: Noncompliance with federal cash management requirements.

Cause: The County was relying on information provided by the DHS which was not in compliance with the federal requirement for cash management.

Recommendation: We recommend the County follow the 2013 *OMB Circular A-133 Compliance Supplement* and pay its vendors prior to requesting federal reimbursement from DHS.

<u>Corrective Action Plan</u>:

<u>Name of Contact Person Responsible for Corrective Action</u>:

Jill Frisell

<u>Corrective Action Planned</u>:

We will hold off on billing MA transportation/access claims until after the warrants have been cut.

<u>Anticipated Completion Date</u>:

Completed in March 2014.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

Finding 2013-003

Insufficient Collateral

Criteria: Governmental entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit.

Condition: At December 31, 2013, the County had deposits at Star Bank that were not adequately covered by collateral.

Context: A new County bank account was opened at Star Bank during 2013.

Effect: When a County has insufficient collateral with a bank, the County may not receive all deposits in the event of bank default.

Cause: The County does not have a procedure in place to monitor pledged collateral by a bank to determine if deposits are properly collateralized.

Recommendation: We recommend the County monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

The County Treasurer does monitor collateral and does have communication with the banks for updated lists of total collateral. In addition, at tax collection time, a manual sheet of paper with the total collateral amount for the depositing bank is used and the deposits are subtracted so that a running balance is kept. Once we are done with collections, the sheet is thrown away, but in the future it will be kept or scanned into the computer as documentation for the audit. The Bank of the West sends a monthly report that is reviewed and filed on a monthly basis. Spreadsheets for the purpose of monitoring collateral amounts had been set up, but were not completed due to lack of staff to perform duties within the office so that the Treasurer was able to finish. They will now be used monthly. In the instance of the creation of the new account, the Treasurer takes full responsibility for the shortage of collateral at Star Bank. Since the incident *happened, the Treasurer contacted the Star Bank CEO. The collateral monitoring was reviewed and a system of collateral balance notification to be sent on a monthly basis was put into place.*

Finding 2013-004

<u>Compliance with Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989</u>

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 and Star Bank.

Context: Collateral assignments are advisable to ensure that the proper statutory language is included in the collateral assignments so that the County's interests are properly protected.

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

Cause: The County Treasurer was unaware that the documentation of a perfected interest in collateral for Eagle Bank and Star Bank were 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.

Client’s Response:

The County Treasurer has been in contact with both banks and reviewed the collateral monitoring and FIRREA requirements and have put into place a system for assuring that the necessary approvals are completed by the banks, with documentation of the approvals being sent to the County Treasurer. An approval form has been set up for each bank’s Board of Directors to review periodically. An internal spreadsheet for tracking collateral, including the collateral approvals by the Board of Directors of each bank, is also being set up.

PREVIOUSLY REPORTED ITEMS RESOLVED

Traffic Safety Course (2008-005)

Grant County established a Traffic Safety Course option in lieu of issuance or court filing of a state uniform traffic ticket. The Traffic Safety Course established by the County did not comply with the criteria prescribed by Minn. Stat. § 169.999.

Resolution

Grant County discontinued the practice of allowing traffic violators the option of attending the Traffic Safety Course in lieu of a state uniform traffic ticket.

Certification of Withholding (2012-004)

Final payment was made on three completed contracts without receiving the IC-134 Affidavit of Withholding form or an on-line confirmation of certification prior to payment.

Resolution

During testing, there were no instances noted where final payment was made on contracts without receiving the IC-134 form.

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

Independent Auditor's Report

Board of County Commissioners
Grant County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Grant County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 26, 2014. Other auditors audited the financial statements of the Housing and Redevelopment Authority of Grant County, the discretely presented component unit, as described in our report on Grant County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant

An Equal Opportunity Employer

deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies.

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Grant County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 2013-003 and 2013-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Grant County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 26, 2014

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

Independent Auditor's Report

Board of County Commissioners
Grant County

Report on Compliance for Each Major Federal Program

We have audited Grant County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. Grant County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Grant County's basic financial statements include the operations of the Housing and Redevelopment Authority (HRA) of Grant County component unit, which expended $280,877 in federal awards during the year ended December 31, 2013, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA of Grant County because it was audited by other auditors.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grant County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain

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

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

Opinion on Each Major Federal Program

In our opinion, Grant County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002. Our opinion on each major federal program is not modified with respect to this matter.

Grant County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Grant County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-002, 2013-001, and 2013-002, that we consider to be significant deficiencies.

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

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 26, 2014