STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

CASS COUNTY
WALKER, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

CASS COUNTY
WALKER, MINNESOTA

Year Ended December 31, 2015

Audit Practice Division
Office of the State Auditor
State of Minnesota

CASS COUNTY
WALKER, MINNESOTA

TABLE OF CONTENTS

CASS COUNTY
WALKER, MINNESOTA

TABLE OF CONTENTS

Introductory Section

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

ORGANIZATION
AS OF DECEMBER 31, 2015

		Term Expires
Elected		
Commissioners		
District I	Neal Gaalswyk	January 2019
District II	Robert Kangas	January 2017
District III	Jeff Peterson	January 2017
District IV	Scott Bruns	January 2019
District V	Dick Downham	January 2017
Attorney	Christopher Strandlie	January 2019
Recorder	Kathryn Norby	January 2019
Sheriff	Tom Burch	January 2019
Appointed		
Administrator	Robert Yochum*	November 2017
Assessor	Mark Peterson	December 2016
Auditor/Treasurer	Sharon K. Anderson	Indefinite
Central Services Director	Tim Richardson	Indefinite
Chief Financial Officer	Larry Wolfe**	Indefinite
Environmental Services Director	John Ringle	Indefinite
Health, Human and Veterans Services Director	Reno Wells	Indefinite
Highway Engineer	Dave Enblom	May 2017
Land Commissioner	Joshua Stevenson***	Indefinite
Medical Examiner	Dr. Michael B. McGee	January 2019
Probation Director	James Schneider	Indefinite

*Robert Yochum will retire as County Administrator in November 2016. Joshua Stevenson has accepted the County Administrator position upon Administrator Yochum's retirement.

**Larry Wolfe will retire as Chief Financial Officer (CFO) in May 2016. Sandra Norikane has accepted the CFO position upon CFO Wolfe's retirement.

***Upon Joshua Stevenson's acceptance of the County Administrator position, Kirk Titus accepted the Land Commissioner's position effective June 2016.

This page was left blank intentionally.

Financial Section

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cass County
Walker, Minnesota

Report on the Financial Statements

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

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cass County Housing and Redevelopment Authority or the Pine River Area Sanitary District, the discretely presented component units. Those financial statements were audited by an other auditor whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based solely upon the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter - Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cass 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 1, 2016, on our consideration of Cass 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 Cass County's internal control over financial reporting and compliance. It does not include the Cass County Housing and Redevelopment Authority or the Pine River Area Sanitary District, which were audited by an other auditor.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

September 1, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(Unaudited)

As management of Cass County, Minnesota, we offer the readers of the Cass County financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of Cass County exceeded its liabilities on December 31, 2014, by $171,960,273 (net position). Of this amount, $28,060,001 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2015, Cass County's governmental funds reported combined ending fund balances of $67,395,002, a decrease of $1,552,517 in comparison with 2014. Of this amount, $12,526,837 was unassigned by Cass County and thus available for spending at the government's discretion.

Cass County had no debt during 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Cass County's basic financial statements. Cass County's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other supplementary information.

Government-wide financial statements are designed to provide readers with a broad overview of Cass County's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of Cass County's assets and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Cass County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Cass County's government-wide financial statements distinguish County operations by function. The governmental activities of Cass County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide statements include not only the financial data for Cass County itself (known as the primary government), but also the legally separate Cass County Housing and Redevelopment Authority and the Pine River Area Sanitary District component units, for which Cass County is financially accountable. Further financial information for these component units is audited and reported separately from the financial information provided herein for the primary government itself.

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

Fund level financial statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Cass County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of Cass County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Cass County adopts an annual appropriated budget for its General Fund; Road and Bridge Special Revenue Fund; Health, Human, and Veterans Services Special Revenue Fund; and the Forfeited Tax Sale Special Revenue Fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside of Cass County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Cass County's own programs or activities. Cass County's fiduciary funds include Taxes and Penalties, State of Minnesota, School Districts, Towns and Cities, and Minnesota Counties Information Systems.

Notes to the financial statements provide additional information that is 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 following the exhibits.

Other information is provided as supplementary information regarding Cass County's intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

Cass County's Net Position
(in Thousands)

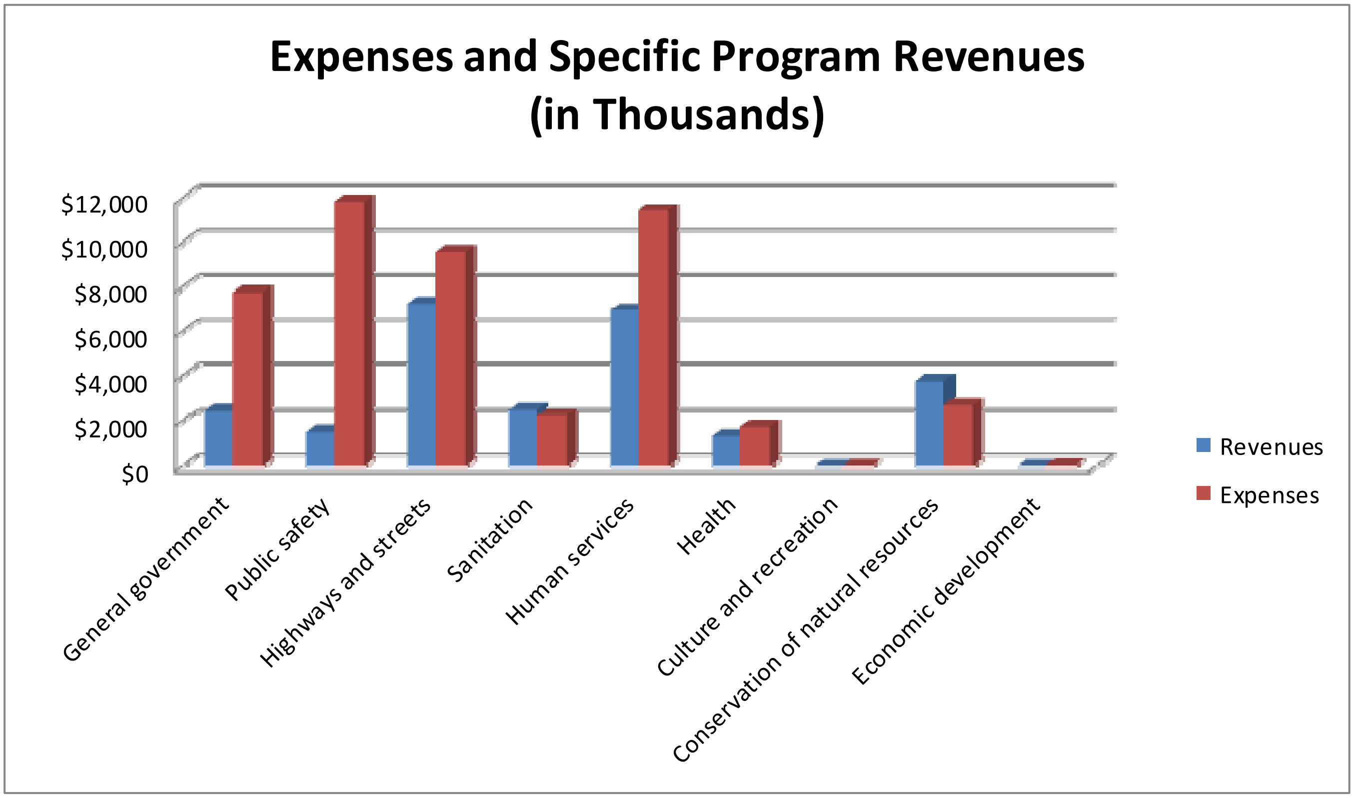
	Governmental Activities	
	2015	**2014**
Assets:		
Current and other assets	75,204	75,946
Capital assets	129,804	123,720
Total Assets	205,008	199,666
Deferred Outflows of Resources:	2,390	-
Liabilities:		
Other liabilities	3,170	3,332
Long-term liabilities	29,440	14,343
Total Liabilities	32,611	17,675
Deferred Inflows of Resources:	2,827	-
Net Position:		
Net investment in capital assets	129,804	123,720
Restricted	14,096	13,278
Unrestricted	28,060	44,993
Total Net Position	171,960	181,991

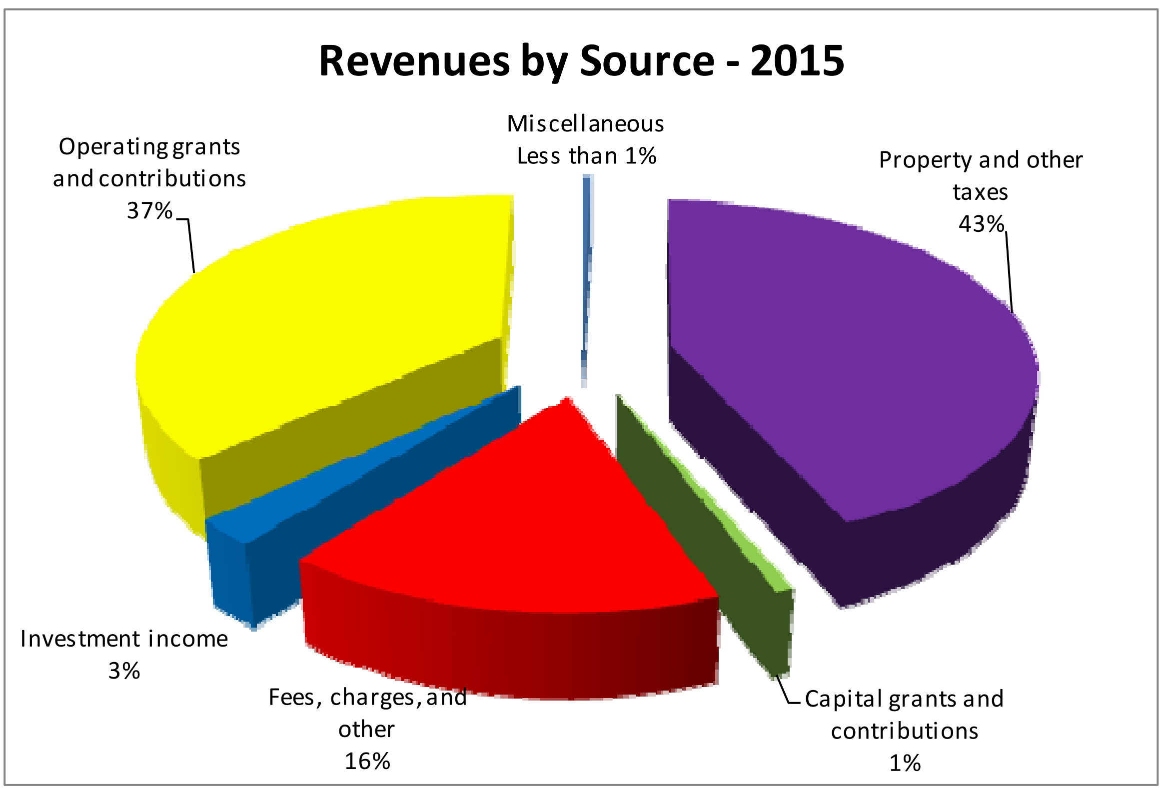
Over time, net position serves as a useful indicator of the County's financial position. Cass County's assets exceeded liabilities by $171,960,273 at the close of 2015. The largest portion of Cass County's net position (75 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt. The unrestricted net position amount of $28,060,001, as of December 31, 2015, may be used to meet the County's ongoing obligations to citizens and creditors.

Cass County's Changes in Net Position
(in Thousands)

	Governmental Activities	
	2015	**2014**
Revenues:		
Program revenues:		
Charges for services	8,172	8,507
Operating grants and contributions	17,305	16,500
Capital grants and contributions	340	685
General revenue:		
Property taxes	20,332	20,225
Interest and other revenues	3,955	6,697
Total Revenues	50,103	52,614
Expenses:		
General government	7,767	7,008
Public Safety	11,842	10,895
Highway and streets	9,604	9,810
Sanitation	2,254	2,225
Human services	11,406	10,787
Health	1,734	1,654
Culture and recreation	17	17
Conservation of natural resources	2,749	2,657
Economic development	43	42
Total Expenses	47,417	45,095
Change in Net Position	2,686	7,519
Net Position - Beginning (As Restated - Note A)	169,274	174,472
Net Position - Ending	171,960	181,991

Note A: During 2015, the County implemented Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions (an Amendment of GASB No.27),* which required employers to recognize their long-term obligations for pension benefits as an asset or liability. As such, the County's Net Position has been restated by $12,717,247.


Expenses and Specific Program Revenues
(in Thousands)
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
General government
Public safety
Highways and streets
Sanitation
Human services
Health
Culture and recreation
Conservation of natural resources
Economic development
Revenues
Expenses


Revenues by Source - 2015
Operating grants and contributions 37%
Miscellaneous Less than 1%
Property and other taxes 43%
Investment income 3%
Fees, charges, and other 16%
Capital grants and contributions 1%

(Unaudited)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Cass County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2015, Cass County's governmental funds reported combined ending fund balances of $67,395,002, a decrease of $1,528,564 in comparison with the prior year. Fund balances that are classified as restricted are either nonspendable or restricted and have specific (usually external) constraints placed on their use. Fund balances that are classified as unrestricted can be committed, assigned, or unassigned fund balances. Committed and assigned fund balances are fund balances for which the County has identified a specific purpose. Unassigned fund balances do not have a specific use identified but generally support cash flows of the County.

Governmental funds reported restricted fund balance for 2015 of $13,190,002 or 20 percent, of total fund balance. Restricted fund balance was classified as $4,931,684 of nonspendable and $8,258,318 of restricted. Unrestricted fund balance was $54,205,000, or 80 percent, of total fund balance. Unrestricted fund balance was classified as $10,311,902 of committed, $31,366,261 of assigned, and $12,526,837 of unassigned. Committed fund balances are approved by the County Board. For example, the Board has decided, by resolution, to set aside monies to fund the self-insurance program for employee and retiree health benefits. Assigned fund balances are amounts that are to be used for specific purposes but are neither restricted nor committed. Funds set aside for uninsured losses are an example of assigned fund balance. Unassigned fund balance is fund balance that has not been reported in any other classification and is only used in the General Fund unless there are deficit fund balances in other funds.

The General Fund is the chief operating fund of the County and is used to account for all financial resources except those accounted for in another fund. The unrestricted fund balance of the General Fund was $22,628,780 in 2015, compared to $21,478,821 in 2014. This increase was due, in part, to the fair market value adjustment of the County's portfolio in 2015. Unrestricted fund balance at the end of the year represented 108 percent of the General Fund's operating revenues and 111 percent of operating expenditures. The County's unassigned fund balance represents 60 percent of the General Fund's operating revenues and 61 percent of operating expenditures. The Office of the State Auditor recommends that counties maintain unrestricted fund balance in their General Fund of approximately 35.0 to 50.0 percent of operating revenues, or no less than five months of operating expenditures (41.7 percent).

The unrestricted fund balance of the Road and Bridge Fund was $763,277 in 2015, compared to $4,643,375 in 2014. This decrease was due to undertaking road projects that were paid for with advances from the State of Minnesota and increased use of County funds for construction. Unrestricted fund balance at the end of the year represented 6 percent of the Road and Bridge Fund's operating revenues and 5 percent of operating expenditures.

The unrestricted-assigned fund balance of the Health, Human and Veterans Services Fund (HHVS) was $11,289,849 in 2015, compared to $10,607,585 in 2015. This change was a result of increased revenues as compared to budget. Unrestricted-assigned fund balance at the end of the year represented 83 percent of the HHVS Fund's operating revenues and 87 percent of operating expenditures. To date, the County has not needed to utilize the committed fund balance of $3,000,000 that was set aside in 2012 by the Board of County Commissioners for out-of-home placement costs.

Total assigned fund balance in the Capital Projects Fund was $15,729,514 in 2014, compared to $16,239,258 in 2014. This fund balance is to be held for future capital projects the County's adopted capital improvement plan.

Pursuant to Minnesota statute, the Forfeited Tax Sale Fund distributed $1,219,192 in net proceeds to County funds, schools, cities, and towns in Cass County. The distribution was $157,025 less than the 2014 distribution.

General Fund Budgetary Highlights

Budgets can be amended during the year by the County Board. Supplemental appropriations or budget adjustments are reviewed by the Chief Financial Officer and submitted to the County Board for its review and approval.

Actual revenues for 2015 were $1,522,416 higher than the final budget. Actual expenditures were less than budgeted expenditures by $638,308 in 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Cass County's capital assets for its governmental activities at December 31, 2015, totaled $129,803,973 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net capital assets increased $6,084,218, or 4.9 percent, from the previous year. This change reflects the net addition of $2.4 million Road and Bridge projects handled through construction in progress.

Governmental Capital Assets
(Net of Depreciation)

	2015	2014
Land	$ 5,027,547	$ 5,026,947
Infrastructure	102,503,154	98,567,606
Buildings	13,181,717	12,707,948
Machinery, furniture and equipment	4,991,525	5,188,358
Construction in progress	4,100,030	2,228,896
	$ 129,803,973	$ 123,719,755

Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had no outstanding debt that was backed by the full faith and credit of the government.

Minnesota statutes limit the amount of debt a County may levy to three percent of its total market value. At the end of 2015, Cass County's legal debt limit was $184,000,000.

Additional information on the County's long-term liabilities can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Cass County's tax base at the end of 2015 was 2.14 percent more than 2014. Cass County continues to have one of the lowest tax rates among neighboring counties. Demand for lakeshore and recreational land has continued, which aids in the economic growth of the County.

By the end of 2015, Cass County approved its balanced 2016 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Cass County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Chief Financial Officer of Cass County, P. O. Box 3000, Walker, Minnesota 56484.

This page left blank intentionally.

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government Governmental Activities	Discretely Presented Component Units
Assets		
Cash and pooled investments	$ 64,203,518	$ 84,827
Petty cash and change funds	2,591	-
Investments	4,068,130	-
Taxes receivable		
Prior - net	691,785	-
Special assessments receivable		
Prior - net	153,898	10,547
Accounts receivable - net	1,825,362	26,557
Accrued interest receivable	209,296	3
Due from other governments	3,264,295	-
Prepaid items	432,560	9,093
Inventories	352,241	-
Note receivable	-	119,065
Restricted assets		
Cash and pooled investments	-	393,731
Capital assets		
Non-depreciable	9,127,577	35,753
Depreciable - net of accumulated depreciation	120,676,396	1,638,413
Total Assets	**$ 205,007,649**	**$ 2,317,989**
Deferred Outflows of Resources		
Deferred pension outflows	**$ 2,390,068**	**$ 22,225**
Liabilities		
Accounts payable	$ 1,448,938	$ 15,577
Salaries payable	639,429	10,837
Compensated absences payable - current	-	6,338
Contracts payable	335,208	-
Retainage payable	25,500	-
Due to other governments	698,593	-
Accrued interest payable	-	1,302
Unearned revenue	22,538	-
Customer deposits payable	-	57
Checks in excess of deposits	-	4,800
Other current liabilities	-	1,889
Long-term liabilities		
Due within one year	338,375	176,446
Due in more than one year	2,702,357	574,813
Other postemployment benefits obligation	12,783,712	-
Net pension obligation	13,615,978	160,658
Total Liabilities	**$ 32,610,628**	**$ 952,717**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Primary Government Governmental Activities	Discretely Presented Component Units
Deferred Inflows of Resources		
Revenues deferred for highway allotments	$ 1,050,143	$ -
Deferred pension inflows	1,776,673	4,576
Total Deferred Inflows of Resources	**$ 2,826,816**	**$ 4,576**
Net Position		
Net investment in capital assets	$ 129,803,973	$ 930,907
Restricted for		
General government	507,514	-
Public safety	551,573	-
Highways and streets	1,232,492	-
Capital projects	-	51,403
Conservation of natural resources	11,472,422	-
Other purposes	332,298	2,700
Unrestricted	28,060,001	397,911
Total Net Position	**$ 171,960,273**	**$ 1,382,921**

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

CASS COUNTY
WALKER, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 7,767,105	$ 1,806,113
Public safety	11,842,427	606,208
Highways and streets	9,604,291	558,846
Sanitation	2,254,470	2,536,546
Human services	11,406,499	631,499
Health	1,734,329	388,270
Culture and recreation	16,812	-
Conservation of natural resources	2,748,954	1,644,780
Economic development	42,500	-
Total Primary Government	**$ 47,417,387**	**$ 8,172,262**
Component units		
Housing and Redevelopment Authority	$ 577,226	$ 109,475
Pine River Area Sanitary District	605,823	543,283
Total Component Units	**$ 1,183,049**	**$ 652,758**

General Revenues
Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Miscellaneous

Total general revenues

Change in net position

Net Position - January 1, as previously reported
Restatement (Note 1.E.)

Net Position - January 1, as restated

Net Position - December 31

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

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Units
$ 685,727	$ -	$ (5,275,265)	
888,026	-	(10,348,193)	
6,382,261	339,582	(2,323,602)	
-	-	282,076	
6,317,843	-	(4,457,157)	
916,026	-	(430,033)	
-	-	(16,812)	
2,114,831	-	1,010,657	
-	-	(42,500)	
$ 17,304,714	**$ 339,582**	**$ (21,600,829)**	
$ -	$ 474,811		$ 7,060
-	94,191		31,651
$ -	**$ 569,002**		**$ 38,711**
		$ 20,332,182	$ -
		44,173	-
		1,279,443	-
		1,171,585	-
		1,237,214	1,591
		222,215	-
		$ 24,286,812	**$ 1,591**
		$ 2,685,983	**$ 40,302**
		$ 181,991,537	$ 1,477,287
		(12,717,247)	(134,668)
		$ 169,274,290	**$ 1,342,619**
		$ 171,960,273	**$ 1,382,921**

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

CASS COUNTY
WALKER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Road and Bridge	Health, Human and Veterans Services
Assets			
Cash and pooled investments	$ 24,226,142	$ 2,232,479	$ 13,999,833
Petty cash and change funds	2,251	100	140
Undistributed cash in agency funds	290,703	73,116	100,423
Investments	-	-	-
Taxes receivable			
Prior	350,546	139,270	197,771
Special assessments			
Prior	153,898	-	-
Accounts receivable - net	94,875	-	75,643
Accrued interest receivable	196,692	-	-
Due from other funds	302,044	16,703	-
Due from other governments	224,527	822,972	1,276,296
Prepaid items	432,560	-	-
Inventories	-	352,241	-
Total Assets	**$ 26,274,238**	**$ 3,636,881**	**$ 15,650,106**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 625,901	$ 83,817	$ 711,133
Salaries payable	361,627	79,462	182,767
Compensated absences - current	190,581	42,807	96,658
Contracts payable	-	335,208	-
Retainage payable	-	25,500	-
Due to other funds	4,179	-	2,343
Due to other governments	94,223	-	126,755
Unearned revenue	10,038	-	12,500
Total Liabilities	**$ 1,286,549**	**$ 566,794**	**$ 1,132,156**
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	$ 391,557	$ 115,514	$ 164,751
Grants	-	788,912	20,378
Other	33,071	-	42,972
Revenues deferred for highway allotments	-	1,050,143	-
Total Deferred Inflows of Resources	**$ 424,628**	**$ 1,954,569**	**$ 228,101**

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

	Forfeited Tax Sale	Environmental Trust	Capital Projects	Nonmajor Fund	Total Governmental Funds
	$ 6,089,027	$ 654,764	$ 15,735,146	$ 799,954	$ 63,737,345
	100	-	-	-	2,591
	-	-	86	1,845	466,173
	-	4,068,130	-	-	4,068,130
	-	-	546	3,652	691,785
	-	-	-	-	153,898
	1,654,844	-	-	-	1,825,362
	-	12,604	-	-	209,296
	-	-	-	837	319,584
	940,500	-	-	-	3,264,295
	-	-	-	-	432,560
	-	-	-	-	352,241
	$ 8,684,471	**$ 4,735,498**	**$ 15,735,778**	**$ 806,288**	**$ 75,523,260**
	$ 22,320	$ -	$ 5,767	$ -	$ 1,448,938
	15,573	-	-	-	639,429
	8,329	-	-	-	338,375
	-	-	-	-	335,208
	-	-	-	-	25,500
	302,806	-	-	10,256	319,584
	452,117	-	-	-	673,095
	-	-	-	-	22,538
	$ 801,145	**$ -**	**$ 5,767**	**$ 10,256**	**$ 3,802,667**
	$ -	$ -	$ 497	$ 2,452	$ 674,771
	60,500	-	-	-	869,790
	1,654,844	-	-	-	1,730,887
	-	-	-	-	1,050,143
	$ 1,715,344	**$ -**	**$ 497**	**$ 2,452**	**$ 4,325,591**

CASS COUNTY
WALKER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Road and Bridge	Health, Human and Veterans Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Inventories	$ -	$ 352,241	$ -
Prepaid items	432,560	-	-
Missing heirs	22,183	-	-
Environmental trust	-	-	-
Restricted for			
Aquatic invasive species	267,725	-	-
Forestry development	-	-	-
Law library	46,728	-	-
Recorder's technology equipment	407,217	-	-
E-911	118,191	-	-
Recorder's compliance fund	51,319	-	-
Federal projects	308,115	-	-
Attorney's forfeiture	2,250	-	-
Wetland activity	275,171	-	-
Sheriff permit to carry fees	822	-	-
Surveyor's bond	2,000	-	-
Environmental trust	-	-	-
Committed to			
Road and bridge projects	-	-	-
Out-of-home placements	-	-	3,000,000
ARMER radio project	11,902	-	-
Compensated absences	2,850,000	-	-
Health insurance	4,100,000	-	-
Assigned to			
Birth certificates	-	-	140
Capital projects	-	-	-
Road and bridge projects	-	706,485	-
Unorganized towns	-	-	-
Pit reclamation	-	37,780	-
Petrovend	-	19,012	-
Human services	-	-	11,257,889
Health insurance	1,322,707	-	-
Social services	-	-	6,683
Food support enhanced funds	-	-	25,137
Uninsured claims	1,300,000	-	-
Longville ambulance	394,967	-	-
Environmental grants	79,852	-	-
Shingobee Island	42,515	-	-
Unassigned	12,526,837	-	-
Total Fund Balances	**$ 24,563,061**	**$ 1,115,518**	**$ 14,289,849**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 26,274,238**	**$ 3,636,881**	**$ 15,650,106**

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

Forfeited Tax Sale	Environmental Trust	Capital Projects	Nonmajor Fund	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 352,241
-	-	-	-	432,560
-	-	-	-	22,183
-	4,124,700	-	-	4,124,700
-	-	-	-	267,725
6,167,982	-	-	-	6,167,982
-	-	-	-	46,728
-	-	-	-	407,217
-	-	-	-	118,191
-	-	-	-	51,319
-	-	-	-	308,115
-	-	-	-	2,250
-	-	-	-	275,171
-	-	-	-	822
-	-	-	-	2,000
-	610,798	-	-	610,798
-	-	-	350,000	350,000
-	-	-	-	3,000,000
-	-	-	-	11,902
-	-	-	-	2,850,000
-	-	-	-	4,100,000
-	-	-	-	140
-	-	15,729,514	-	15,729,514
-	-	-	-	706,485
-	-	-	443,580	443,580
-	-	-	-	37,780
-	-	-	-	19,012
-	-	-	-	11,257,889
-	-	-	-	1,322,707
-	-	-	-	6,683
-	-	-	-	25,137
-	-	-	-	1,300,000
-	-	-	-	394,967
-	-	-	-	79,852
-	-	-	-	42,515
-	-	-	-	12,526,837
$ 6,167,982	**$ 4,735,498**	**$ 15,729,514**	**$ 793,580**	**$ 67,395,002**
$ 8,684,471	**$ 4,735,498**	**$ 15,735,778**	**$ 806,288**	**$ 75,523,260**

This page was left blank intentionally.

EXHIBIT 4

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

Fund balances - total governmental funds (Exhibit 3)		**$ 67,395,002**
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.		129,803,973
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
Unavailable revenue reported as deferred inflows	$ 3,275,448	
Unavailable revenue reported as due to other governments	(25,498)	3,249,950
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred pension outflows	$ 2,390,068	
Deferred pension inflows	(1,776,673)	613,395
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	$ (2,702,357)	
Other postemployment benefits payable	(12,783,712)	
Net pension obligation	(13,615,978)	(29,102,047)
Net Position of Governmental Activities (Exhibit 1)		**$ 171,960,273**

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

CASS COUNTY
WALKER, MINNESOTA

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

	General	Road and Bridge	Health, Human and Veterans Services
Revenues			
Taxes	$ 10,616,457	$ 4,071,449	$ 5,562,479
Special assessments	1,789,738	-	-
Licenses and permits	121,615	-	6,265
Intergovernmental	4,064,450	7,114,577	7,012,676
Charges for services	2,967,080	479,295	857,402
Fines and forfeits	4,892	-	-
Gifts and contributions	10,090	-	1,210
Investment earnings	1,165,229	-	-
Miscellaneous	286,180	82,892	165,553
Total Revenues	**$ 21,025,731**	**$ 11,748,213**	**$ 13,605,585**
Expenditures			
Current			
General government	$ 7,130,090	$ -	$ 199,161
Public safety	10,747,859	-	-
Highways and streets	-	15,628,311	-
Sanitation	2,198,810	-	-
Human services	-	-	11,084,602
Health	-	-	1,639,558
Culture and recreation	15,000	-	-
Conservation of natural resources	245,477	-	-
Economic development	42,500	-	-
Capital outlay	-	-	-
Total Expenditures	**$ 20,379,736**	**$ 15,628,311**	**$ 12,923,321**
Excess of Revenues Over (Under) Expenditures	**$ 645,995**	**$ (3,880,098)**	**$ 682,264**
Other Financing Sources (Uses)			
Transfers in	$ 376,969	$ -	$ -
Transfers out	-	-	-
Total Other Financing Sources (Uses)	**$ 376,969**	**$ -**	**$ -**
Net Change in Fund Balances	**$ 1,022,964**	**$ (3,880,098)**	**$ 682,264**
Fund Balances - January 1	**23,540,097**	**4,971,663**	**13,607,585**
Increase (decrease) in inventories	**-**	**23,953**	**-**
Fund Balances - December 31	**$ 24,563,061**	**$ 1,115,518**	**$ 14,289,849**

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

Forfeited Tax Sale	Environmental Trust	Capital Projects	Nonmajor Fund	Total Governmental Funds
$ -	$ -	$ 556	$ 249,922	$ 20,500,863
-	-	-	-	1,789,738
-	-	-	-	127,880
1,912,468	-	-	99,533	20,203,704
-	-	-	-	4,303,777
-	-	-	-	4,892
-	-	-	-	11,300
-	71,985	-	-	1,237,214
1,604,374	-	-	-	2,138,999
$ 3,516,842	**$ 71,985**	**$ 556**	**$ 349,455**	**$ 50,318,367**
$ -	$ -	$ -	$ -	$ 7,329,251
-	-	-	31,885	10,779,744
-	-	-	134,968	15,763,279
-	-	-	-	2,198,810
-	-	-	-	11,084,602
-	-	-	-	1,639,558
-	-	-	-	15,000
2,249,263	13,100	-	-	2,507,840
-	-	-	-	42,500
-	-	510,300	-	510,300
$ 2,249,263	**$ 13,100**	**$ 510,300**	**$ 166,853**	**$ 51,870,884**
$ 1,267,579	**$ 58,885**	**$ (509,744)**	**$ 182,602**	**$ (1,552,517)**
$ -	$ -	$ -	$ 837	$ 377,806
(377,806)	-	-	-	(377,806)
$ (377,806)	**$ -**	**$ -**	**$ 837**	**$ -**
$ 889,773	**$ 58,885**	**$ (509,744)**	**$ 183,439**	**$ (1,552,517)**
5,278,209	**4,676,613**	**16,239,258**	**610,141**	**68,923,566**
-	**-**	**-**	**-**	**23,953**
$ 6,167,982	**$ 4,735,498**	**$ 15,729,514**	**$ 793,580**	**$ 67,395,002**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds (Exhibit 5)		**$ (1,552,517)**
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	$ 3,249,950	
Unavailable revenue - January 1	(3,488,785)	(238,835)
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. In the statement of activities, the gain or loss on the disposal of capital assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of assets sold.		
Expenditures for general capital assets and infrastructure	$ 10,185,472	
Net book value of assets sold	(3,342)	
Current year depreciation	(4,097,912)	6,084,218
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	$ 104,986	
Change in other postemployment benefits	(1,450,486)	
Change in inventories	23,953	
Change in net pension obligation, as restated	(240,270)	
Change in deferred pension outflows, as restated	1,731,607	
Change in deferred pension inflows	(1,776,673)	(1,606,883)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 2,685,983**

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

FIDUCIARY FUNDS

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 7

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

		Agency
Assets		
Cash and pooled investments	$	1,925,556
Petty cash and change funds		400
Total Assets	**$**	**1,925,956**
Liabilities		
Salaries payable	$	80,970
Due to other governments		1,768,740
Prepaid taxes		76,246
Total Liabilities	**$**	**1,925,956**

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

This page was left blank intentionally.

DISCRETELY PRESENTED COMPONENT UNITS

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 8

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2015

	Housing and Redevelopment Authority	Pine River Area Sanitary District	Total
Assets			
Current assets			
Cash and pooled investments	$ 49,444	$ 35,383	$ 84,827
Special assessments receivable - prior	-	10,547	10,547
Accounts receivable - net	7,561	18,996	26,557
Accrued interest receivable	3	-	3
Prepaid items	3,999	5,094	9,093
Total current assets	**$ 61,007**	**$ 70,020**	**$ 131,027**
Restricted assets			
Cash and pooled investments	**$ 14,307**	**$ 379,424**	**$ 393,731**
Noncurrent assets			
Note receivable	$ 119,065	$ -	$ 119,065
Capital assets			
Nondepreciable	25,753	10,000	35,753
Depreciable - net	265,294	1,373,119	1,638,413
Total noncurrent assets	**$ 410,112**	**$ 1,383,119**	**$ 1,793,231**
Total Assets	**$ 485,426**	**$ 1,832,563**	**$ 2,317,989**
Deferred Outflows of Resources			
Deferred pension outflows	**$ -**	**$ 22,225**	**$ 22,225**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 8
(Continued)

COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2015

	Housing and Redevelopment Authority	Pine River Area Sanitary District	Total
Liabilities			
Current liabilities			
Accounts payable	$ 9,072	$ 6,505	$ 15,577
Salaries payable	3,632	7,205	10,837
Compensated absences payable - current	1,332	5,006	6,338
Accrued interest payable	48	1,254	1,302
Notes payable - current	1,916	174,530	176,446
Customer deposits - current	57	-	57
Checks in excess of deposits	4,800	-	4,800
Other current liabilities	1,889	-	1,889
Total current liabilities	**$ 22,746**	**$ 194,500**	**$ 217,246**
Noncurrent liabilities			
Notes payable - long-term	$ 6,084	$ 534,524	$ 540,608
Loans payable	34,205	-	34,205
Net pension obligation	-	160,658	160,658
Total noncurrent liabilities	**$ 40,289**	**$ 695,182**	**$ 735,471**
Total Liabilities	**$ 63,035**	**$ 889,682**	**$ 952,717**
Deferred Inflows of Resources			
Deferred pension inflows	**$ -**	**$ 4,576**	**$ 4,576**
Net Position			
Net investment in capital assets	$ 256,842	$ 674,065	$ 930,907
Restricted for capital projects	-	51,403	51,403
Restricted for housing choice vouchers	2,700	-	2,700
Unrestricted	162,849	235,062	397,911
Total Net Position	**$ 422,391**	**$ 960,530**	**$ 1,382,921**

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

CASS COUNTY
WALKER, MINNESOTA

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Fees, Charges, Fines, and Other
Component Units		
Housing and Redevelopment Authority	$ 577,226	$ 109,475
Pine River Area Sanitary District	605,823	543,283
Total Component Units	**$ 1,183,049**	**$ 652,758**

General Revenues and Other Items
Investment income

Change in net position

Net Position - January 1, as previously reported
Restatement (Note 1.E.)

Net Position - January 1, as restated

Net Position - December 31

EXHIBIT 9

Revenues	Net (Expense) Revenue and Changes in Net Position		
Capital Grants and Contributions	Housing and Redevelopment Authority	Pine River Area Sanitary District	Total
$ 474,811	$ 7,060	$ -	$ 7,060
94,191	-	31,651	31,651
$ 569,002	**$ 7,060**	**$ 31,651**	**$ 38,711**
	124	1,467	1,591
	$ 7,184	**$ 33,118**	**$ 40,302**
	$ 415,207	$ 1,062,080	$ 1,477,287
	-	(134,668)	(134,668)
	$ 415,207	**$ 927,412**	**$ 1,342,619**
	$ 422,391	**$ 960,530**	**$ 1,382,921**

This page was left blank intentionally.

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Cass County was established May 7, 1897, 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 Cass County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Cass County are discretely presented:

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements Available at
Cass County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-.047.	County appoints members, and the HRA financial statements are material to the County's financial statements.	Cass County HRA Backus, Minnesota 56435
Pine River Area Sanitary District (District) provides services pursuant to Minn. Stat. § 116A.24.	County appoints members, the District is a financial burden, and its financial statements are material to the County's financial statements.	Pine River Area Sanitary District P. O. Box 354 Pine River, Minnesota 56474

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 6.D. The County also participates in the jointly-governed organizations described in Note 6.E.

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 units. 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. Governmental activities are normally supported by taxes and intergovernmental revenues.

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis by column; and (b) is 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.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements (Continued)

      2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for the proceeds of revenue sources restricted to expenditures related to public works activities. Revenues are generated from taxes, state aid, and federal programs.

The Health, Human and Veterans Services Special Revenue Fund is used to account for economic assistance and community health and social services programs. Revenues are generated from taxes, state aid, and federal grants.

The Forfeited Tax Sale Special Revenue Fund is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08. Title to the tax-forfeited lands remains with the state until sold by the County.

The Environmental Trust Permanent Fund is used to account for sale of land, including interest, under 1999 Minn. Laws, ch. 180. The principal from the sale of land may not be expended, while any interest earnings may be spent by the County Board only for the purposes related to the improvement of natural resources.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Capital Projects Fund is used to account for the accumulation of resources for building and remodeling projects.

Additionally, the County reports the following fund type:

Agency funds account for resources held by the County in a purely custodial capacity and do not present results of operations or have a measurement focus. Agency funds include Taxes and Penalties, State of Minnesota, School Districts, Towns and Cities, and Minnesota Counties Information Systems.

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. Shared revenues are generally recognized in the period the appropriation goes into effect. 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. Cass County considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure-driven) grants, for which the period is 90 days. Property and other taxes, shared revenues, 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 general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Cash and Pooled Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2015 were $1,165,229.

2. Deposits and Investments

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

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 other outstanding balances between funds are reported as "due to/from other funds."

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

1. Summary of Significant Accounting Policies

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

      3. Receivables and Payables (Continued)

         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 prior taxes receivable. Special assessments receivable - prior consist of uncollected special assessments payable in years 2009 to 2015.

      4. Inventories and Prepaid Items

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

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

      5. Capital Assets

         Capital assets, which include property, plant, equipment, and infrastructure assets (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 $25,000 and an estimated useful life in excess of two years. Effective January 1, 2011, Cass County revised its capitalization threshold to $50,000 for all subsequent capital acquisitions. The capitalization threshold for computer software, including internally-generated software, is $150,000. 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.

1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	10 - 30
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	5 - 12
Land improvements	15
Intangibles	2 - 5

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual 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 as a result of employee resignations and retirements. The current portion is based on a 60-day usage of vacation, compensatory time, and sick leave, or upon employee termination or retirement. The noncurrent portion consists of the remaining amount of vacation, compensatory time, and sick leave.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of items, unavailable revenue, revenues deferred for highway allotments, and deferred pension inflows, that qualify for reporting in this category. Unavailable revenue arises only under the modified accrual basis of accounting, whereas, revenues deferred for highway allotments arises under both the modified accrual and the full accrual basis of accounting. Unavailable revenue and revenues deferred for highway allotments are reported in the governmental funds balance sheet, while revenues deferred for highway allotments is also reported in the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

8. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions

1. Summary of Significant Accounting Policies

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

8. Pension Plan (Continued)

from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is generally liquidated by the General Fund and Road and Bridge; Health, Human and Veterans Services; and Forfeited Tax Sale Special Revenue Funds.

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned.

10. Long-Term Obligations

In the government-wide statement of net position, long-term debt and other long-term obligations are reported as liabilities. 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. Bond issuance costs are recognized as an expense in the period incurred.

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 other financing sources. 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.

1. Summary of Significant Accounting Policies

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

11. Classification of Net Position

Net position in the government-wide statement of net position is classified in the following categories:

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

12. Classification of Fund Balances

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

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

1. Summary of Significant Accounting Policies

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

12. Classification of Fund Balances (Continued)

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit these 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 that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board, the Chief Financial Officer, or the County Administrator who has been delegated that authority by Board resolution.

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

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

13. General Fund Minimum Fund Balance Policy

At the end of each fiscal year, Cass County will maintain spendable - unassigned portions of the fund balance in a range equal to 40 to 50 percent of the General Fund current budgeted operating expenditures. In addition to working capital needs, this accommodates emergency contingency concerns.

1. Summary of Significant Accounting Policies

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

13. General Fund Minimum Fund Balance Policy (Continued)

In the event that the minimum fund balance levels fall below the desired range, the Chief Financial Officer shall report such amounts to the County Board, and the County shall create a plan to restore the appropriate levels.

Should the actual amount rise above the desired range, any excess funds will remain unassigned pending the Board's final decision concerning transfer to another fund or additional General Fund commitments.

14. Use of Estimates

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

E. Change in Accounting Principles

During the year ended December 31, 2015, the County and the Pine River Area Sanitary District (a discretely presented component unit as described in Note 7) adopted new accounting guidance by implementing the provisions of GASB Statements 68 and 71. The County also implemented the provisions of GASB Statement 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

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

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

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

Restatements of net position for the governmental activities and the discretely presented component units are as follows:

	Primary Government	Discretely Presented Component Units
	Governmental Activities	
Net Position, January 1, 2015, as previously reported	$ 181,991,537	$ 1,477,287
Change in accounting principles	(12,717,247)	(134,668)
Net Position, January 1, 2015, as restated	$ 169,274,290	$ 1,342,619

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	64,203,518
Petty cash and change funds		2,591
Investments		4,068,130
Discretely presented component units		
Cash and pooled investments		84,827
Restricted cash and pooled investments		393,731
Statement of fiduciary net position		
Cash and pooled investments		1,925,556
Petty cash and change funds		400
Total Cash and Investments	$	70,678,753

a. Deposits

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

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has a deposit policy for custodial credit risk and follows Minnesota statutes regarding pledged collateral. The market value of collateral must equal 110 percent of the deposits not covered by insurance or surety bonds. As of December 31, 2015, both the County's deposits and the deposits of its discretely presented component units were fully covered by insurance, surety bonds, and collateral, and were not 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;

2. 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 minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has a policy to minimize investment custodial credit risk. Of the County's investments at December 31, 2015, $5,614,387 was subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit.

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

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
U.S. government agency securities					
Federal National Mortgage Association Pool	Aaa/AA+	Moody's/S&P		08/26/2020	$ 3,493,000
Federal National Mortgage Association Pool	Aaa/AA+	Moody's/S&P		08/23/2027	989,800
Federal National Mortgage Association Pool	Aaa/AA+	Moody's/S&P		12/30/2024	3,311,035
Federal National Mortgage Association Pool	Aaa/AA+	Moody's/S&P		05/27/2020	651,164
Total Federal National Mortgage Association Pools			13.0%		$ 8,444,999
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		09/30/2020	$ 500,275
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		04/29/2025	1,639,770
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		09/30/2025	1,343,385
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		04/29/2021	2,982,600
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		10/28/2025	2,984,100
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		11/24/2021	2,969,700
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		05/25/2021	1,988,000
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		11/25/2020	1,999,600
Total Federal Home Loan Mortgage Corporation Notes			25.3%		$ 16,407,430

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
U.S. government agency securities (Continued)					
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		01/30/2023	$ 491,405
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		04/28/2023	986,450
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		11/28/2022	2,497,000
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		12/27/2022	498,550
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		03/27/2023	598,740
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		04/22/2025	1,191,600
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		10/07/2021	2,979,000
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		08/20/2021	500,029
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		12/20/2024	970,250
Total Federal Home Loan Bank Bonds			16.5%		$ 10,713,024
Total U.S. government agency securities					$ 35,565,453
Federal Farm Credit Banks Funding Corporation Bonds					
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		01/08/2021	$ 1,000,050
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		03/01/2021	995,700
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		01/13/2022	2,958,000
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		08/16/2021	495,596
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		02/20/2025	500,027
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		09/29/2021	1,000,781
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		11/09/2022	494,886
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		01/29/2024	1,491,506
Total Federal Farm Credit Banks Funding Corporation Bonds			13.8%		$ 8,936,546
Federal Home Loan Mortgage Corporation Repurchase Agreements					
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		11/27/2016	$ 495,987
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		11/06/2016	994,594
Total Federal Home Loan Mortgage Corporation Repurchase Agreements			<5%		$ 1,490,581
Federal Home Loan Bank Repurchase Agreements					
Federal Home Loan Bank	Aaa/AA+	Moody's/S&P		07/17/2016	$ 995,393
Federal Home Loan Bank	Aaa/AA+	Moody's/S&P		03/07/2017	499,058
Total Federal Home Loan Bank Repurchase Agreements			<5%		$ 1,494,451
Federal Farm Credit Bank Repurchase Agreements					
Federal Farm Credit Bank Funding Corporation Bonds	Aaa/AA+	Moody's/S&P	<5%	02/02/2017	$ 1,000,043
Revenue Bonds					
Dallas, Texas Waterworks and Sewer System Revenue Refunding Bonds	Aaa/AA+	Moody's/S&P		10/01/2021	$ 603,390
Augusta, Georgia Urban Redevelopment Agency Revenue Bonds	Aaa/AA+	Moody's/S&P		10/01/2020	491,970
New York State Mortgage Agency Revenue Bonds	Aaa/AA+	Moody's/S&P		04/01/2021	984,850
Total Revenue Bonds			<5%		$ 2,080,210

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Negotiable certificates of deposit					
American Express Centurion, UT	N/A	N/A	<5%	11/29/2019	$ 97,731
Harris NA	N/A	N/A	<5%	12/17/2020	244,565
BMW Bank of North America, UT	N/A	N/A	<5%	05/30/2019	147,837
Capital One Bank USA NA, VA	N/A	N/A	<5%	07/22/2020	245,817
Citizens Bank, MN	N/A	N/A	<5%	06/26/2020	248,495
Discover Bank, DE	N/A	N/A	<5%	05/29/2019	246,736
First American Bank, IL	N/A	N/A	<5%	08/24/2020	240,899
First Financial Bank USA, SD	N/A	N/A	<5%	09/21/2020	240,134
First Merchants Bank, IN	N/A	N/A	<5%	08/13/2020	246,313
GE Capital Retail	N/A	N/A	<5%	06/08/2020	246,607
HSBC Bank USA, VA	N/A	N/A	<5%	10/30/2020	244,217
Iberia Bank, LA	N/A	N/A	<5%	05/04/2020	246,810
JP Morgan Chase Bank, OH	N/A	N/A	<5%	02/27/2020	245,699
Merchants National Bank, OH	N/A	N/A	<5%	08/05/2020	248,138
Midwest Bank, IL	N/A	N/A	<5%	10/15/2019	248,487
Nebraska State Bank, NE	N/A	N/A	<5%	08/26/2021	249,025
Orrstown Bank, PA	N/A	N/A	<5%	02/05/2020	247,870
Peoples State Bank, WI	N/A	N/A	<5%	03/31/2021	246,809
Security National Bank of South Dakota, SD	N/A	N/A	<5%	11/19/2021	246,142
Welch State Bank	N/A	N/A	<5%	06/27/2018	246,316
American Express Bank, UT	N/A	N/A	<5%	09/25/2019	246,948
Barclays Bank, DE	N/A	N/A	<5%	07/23/2019	246,818
Capital One Bank USA NA, VA	N/A	N/A	<5%	10/08/2019	246,497
Comenity Bank, DE	N/A	N/A	<5%	08/27/2019	199,648
Everbank, FL	N/A	N/A	<5%	10/30/2019	246,215
First Bank, IL	N/A	N/A	<5%	07/30/2019	240,536
Goldman Sachs Bank, NY	N/A	N/A	<5%	06/06/2019	248,121
Investors Bank, NJ	N/A	N/A	<5%	08/25/2020	244,402
Lakeside Bank, IL	N/A	N/A	<5%	08/28/2020	245,512
Privatebank & Trust Company, IL	N/A	N/A	<5%	07/22/2019	246,056
Sallie Mae Bank, UT	N/A	N/A	<5%	11/13/2018	151,247
State Bank of India, NY	N/A	N/A	<5%	10/17/2019	247,656
Third Federal Savings & Loan, OH	N/A	N/A	<5%	11/25/2019	247,459
Webster Five Cents Savings Bank, MA	N/A	N/A	<5%	12/17/2019	245,194
Worlds Foremost Bank, NE	N/A	N/A	<5%	08/13/2019	198,954
BMW Bank of North America, UT	N/A	N/A	<5%	11/18/2019	98,325
Bank Midwest	N/A	N/A	<5%	03/16/2021	248,007
Whitney Bank	N/A	N/A	<5%	08/14/2017	247,401
Gulf Coast Bank, LA	N/A	N/A	<5%	05/20/2021	245,193
Magna Bank	N/A	N/A	<5%	07/20/2020	239,612
Celtic Bank, UT	N/A	N/A	<5%	03/04/2021	243,324
CITI Bank, UT	N/A	N/A	<5%	05/08/2023	243,111
GE Capital Retail, UT	N/A	N/A	<5%	06/10/2019	146,843
Springs Valley Bank & Trust, IN	N/A	N/A	<5%	03/08/2021	244,432
Western State Bank, ND	N/A	N/A	<5%	09/04/2020	245,492
American Express Bank, UT	N/A	N/A	<5%	06/20/2018	147,795
Isabella Bank	N/A	N/A	<5%	06/17/2020	238,872
Total negotiable certificates of deposit					$ 10,764,317

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	5.5%	N/A	$ 3,554,278
Wells Fargo Money Market	N/R	N/A	<5%	N/A	9,459
Total investment pools/mutual funds					$ 3,563,737
Total investments					$ 64,895,338
Deposits - primary government					5,301,866
Deposits - component units					467,800
Investments - component units					10,458
Petty cash and change funds - primary government					2,991
Petty cash and change funds - component units					300
Total Cash and Investments					$ 70,678,753

N/A - Not Applicable
N/R - Not Rated
<5% - Concentration is less than 5% of investments

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 691,785	$ -
Special assessments	153,898	133,415
Accounts receivable	1,825,362	-
Accrued interest	209,296	-
Due from other governments	3,264,295	-
Total Governmental Activities	$ 6,144,636	$ 133,415

2. Detailed Notes on All Funds

   A. Assets (Continued)

      3. Minimum Future Rents Receivable

Cass County receives rental payments from the United States Postal Service (USPS) for office space in a building it purchased from the Pine River State Bank in Pine River, Minnesota. The USPS entered into a two-year lease with the bank effective July 1, 2006, to occupy 4,500 square feet of building space at an annual rental fee of $37,125. Upon the transfer of ownership, Cass County assumed the lease agreement, and the terms of the lease remained unchanged.

Upon expiration of the lease on December 31, 2011, the USPS elected to renew the lease for a period of five years ending December 31, 2016. The annual rental fee remained unchanged.

Minimum future rents on the lease are:

Year Ending December 31	
2016	$ 37,125

In July 2007, SBA Towers II, LLC, (SBA) assumed ownership of a communications tower from Midwest Real Estate Properties, LLC. The tower occupies 5,625 square feet of County land, including 14,440 square feet of easement. Upon assuming tower ownership, an existing land lease agreement with Cass County was transferred to SBA. SBA agreed to pay the County a base rent of $424 per month, plus an additional 15 percent of the collection revenue earned from each additional tenant utilizing tower antennas and equipment.

Upon expiration of the lease in September 2012, SBA Towers II, LLC, elected to renew the lease for a period of five years ending September 15, 2017. Upon expiration of the lease, SBA Towers II, LLC, has four additional renewal options for five-year terms each. For each renewal term, the monthly rent is increased by three percent. SBA currently pays the County $1,199 per month in rental fees under the existing lease agreement.

2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

Minimum future rents on the lease are:

Year Ending December 31		
2016	$	14,388
2017		10,192
Total	$	24,580

On November 15, 2005, American Cellular Corporation (ACC) Tower Sub, LLC, (Global Towers Partners) assumed ownership of a communications tower from ACC of Minnesota, a Delaware Corporation. Upon assuming ownership, an existing land lease agreement with Cass County was transferred to Global Towers. Global Towers Partners agreed to pay the County a base rent of $6,000 payable in annual installments in advance. This rental fee shall increase annually during the renewal term effective as of each anniversary by an amount equal to four percent.

Upon expiration of the lease on December 31, 2015, the agreement with ACC Tower Sub, LLC was amended to extend the lease for six additional renewal options for five-year terms each. The base rent was also increased to $10,940 on January 1, 2015, and shall increase annually by an amount equal to four percent. The same terms and conditions will be in effect during the renewal terms, except rent, which will be renegotiated each subsequent renewal term.

Minimum future rents on the lease are:

Year Ending December 31		
2016	$	11,378
2017		11,833
2018		12,306
2019		12,798
2020		13,310
Total	$	61,625

2. Detailed Notes on All Funds

A. Assets (Continued)

4. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 5,026,947	$ 600	$ -	$ 5,027,547
Construction in progress	2,228,896	9,886,996	8,015,862	4,100,030
Total capital assets not depreciated	$ 7,255,843	$ 9,887,596	$ 8,015,862	$ 9,127,577
Capital assets depreciated				
Buildings	$ 22,229,110	$ 997,794	$ 238,555	$ 22,988,349
Machinery, furniture, and equipment	10,713,733	593,255	219,264	11,087,724
Infrastructure	134,342,473	6,722,689	-	141,065,162
Total capital assets depreciated	$ 167,285,316	$ 8,313,738	$ 457,819	$ 175,141,235
Less: accumulated depreciation for				
Buildings	$ 9,521,162	$ 520,684	$ 235,213	$ 9,806,633
Machinery, furniture, and equipment	5,525,375	790,088	219,264	6,096,199
Infrastructure	35,774,867	2,787,140	-	38,562,007
Total accumulated depreciation	$ 50,821,404	$ 4,097,912	$ 454,477	$ 54,464,839
Total capital assets depreciated, net	$ 116,463,912	$ 4,215,826	$ 3,342	$ 120,676,396
Capital Assets, Net	$ 123,719,755	$ 14,103,422	$ 8,019,204	$ 129,803,973

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

Governmental Activities	
General government	$ 176,147
Public safety	552,269
Highways and streets, including depreciation of infrastructure assets	3,093,916
Human services	49,430
Sanitation	36,699
Culture and recreation	1,812
Conservation of natural resources	187,639
Total Depreciation Expense - Governmental Activities	$ 4,097,912

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Forfeited Tax Sale	$ 301,969	Forfeited tax apportionment
	Health, Human and Veterans Services	75	Reimbursement for services
Total Due to General Fund		$ 302,044	
Road and Bridge	General	$ 4,179	Reimbursement for services
	Health, Human and Veterans Services	2,268	Reimbursement for services
	Nonmajor fund	10,256	Reimbursement for services
Total Due to Road and Bridge Fund		$ 16,703	
Nonmajor fund	Forfeited Tax Sale	$ 837	Forfeited tax apportionment
Total Due To/From Other Funds		$ 319,584	

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfers to General Fund from Forfeited Tax Sale Fund	$ 376,969	Forfeited tax apportionment and indirect costs
Transfers to Unorganized Town Special Revenue Fund from Forfeited Tax Sale Fund	837	Forfeited tax apportionment
Total Interfund Transfers	$ 377,806	

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 3,009,558	$ 1,475,936	$ 1,444,762	$ 3,040,732	$ 338,375

Compensated absences are generally liquidated by the General Fund and Road and Bridge; Health, Human and Veterans Services; and Forfeited Tax Sale Special Revenue Funds.

2. Lease Obligations

The County is committed under various operating leases for office space, parking, data processing, copiers, office equipment, and radio towers and equipment. The following is a summary of the operating lease expense for 2015:

Type of Property	Amount
Rental of office space and parking	$ 14,400
Data processing, copiers, and office equipment	69,138
Radio towers and equipment	38,576
Total Rental Expense	$ 122,114

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2015:

Year Ended	Amount
2016	$ 116,077
2017	92,253
2018	85,469
2019	85,469
2020	59,766
Total Future Minimum Lease Payments	$ 439,034

2. Detailed Notes on All Funds

   C. Liabilities (Continued)

      3. Construction Commitments

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

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Highways and streets	$ 6,073,799	$ 84,334

3. Pension Plans

   A. Defined Benefit Pension Plans

      1. Plan Description

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

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

         Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated

3. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

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

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

Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund

3. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

3. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

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

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

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

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

General Employees Retirement Fund	$	934,084
Public Employees Police and Fire Fund		476,556
Public Employees Correctional Fund		57,424

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of $10,121,165 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

PERA's participating employers. At June 30, 2015, the County's proportion was 0.2037 percent. It was 0.2232 percent measured as of June 30, 2014. The County recognized pension expense of $1,126,229 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 510,279
Difference between projected and actual investment earnings	958,123	-
Changes in proportion	-	658,660
Contributions paid to PERA subsequent to the measurement date	504,357	-
Total	$ 1,462,480	$ 1,168,939

The $504,357 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Pension Plans

   A. Defined Benefit Pension Plans

      4. Pension Costs

General Employees Retirement Fund (Continued)

Year Ended December 31	Pension Expense Amount
2016	$ (150,115)
2017	(150,115)
2018	(150,115)
2019	239,529

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of $3,431,427 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.302 percent. It was 0.305 percent measured as of June 30, 2014. The County recognized pension expense of $585,547 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized $27,180 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute $9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 556,465
Difference between projected and actual investment earnings	597,869	-
Changes in proportion	-	27,001
Contributions paid to PERA subsequent to the measurement date	251,287	-
Total	$ 849,156	$ 583,466

The $251,287 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ 32,774
2017	32,774
2018	32,774
2019	32,774
2020	(116,693)

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of $63,386 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.41 percent. It was 0.39 percent measured as of June 30, 2014. The County recognized pension expense of $68,803 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 24,268
Difference between projected and actual investment earnings	52,837	-
Changes in proportion	1,132	-
Contributions paid to PERA subsequent to the measurement date	24,463	-
Total	$ 78,432	$ 24,268

3. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

The $24,463 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ 5,497
2017	5,497
2018	5,497
2019	13,210

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was $1,780,579.

5. Actuarial Assumptions

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

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

3. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

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

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

3. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

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

7. Pension Liability Sensitivity

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

3. Pension Plans

A. Defined Benefit Pension Plans

7. Pension Liability Sensitivity (Continued)

		1% Decrease in Discount Rate (6.9%)		Discount Rate (7.9%)		1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	$	15,914,069	$	10,121,165	$	5,337,117
Public Employees Police and Fire Fund net pension liability		6,687,887		3,431,427		741,023
Public Employees Correctional Fund net pension liability		441,431		63,386		(239,202)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

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

3. Pension Plans

B. Defined Contribution Plan (Continued)

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

	Employee	Employer
Contribution amount	$ 5,774	$ 5,774
Percentage of covered payroll	5%	5%

4. Other Postemployment Benefits (OPEB)

A. Plan Description and Funding Policy

Cass County provides health insurance benefits for certain retired employees under a single-employer, self-insured plan and life insurance under a fully insured plan. The County pays basic life insurance ($10,000 coverage) and contributes towards the health insurance for qualified retired employees (employees who were employed by the County over ten years and retired on or after January 1, 1972) for life.

The rates are based on the County's group policy rates and are financed on a pay-as-you-go basis. For employees hired on or after January 1, 1992, qualified retired employees (employees who were employed by the County over 20 years and are eligible for annuity or disability under a statutory Minnesota public employees retirement program) will receive a contribution towards health insurance coverage for the period from retirement until eligibility for Medicare coverage. No life insurance is provided for retirees hired on or after January 1, 1992, and no contribution is made towards health insurance for those hired on or after January 1, 2008.

The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan), and do not participate in any other health benefits program providing coverage similar to that, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total premium cost.

4. Other Postemployment Benefits (OPEB)

A. Plan Description and Funding Policy (Continued)

Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2015, there were approximately 128 retirees receiving health benefits from the County's health plan.

B. Annual OPEB Costs 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 cost 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 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	$	3,071,845
Interest on net OPEB obligation		453,329
Adjustments to ARC		(685,940)
Annual OPEB cost (expense)	$	2,839,234
Contributions made during the year		(1,388,748)
Increase in net OPEB obligation	$	1,450,486
Net OPEB Obligation - Beginning of Year		11,333,226
Net OPEB Obligation - End of Year	$	12,783,712

4. Other Postemployment Benefits (OPEB)

B. Annual OPEB Costs and Net OPEB Obligation (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the excess OPEB contributions or net OPEB obligation for 2013, 2014, and 2015, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	$ 2,592,041	$ 1,228,067	47.4%	$ 10,143,663
December 31, 2014	2,561,594	1,372,031	53.6	11,333,226
December 31, 2015	2,839,234	1,388,748	48.9	12,783,712

C. Funded Status and Funding Progress

The actuarial accrued liability for benefits as of January 1, 2015, the most recent actuarial valuation date, is $39.21 million. The County currently has no assets that have been irrevocably deposited in a trust for future health benefits; thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) is $15.09 million. The ratio of the unfunded actuarial accrued liabilities (UAAL) to covered payroll is 259.9 percent.

D. Actuarial Methods and Assumptions

Actuarial valuations 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 health care cost trends. 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

4. Other Postemployment Benefits (OPEB)

   D. Actuarial Methods and Assumptions (Continued)

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

   In the January 1, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County. The annual health care cost trend rate is 7.25 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after nine years. The unfunded actuarial accrued liability is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 23 years.

   The other postemployment benefits liability is generally liquidated by the General Fund and Road and Bridge; Health, Human and Veterans Services; and Forfeited Tax Sale Special Revenue Funds.

5. Postemployment Health Care Plans

   MSRS Health Care Savings Plan

   County employees participate in a Health Care Savings Plan (HCSP) administered by the Minnesota State Retirement System (MSRS). The plan is authorized under Minn. Stat. § 352.98 and through an Internal Revenue Service (IRS) private letter ruling establishing the HCSP as a tax-exempt benefit as of July 29, 2002. The plan is open to any active public employees in Minnesota if they are covered under certain public service retirement plans.

   Under the terms of the HCSP, employees are allowed to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. The IRS private letter ruling requires mandatory participation of all employees in each bargaining unit in order to gain tax-free benefits. Allowable amounts deposited into individual accounts must be negotiated by each individual bargaining unit and the employer. The plan must be written into the collective bargaining agreement or a Memo of Understanding. For those employees not covered by a bargaining unit, amounts to be deposited into individual accounts must be agreed to by the employer and included in a written personnel policy.

5. Postemployment Health Care Plans

MSRS Health Care Savings Plan (Continued)

Under Cass County's plan, participating employees shall include all non-union personnel that are eligible for participation in the Cass County Cafeteria Plan, except elected officials and judicial appointments. Plan participation shall consist of employee payment to the Post Retirement Health Insurance Plan with severance benefits earned pursuant to these Personnel Rules and Policies as follows: (a) 100 percent of eligible sick leave severance upon termination and (b) 100 percent of eligible vacation severance upon termination.

Through a Memo of Understanding between Cass County and Minnesota Teamsters Public and Law Enforcement Employees Union, Local No. 320, those unionized employees' participation will consist of: (a) all of the employee's severance pay pursuant to Article 21.1 of the Labor Agreement, up to a maximum of 400 hours of accumulated sick leave, will be paid into the Post Retirement Health Insurance Plan upon leave from employment with the County; and (b) on the last pay period of each calendar year, the employee's comp time accumulation over forty (40) hours will be paid into the Post Retirement Health Insurance Plan pursuant to Article 17.1 of the Labor Agreement.

6. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to cover both workers' compensation and property and casualty liabilities. The County self-insures for employee medical and short-term disability coverage. For other risk, 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 $490,000 per claim in 2015 and $500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

6. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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.

Employee medical and short-term disability insurance coverage is accounted for in the General Fund of the County. Costs include medical coverage for employees, dependents, and retirees, and short-term disability coverage for employees. Costs also include charges for claims management by a third-party administrator. Premiums are based on an actuarial study by the third-party administrator and include a provision for expected future catastrophic losses; the premiums also include a provision for administrative costs and stop-loss insurance. The County carries individual specific stop-loss insurance for claims that exceed $150,000 per year per employee contract, or 125.0 percent, of the annual premium base. All County funds with personnel are charged for the County's share of costs for providing insurance coverage. Employees contribute a share of coverage costs through payroll deductions and retirees are paid for, in part, by County funds and by the retirees themselves. The liability at year-end is based on subsequent claims, and it includes a reasonable provision for incurred but not reported claims (IBNRs). A claims liability is included in the General Fund accounts payable at year-end.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2015	2014
Unpaid claims, beginning of fiscal year	$ 152,349	$ 190,042
Incurred claims (including IBNRs)	4,151,506	4,255,101
Claims payments	(3,990,609)	(4,292,794)
Unpaid Claims, End of Fiscal Year	$ 313,246	$ 152,349

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

B. Contingent Liabilities

Amounts received or receivable from grantor 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 government.

C. Tax-Forfeited Land

The County manages approximately 255,000 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to cities, towns, and school districts within the County according to state statute.

D. Joint Ventures

Northwestern Minnesota Juvenile Center

The Northwestern Minnesota Juvenile Center was established by Beltrami, Cass, Clearwater, Hubbard, Kittson, Lake of the Woods, Pennington, and Roseau Counties in 1971 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, for the purpose of providing rehabilitation and other services to juveniles under the jurisdiction of the court system. The governing board is composed of not less than 7 or more than 15 members, with at least 1 member appointed by each participating county, as provided in the Center's by-laws. At present, there are 13 directors: Beltrami, Cass, Hubbard, Pennington, and Roseau Counties have 2 directors each; the other member counties have 1 director each.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwestern Minnesota Juvenile Center (Continued)

In the event of dissolution of the Center, the unexpended balance of monies and assets held by the Center will be divided among the member counties in the same proportion as their respective financial responsibilities.

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Cass County made $374,605 in payments to the Northwestern Minnesota Juvenile Center in 2015. Beltrami County, in an agent capacity, reports the cash transactions of the Center as an agency fund on its financial statements. Complete financial information can be obtained from:

Beltrami County Auditor’s Office
Beltrami County Courthouse
P. O. Box 247
Bemidji, Minnesota 56619

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by a 13-member Board, composed of a member appointed by each of the participating counties’ Boards of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Minnesota Counties Information Systems (MCIS) (Continued)

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved.

Separate financial information can be obtained from:

Minnesota Counties Information Systems
413 Southeast 7th Avenue
Grand Rapids, Minnesota 55744

Mississippi Headwaters Board

The Mississippi Headwaters Board was established on February 22, 1980, by Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties, pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Board is to prepare, adopt, and implement a comprehensive land use plan designed to protect and enhance the Mississippi River and related shore land areas within the counties.

The Mississippi Headwaters Board consists of eight members, one appointed from each participating county. Funding is obtained through federal, state, local, and private sources. Crow Wing County maintains the accounting records of the Board. Cass County provided $1,500 to this organization during 2015.

Complete financial information can be obtained from:

Mississippi Headwaters Board
Land Services Building
322 Laurel Street
Brainerd, Minnesota 56401

Email: mhb@mississippiheadwaters.org

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Northeast Minnesota Regional Radio Board

The Northeast Minnesota Regional Radio Board was established through a joint powers agreement, pursuant to Minn. Stat. §§ 471.59 and 403.39, to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) and to enhance and improve interoperable public safety communications.

The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis and the Cities of Duluth, Hibbing, International Falls, and Virginia. Control of the Northeast Minnesota Regional Radio Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties and one City Councilor from each of the member cities. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the Board.

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. Cass County contributed no funding in 2015.

Separate financial information can be obtained from:

Itasca County
123 N.E. 4th Street
Grand Rapids, Minnesota 55744-2847

Northwest Minnesota Household Hazardous Waste Management Group

Beltrami, Cass, Clearwater, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Red Lake, and Roseau Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of cooperatively managing, handling, and transporting household hazardous waste; providing public education on safe waste management; and providing for the disposition of non-recyclable household hazardous waste.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

The governing body of the Waste Management Group is composed of one County Commissioner from each of the member counties. Responsibility for budgeted expenditures is shared, with 50 percent divided on a population-ratio basis. In the event of dissolution of the Waste Management Group, the net position shall be divided among the member counties in the same proportion as their respective financial responsibilities.

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Cass County paid an assessment of $16,023 to the Waste Management Group in 2015. Clearwater County, in an agent capacity, reports the cash transactions of the Waste Management Group as an agency fund on its financial statements.

Separate financial information can be obtained from:

Waste Management Group
P. O. Box 186
Bagley, Minnesota 56621

Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region was established in 2001, under Minn. Stat. § 471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. The Region established a Board comprising one Commissioner from each member county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Medical Services Region (Continued)

Complete financial information can be obtained from:

Marion Larson, Regional EMS Coordinator
Central Minnesota Emergency Medical Services Region
Stearns County Administration Center
705 Courthouse Square
St. Cloud, Minnesota 56303-4701

Cass Lake Rural Fire Association

Cass County, in conjunction with Unorganized Township Five; the Leech Lake Band of Ojibwe; the City of Cass Lake; and the Towns of Brook Lake, Farden, Ottertail, Peninsula, Pike Bay, Ten Lakes, and Wilkinson, entered into a joint powers agreement November 22, 2004, pursuant to Minn. Stat. § 471.59, for the purpose of providing fire protection services to the residents of the districts. The agreement provides for the joint ownership, operation, and control of firefighting equipment used in providing protective services.

In the event of the withdrawal by any member, its investment shall be forfeited, except by a three-quarters vote of the entire Joint Powers Board. Any such investment may not be withdrawn until the end of the calendar year of withdrawal. Cass County paid the Cass Lake Volunteer Rural Fire Association $5,434 in 2015.

Region Five Development Commission

The Region Five Development Commission was established in 1973 pursuant to the Minnesota Regional Development Act of 1969, Minn. Stat. §§ 462.381 to 462.398. The Commission includes Cass, Crow Wing, Morrison, Todd, and Wadena Counties. The Region Five Development Commission is made up of 23 Commission members including elected officials from townships, cities, counties, school boards, tribal, and other public interest groups. Cass County is represented by one Commissioner. Control of the Commission is vested in a Board of Directors pursuant to Minn. Stat. § 462.388, subd. 5. The Commission has independent levy authority within each member County as a regional development commission, and has full authority to enter into contracts, hire, and disburse funds.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Region Five Development Commission (Continued)

The Commission, along with its affiliate organization, the North Central Economic Development Association, serves the region through providing a variety of technical assistance, business financing, community and economic development, and administrative services to local units of government based upon the individual needs of their region.

Cass County levied $84,595 for Region Five as a special taxing district and remitted $85,295 in current and delinquent taxes for the year ended December 31, 2015.

Separate financial information can be obtained from:

Region Five Development Commission
200 1st Street N.E., Suite 2
Staples, Minnesota 56379
www.regionfive.org

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed on January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board, consisting of one County Commissioner and one lay person. Cass County appropriated $342,336 to the Library for the year ended December 31, 2015.

Separate financial information can be obtained from:

Kitchigami Regional Library
P. O. Box 84
Pine River, Minnesota 56474
www.krls.org

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

E. Jointly-Governed Organizations

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

Cass County/Leech Lake Reservation Children's Initiative Collaborative

The Cass County/Leech Lake Reservation Children's Initiative Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. Cass County has no operational or financial control over the Collaborative.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created Minnesota Counties Computer Cooperative MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Cass County expended $43,760 to the MCCC.

Region Two - Northeast Minnesota Homeland Security Emergency Management Organization

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

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, the County's discretely presented component units have the following significant accounting policies.

Reporting Entities

The Cass County Housing and Redevelopment Authority (HRA) is governed by a five-member Board of Directors who are appointed by the County Board.

The Pine River Area Sanitary District (District) is governed by a five-member Board of Commissioners appointed by the County Board.

Measurement Focus and Basis of Accounting

The HRA's and the District's financial statements are presented under the accrual basis of accounting. Enterprise funds are used to account for component unit activities. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Change in Accounting Principles

During the year ending December 31, 2015, the Pine River Area Sanitary District adopted new accounting guidance by implementing the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB Statement No. 68*. The implementation of GASB 68 allows the District to report its proportionate share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees, less the pension plan's fiduciary net position on the financial statements. GASB 71 amends paragraph 137 of GASB 68 by allowing recognition of a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning net pension liability.

7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

Change in Accounting Principles (Continued)

The beginning net pension liability of the District has been decreased to reflect this change in accounting principles. Beginning net position for the District has been restated from $1,062,080 to $927,412 (a decrease of $134,668).

The change in accounting principle does not affect the HRA, since the HRA has no employees.

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits

Cash balances of the HRA are combined (pooled) and deposited in depositories authorized by Minnesota statutes. The HRA's cash balances are classified as either cash or restricted cash. Restricted cash represents cash maintained in accordance with loan agreements, grant awards, and other resolutions and formal actions of the HRA or by agreement for the purpose of funding certain debt service payments, depreciation, contingency activities, and improvements. Other amounts are restricted for tenant security deposits. Interest earned on cash balances is allocated to cash and restricted cash balances.

The District's cash balances are combined (pooled) and deposited in depositories authorized by Minnesota statutes. The District's cash balances are classified as either cash or restricted cash. Restricted cash represents funds set aside to be used in the future for plant and equipment replacements and for the accumulation of capital recovery charges to be used to make principal and interest payments on outstanding long-term debt. Interest earned on cash balances is allocated to cash and restricted cash balances.

7. Component Unit Disclosures

   B. Detailed Notes

      1. Assets

         a. Deposits and Investments

            (1) Deposits (Continued)

The HRA and the District component unit's total cash and investments are reported as follows:

	Housing and Redevelopment Authority	Pine River Area Sanitary District
Government-wide statement of net position		
Cash and pooled investments	$ 49,444	$ 35,383
Restricted assets		
Cash and pooled investments	14,307	379,424
Total Cash and Investments	$ 63,751	$ 414,807

The HRA and the District are authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The HRA and the District are 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.

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the deposits of the HRA or the District may not be returned. Both the HRA and the District have deposit policies for custodial credit risk. As of December 31, 2015, the HRA and the District were not exposed to any custodial credit risk.

(2) Investments

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

- 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. § 118.A.04, subd. 6;

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(2) Investments (Continued)

- mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

- 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;

- bankers' acceptances of United States banks;

- 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

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

As of and during the year ended December 31, 2015, neither the HRA nor the District owned any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

7. Component Unit Disclosures

B. Detailed Notes

1. Assets (Continued)

b. Receivables

Receivables as of December 31, 2015, for each discretely presented component unit, including any applicable allowances for uncollectible accounts, are as follows:

	Housing and Redevelopment Authority	Pine River Area Sanitary District	Total Receivables	Amounts Not Scheduled for Collection During the Year
Special assessments	$ -	$ 10,547	$ 10,547	$ -
Accounts	7,561	18,996	26,557	-
Accrued interest	3	-	3	-
Note	119,065	-	119,065	119,065
Total Component Units	$ 126,629	$ 29,543	$ 156,172	$ 119,065

c. Capital Assets

Component unit capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
HRA	$ 25,753	$ -	$ -	$ 25,753
Pine River Area Sanitary District	10,000	-	-	10,000
Total capital assets not depreciated	$ 35,753	$ -	$ -	$ 35,753
Capital assets depreciated				
Buildings and improvements				
HRA	$ 821,607	$ 8,414	$ -	$ 830,021
Pine River Area Sanitary District	2,261,313	-	-	2,261,313
Total buildings and improvements	$ 3,082,920	$ 8,414	$ -	$ 3,091,334
Water treatment facilities				
Pine River Area Sanitary District	$ 4,420,289	$ 26,369	$ -	$ 4,446,658

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

c. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated (Continued)				
Machinery, furniture, and equipment				
HRA	$ 113,842	$ -	$ -	$ 113,842
Pine River Area Sanitary District	120,456	727	-	121,183
Total machinery, furniture, and equipment	$ 234,298	$ 727	$ -	$ 235,025
Total capital assets depreciated	$ 7,737,507	$ 35,510	$ -	$ 7,773,017
Less: accumulated depreciation for				
Buildings and improvements				
HRA	$ 539,091	$ 27,800	$ -	$ 566,891
Pine River Area Sanitary District	2,484,910	38,876	-	2,523,786
Total buildings and improvements	$ 3,024,001	$ 66,676	$ -	$ 3,090,677
Water treatment facilities				
Pine River Area Sanitary District	$ 2,685,196	$ 141,517	$ -	$ 2,826,713
Machinery, furniture, and equipment				
HRA	$ 108,948	$ 2,730	$ -	$ 111,678
Pine River Area Sanitary District	100,896	4,640	-	105,536
Total machinery, furniture, and equipment	$ 209,844	$ 7,370	$ -	$ 217,214
Total accumulated depreciation	$ 5,919,041	$ 215,563	$ -	$ 6,134,604
Total capital assets depreciated, net	$ 1,818,466	$ (180,053)	$ -	$ 1,638,413
Total Capital Assets, Net	$ 1,854,219	$ (180,053)	$ -	$ 1,674,166

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

HRA	$ 30,530
Pine River Area Sanitary District	185,033
Total Depreciation Expense	$ 215,563

7. Component Unit Disclosures

B. Detailed Notes (Continued)

2. Liabilities

The HRA entered into a loan agreement with the Minnesota Housing Finance Agency in connection with the publicly-owned transitional housing program. The loans are non-interest bearing and are due upon sale of the development property and other conditions of the program. Upon maturity, the loans are canceled, and loan repayments may be used for the revolving loan.

The HRA also entered into an $8,000 loan agreement with the City of Backus to provide operating capital which has an interest rate of 2.5 percent. Principal and interest payments will be made annually over the four-year term of the loan.

Loan Date	Final Maturity Date	Balance December 31, 2015
February 20, 1992	December 31, 2026	$ 34,205
July 15, 2015	July 15, 2019	8,000
Total		$ 42,205
Less: current portion		(1,916)
Long-Term Portion		$ 40,289

Debt Service Requirements

The debt service requirements to maturity for the loan payable are as follows:

Year Ending December 31	Amount
2016	$ 1,916
2017	1,970
2018	2,019
2019	2,095
Thereafter	34,205
Total	$ 42,205

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Long-Term Debt

On April 18, 1997, the District entered into a project loan and general obligation revenue bond purchase agreement with the Minnesota Public Facilities Authority (PFA) and Cass County for improvements and upgrading of the District's wastewater system.

Under the agreement, the PFA loaned $1,366,160 from the Water Pollution Control Revolving Fund and provided supplemental assistance by lending $1,883,810 from the Wastewater Infrastructure Fund to the borrower and the applicant.

Long-term debt outstanding at December 31, 2015, for the Pine River Area Sanitary District consists of the following:

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Remaining Commitment
1997A PFA G.O. Sewer Revenue Note	2019	$ 79,440	1.13	$ 1,366,160	$ 285,197
1997B PFA G.O. Sewer Revenue Note	2020	94,191	-	1,883,810	423,857
Total					$ 709,054

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Debt Service Requirements

Public Facilities Authority Revenue Note debt service requirements to maturity for the District are as follows:

Year Ending December 31	PFA G.O. Sewer Revenue Note
2016	$ 177,527
2017	177,527
2018	177,527
2019	135,859
2020	47,096
Total	$ 715,536
Less: interest	(6,482)
Total	$ 709,054

The repayment of the 1997B PFA G.O. Sewer Revenue Note shall be forgiven, as the payments become due, upon: (1) a determination by the PFA that Cass County and the Pine River Area Sanitary District are in full compliance with the Minnesota Pollution Control Agency's project performance requirements in Minnesota Rules, part 7077.0288, as amended or supplemented; and (2) the District certifies each year that a wastewater replacement fund is being maintained and funded equal to $0.10 per 1,000 gallons of wastewater flow each year. The Minnesota Pollution Control Agency's Commissioner has provided written notification to the PFA of the District's satisfactory performance pursuant to Minnesota Rules, part 7077.0290.

Further, under the agreement, Cass County and the District are required to evidence the loan and supplemental assistance under general obligation debt. As the debt payments are forgiven as they become due, they will be recorded as capital contributions in the financial statements.

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the District's long-term debt transactions for the year ended December 31, 2015.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Pine River Area Sanitary District PFA G.O. Sewer Revenue Notes Payable	$ 882,685	$ -	$ 173,631	$ 709,054	$ 174,530

3. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

The Pine River Area Sanitary District participated in the General Employees Retirement Fund defined benefit pension plan administered by PERA. See Note 3.A. for information on the plan description and benefits provided.

2. Contributions

The District's contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were $14,115. The contributions are equal to the contractually required contributions set by state statute.

7. Component Unit Disclosures

B. Detailed Notes

3. Pension Plans

A. Defined Benefit Pension Plans (Continued)

3. Pension Costs

At December 31, 2015, the District reported a liability of $160,658 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was 0.0031 percent. It was 0.0030 percent measured as of June 30, 2014. The District recognized pension expense of $8,341 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 8,100
Difference between projected and actual investment earnings	15,209	-
Changes in proportion	-	(3,524)
Contributions paid to PERA subsequent to the measurement date	7,016	-
Total	$ 22,225	$ 4,576

7. Component Unit Disclosures

B. Detailed Notes

3. Pension Plans

A. Defined Benefit Pension Plans

3. Pension Costs (Continued)

The $7,016 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	$ 2,277
2017	2,277
2018	2,277
2019	3,802

4. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.9 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	$ 252,612	$ 160,658	$ 84,719

7. Component Unit Disclosures

   B. Detailed Notes (Continued)

      4. Net Position

Net position represents the difference between assets and liabilities in the entity-wide financial statements. Net position is divided into three components: net investment in capital assets, restricted for capital projects and housing choice vouchers, and unrestricted.

- Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and reduced by outstanding debt attributable to the acquisition, construction, and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from this determination.

- Restricted for capital projects and restricted for housing choice vouchers consists of assets that are restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.

- All remaining net position is reported as unrestricted.

As of December 31, 2015, unrestricted net position in the District's Statement of Net Position includes $328,021 which was internally restricted by Board action. The Board believes these amounts are fairly presented as restricted assets as a result of their consistent formal action to restrict these funds to expenditures for capital activities. Adherence to this long-standing practice has established precedence and obligation. Had these amounts been excluded from unrestricted net position, unrestricted net position would have been presented as a deficit of $92,959. Funds restricted for capital activity include the bond fund, which is funded by contributions from operations during the year.

7. Component Unit Disclosures

B. Detailed Notes (Continued)

5. Risk Management

The HRA is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property and casualty and workers' compensation liabilities are insured. The HRA retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial.

The District has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The agreement for the formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District has determined that it is not possible to estimate the amount of such additional assessments; however, it is not expected to be material to the financial statements taken as a whole.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 10,595,022	$ 10,595,022	$ 10,616,457	$ 21,435
Special assessments	1,650,000	1,650,000	1,789,738	139,738
Licenses and permits	120,950	120,950	121,615	665
Intergovernmental	3,865,668	3,865,668	4,064,450	198,782
Charges for services	2,141,850	2,141,850	2,967,080	825,230
Fines and forfeits	8,000	8,000	4,892	(3,108)
Gifts and contributions	1,000	1,000	10,090	9,090
Investment earnings	900,000	900,000	1,165,229	265,229
Miscellaneous	680,825	220,825	286,180	65,355
Total Revenues	**$ 19,963,315**	**$ 19,503,315**	**$ 21,025,731**	**$ 1,522,416**
Expenditures				
Current				
General government				
Commissioners	$ 851,242	$ 817,008	$ 660,579	$ 156,429
Courts	101,900	193,923	169,695	24,228
Law library	30,000	30,000	29,156	844
County administration	237,383	259,469	256,965	2,504
County auditor	1,248,012	1,409,812	1,394,547	15,265
County assessor	834,468	896,443	882,888	13,555
Attorney	1,061,021	1,121,647	1,115,431	6,216
Recorder	484,785	603,343	598,109	5,234
Planning and zoning	339,694	440,237	474,488	(34,251)
Buildings and plant	793,422	1,003,632	952,710	50,922
MIS	568,563	601,380	590,422	10,958
HHVS cost plan and reimbursement	5,500	5,500	5,100	400
Total general government	**$ 6,555,990**	**$ 7,382,394**	**$ 7,130,090**	**$ 252,304**
Public safety				
Sheriff	$ 5,422,661	$ 5,807,540	$ 5,727,868	$ 79,672
Boat and water safety	396,003	405,180	393,641	11,539
Emergency services	191,089	314,456	300,494	13,962
Coroner	100,000	100,000	78,782	21,218
Law enforcement center	2,298,727	2,987,183	2,952,807	34,376
Sentence to serve	74,985	77,146	74,117	3,029
Probation and parole	767,717	801,887	798,199	3,688
Longville ambulance subordinate service district	461,000	461,000	421,951	39,049
Total public safety	**$ 9,712,182**	**$ 10,954,392**	**$ 10,747,859**	**$ 206,533**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-1
(Continued)

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	**$ 2,135,070**	**$ 2,337,350**	**$ 2,198,810**	**$ 138,540**
Culture and recreation				
Parks	**$ -**	**$ 15,000**	**$ 15,000**	**$ -**
Conservation of natural resources				
Cooperative extension	$ 72,930	$ 72,930	$ 68,005	$ 4,925
Mississippi Headwaters Board	-	18,500	18,500	-
Soil and water conservation	7,250	7,250	6,915	335
County ditch project #9	-	1,000	743	257
Environmental services	308,082	186,728	151,314	35,414
Total conservation of natural resources	**$ 388,262**	**$ 286,408**	**$ 245,477**	**$ 40,931**
Economic development				
Administration	**$ 853,208**	**$ 42,500**	**$ 42,500**	**$ -**
Total Expenditures	**$ 19,644,712**	**$ 21,018,044**	**$ 20,379,736**	**$ 638,308**
Excess of Revenues Over (Under) Expenditures	**$ 318,603**	**$ (1,514,729)**	**$ 645,995**	**$ 2,160,724**
Other Financing Sources (Uses)				
Transfers in	335,000	335,000	376,969	41,969
Net Change in Fund Balance	**$ 653,603**	**$ (1,179,729)**	**$ 1,022,964**	**$ 2,202,693**
Fund Balance - January 1	**23,540,097**	**23,540,097**	**23,540,097**	**-**
Fund Balance - December 31	**$ 24,193,700**	**$ 22,360,368**	**$ 24,563,061**	**$ 2,202,693**

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

EXHIBIT A-2

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 4,082,601	$ 4,082,601	$ 4,071,449	$ (11,152)
Intergovernmental	6,796,638	6,796,638	7,114,577	317,939
Charges for services	520,000	520,000	479,295	(40,705)
Miscellaneous	22,000	22,000	82,892	60,892
Total Revenues	**$ 11,421,239**	**$ 11,421,239**	**$ 11,748,213**	**$ 326,974**
Expenditures				
Current				
Highways and streets				
Administration	$ 767,784	$ 767,784	$ 775,882	$ (8,098)
Maintenance	3,637,032	4,525,532	4,735,053	(209,521)
Construction	5,255,000	8,705,000	8,438,864	266,136
Equipment maintenance and shop	1,687,232	1,687,232	1,611,821	75,411
Other	74,191	74,191	66,691	7,500
Total Expenditures	**$ 11,421,239**	**$ 15,759,739**	**$ 15,628,311**	**$ 131,428**
Net Change in Fund Balance	**$ -**	**$ (4,338,500)**	**$ (3,880,098)**	**$ 195,546**
Fund Balance - January 1	**4,971,663**	**4,971,663**	**4,971,663**	**-**
Increase (decrease) in inventories	**-**	**-**	**23,953**	**23,953**
Fund Balance - December 31	**$ 4,971,663**	**$ 633,163**	**$ 1,115,518**	**$ 219,499**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-3

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 5,570,010	$ 5,570,010	$ 5,562,479	$ (7,531)
Licenses and permits	7,000	7,000	6,265	(735)
Intergovernmental	6,395,638	6,395,638	7,012,676	617,038
Charges for services	856,067	856,067	857,402	1,335
Gifts and contributions	2,000	2,000	1,210	(790)
Miscellaneous	233,900	233,900	165,553	(68,347)
Total Revenues	**$ 13,064,615**	**$ 13,064,615**	**$ 13,605,585**	**$ 540,970**
Expenditures				
Current				
General government				
Veterans service officer	**$ 227,200**	**$ 227,200**	**$ 199,161**	**$ 28,039**
Human services				
Income maintenance	$ 3,792,500	$ 3,792,500	$ 3,714,020	$ 78,480
Social services	6,991,300	6,991,300	7,232,162	(240,862)
Children's initiative	225,000	225,000	138,420	86,580
Total human services	**$ 11,008,800**	**$ 11,008,800**	**$ 11,084,602**	**$ (75,802)**
Health				
Public health	**$ 1,828,615**	**$ 1,828,615**	**$ 1,639,558**	**$ 189,057**
Total Expenditures	**$ 13,064,615**	**$ 13,064,615**	**$ 12,923,321**	**$ 141,294**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 682,264**	**$ 682,264**
Fund Balance - January 1	**13,607,585**	**13,607,585**	**13,607,585**	**-**
Fund Balance - December 31	**$ 13,607,585**	**$ 13,607,585**	**$ 14,289,849**	**$ 682,264**

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Intergovernmental	$ 1,263,300	$ 1,263,300	$ 1,912,468	$ 649,168
Miscellaneous	1,722,000	1,722,000	1,604,374	(117,626)
Total Revenues	**$ 2,985,300**	**$ 2,985,300**	**$ 3,516,842**	**$ 531,542**
Expenditures				
Current				
Conservation of natural resources				
Reforestation	$ 940,000	$ 940,000	$ 1,104,128	$ (164,128)
In-lieu	160,000	160,000	114,562	45,438
Roads	40,000	40,000	-	40,000
Trails	191,500	191,500	276,958	(85,458)
Land commissioner	1,673,800	1,673,800	753,615	920,185
Total Expenditures	**$ 3,005,300**	**$ 3,005,300**	**$ 2,249,263**	**$ 756,037**
Excess of Revenues Over (Under) Expenditures	**$ (20,000)**	**$ (20,000)**	**$ 1,267,579**	**$ 1,287,579**
Other Financing Sources (Uses)				
Transfers in	$ 20,000	$ 20,000	$ -	$ (20,000)
Transfers out	-	-	(377,806)	(377,806)
Total Other Financing Sources (Uses)	**$ 20,000**	**$ 20,000**	**$ (377,806)**	**$ (397,806)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 889,773**	**$ 889,773**
Fund Balance - January 1	**5,278,209**	**5,278,209**	**5,278,209**	**-**
Fund Balance - December 31	**$ 5,278,209**	**$ 5,278,209**	**$ 6,167,982**	**$ 889,773**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-5

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

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, 2011	$ -	$ 32,800,116	$ 32,800,116	0.0%	$ 11,636,994	281.86%
January 1, 2013	-	32,268,806	32,268,806	0.0	13,418,510	240.50
January 1, 2015	-	39,213,618	39,213,618	0.0	15,089,065	259.90

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-6

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.2037%	$ 10,121,165	$ 11,477,053	88.19%	78.19%

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-7

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 934,084	$ 934,084	$ -	$ 12,454,453	7.50%

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-8

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.302%	$ 3,431,427	$ 2,764,399	124.13%	86.61%

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-9

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 476,556	$ 476,556	$ -	$ 2,941,704	16.20%

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.41%	$ 63,386	$ 737,600	8.59%	96.95%

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-11

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2015	$ 57,424	$ 57,424	$ -	$ 656,274	8.75%

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

This page was left blank intentionally.

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

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Environmental Trust Permanent Fund. The Capital Projects Fund adopts project-length budgets. All annual appropriations lapse at fiscal year-end.

Cass County utilizes a Budget Committee comprised of one appointed citizen from each Commissioner district and two County Commissioners to review departmental requests and make recommendations to the County Board on budgetary and financial matters. Budget Committee staff includes the County Administrator, Chief Financial Officer, Assessor, Auditor/Treasurer, and Chief Deputy Treasurer.

By July of each year, all departments submit requests for appropriations to the County Auditor/Treasurer. The Budget Committee reviews and amends the departmental requests in order to develop a proposed budget and preliminary property tax levy. Before September 30, the proposed budget, along with a preliminary tax levy, is presented to the County Board for review. The County Board must approve a preliminary tax levy on or before September 30. A final tax levy and budget is adopted by the Board and certified to the Auditor/Treasurer on or before five business days after December 20.

The appropriated budget is prepared by fund, function, and 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, except for the General Fund, which is at the department level. In the General Fund, Planning and Zoning, Solid Waste, and Environmental Services make up the Environmental Services Department, but are split amongst different functions.

This page was left blank intentionally.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

NONMAJOR GOVERNMENTAL FUND

The Unorganized Town Special Revenue Fund is used to account for all funds to be used for construction and maintenance of highways and roads and to account for fire protection and emergency services provided to residents of unorganized townships.

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT B-1

BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND
DECEMBER 31, 2015

	Unorganized Town Special Revenue
Assets	
Cash and pooled investments	$ 799,954
Undistributed cash in agency funds	1,845
Taxes receivable	
Prior	3,652
Due from other funds	837
Total Assets	**$ 806,288**
Liabilities, Deferred Inflows of Resources, and Fund Balances	
Liabilities	
Due to other funds	**$ 10,256**
Deferred Inflows of Resources	
Unavailable revenue - taxes	**$ 2,452**
Fund Balances	
Committed to	
Road and bridge projects	$ 350,000
Assigned to	
Unorganized towns	443,580
Total Fund Balances	**$ 793,580**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 806,288**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT B-2

BUDGETARY COMPARISON SCHEDULE
UNORGANIZED TOWN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 245,000	$ 245,000	$ 249,922	$ 4,922
Intergovernmental	55,000	55,000	99,533	44,533
Total Revenues	**$ 300,000**	**$ 300,000**	**$ 349,455**	**$ 49,455**
Expenditures				
Current				
Public safety				
Other public safety	$ 35,000	$ 35,000	$ 31,885	$ 3,115
Highways and streets				
Maintenance	265,000	265,000	134,968	130,032
Total Expenditures	**$ 300,000**	**$ 300,000**	**$ 166,853**	**$ 133,147**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 182,602**	**$ 182,602**
Other Financing Sources (Uses)				
Transfers in	-	-	837	837
Net Change in Fund Balance	**$ -**	**$ -**	**$ 183,439**	**$ 183,439**
Fund Balance - January 1	**610,141**	**610,141**	**610,141**	**-**
Fund Balance - December 31	**$ 610,141**	**$ 610,141**	**$ 793,580**	**$ 183,439**

FIDUCIARY FUNDS

This page was left blank intentionally.

AGENCY FUNDS

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.

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT C-1

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

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 610,923**	**$ 55,105,983**	**$ 55,163,071**	**$ 553,835**
Liabilities				
Due to other governments	$ 512,608	$ 54,958,426	$ 54,993,445	$ 477,589
Prepaid taxes	98,315	147,557	169,626	76,246
Total Liabilities	**$ 610,923**	**$ 55,105,983**	**$ 55,163,071**	**$ 553,835**
STATE OF MINNESOTA				
Assets				
Cash and pooled investments	$ **172,865**	**$ 11,172,011**	**$ 11,160,909**	**$ 183,967**
Liabilities				
Due to other governments	**$ 172,865**	**$ 11,172,011**	**$ 11,160,909**	**$ 183,967**
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	**$ 275**	**$ 171,465**	**$ 171,740**	**$ -**
Liabilities				
Due to other governments	**$ 275**	**$ 171,465**	**$ 171,740**	**$ -**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT C-1
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
TOWNS AND CITIES				
Assets				
Cash and pooled investments	**$ 9,926**	**$ 709,255**	**$ 711,827**	**$ 7,354**
Liabilities				
Due to other governments	**$ 9,926**	**$ 709,255**	**$ 711,827**	**$ 7,354**
MINNESOTA COUNTIES INFORMATION SYSTEMS				
Assets				
Cash and pooled investments	$ 1,005,401	$ 1,904,922	$ 1,729,923	$ 1,180,400
Petty cash and change funds	400	-	-	400
Total Assets	**$ 1,005,801**	**$ 1,904,922**	**$ 1,729,923**	**$ 1,180,800**
Liabilities				
Salaries payable	$ 65,397	$ 15,573	$ -	$ 80,970
Due to other governments	940,404	1,889,349	1,729,923	1,099,830
Total Liabilities	**$ 1,005,801**	**$ 1,904,922**	**$ 1,729,923**	**$ 1,180,800**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT C-1
(Continued)

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

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,799,390	$ 69,063,636	$ 68,937,470	$ 1,925,556
Petty cash and change funds	400	-	-	400
Total Assets	**$ 1,799,790**	**$ 69,063,636**	**$ 68,937,470**	**$ 1,925,956**
Liabilities				
Salaries payable	$ 65,397	$ 15,573	$ -	$ 80,970
Due to other governments	1,636,078	68,900,506	68,767,844	1,768,740
Prepaid taxes	98,315	147,557	169,626	76,246
Total Liabilities	**$ 1,799,790**	**$ 69,063,636**	**$ 68,937,470**	**$ 1,925,956**

This page was left blank intentionally.

OTHER SCHEDULES

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT D-1

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

Shared Revenue		
State		
Highway users tax	$	6,619,504
County program aid		814,742
PERA rate reimbursement		52,234
Disparity reduction aid		7,493
Police aid		322,819
E-911		105,117
Market value credit		152,366
Aquatic invasive species		501,919
Casino aid/tribal tax agreement		117,558
Total shared revenue	**$**	**8,693,752**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**932,444**
Payments		
Local		
Local contribution	$	108,554
Payments in lieu of taxes		1,279,443
Total payments	**$**	**1,387,997**
Grants		
State		
Minnesota Department of/Agency		
Corrections	$	191,271
Crime Victims Services		45,774
Public Safety		2,115
Health		323,980
Natural Resources		492,579
Pollution Control		26,808
Human Services		2,137,278
Revenue		800
Office of Environmental Assistance		85,346
Lessard-Sams Outdoor Heritage Council		1,467,000
Total state	**$**	**4,772,951**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT D-1
(Continued)

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

Grants (Continued)	
Federal	
Department of	
Agriculture	$ 503,368
Interior	489,056
Justice	12,927
Transportation	347,986
Education	2,492
Health and Human Services	3,009,647
Homeland Security	51,084
Total federal	**$ 4,416,560**
Total state and federal grants	**$ 9,189,511**
Total Intergovernmental Revenue	**$ 20,203,704**

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Direct			
Cooperative Forestry Assistance	10.664		$ 9,406
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	165,828
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	328,134
Passed Through Minnesota Department of Management & Budget			
Schools and Roads - Grants to States	10.665	PL 114-10	116,082
Total U.S. Department of Agriculture			**$ 619,450**
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes	15.226		**$ 489,056**
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		$ 1,928
Crime Victim Assistance	16.575		10,999
Total U.S. Department of Justice			**$ 12,927**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	00011	$ 172,652
(Total Highway Planning and Construction Cluster $201,145)			
Passed Through Minnesota Department of Natural Resources			
Highway Planning and Construction Cluster			
Recreational Trails Program	20.219	0027-14-1A	28,493
(Total Highway Planning and Construction Cluster $201,145)			
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC15-2015-CASSSD-0847	4,865
(Total Highway Safety Cluster $15,679)			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC15-2015-CASSSD-1076	25,739
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 $131,162)			
Highway Safety Cluster			
National Priority Safety Programs	20.616	F-ENFRC15-2015-CASSSD-1076	10,814
(Total Highway Safety Cluster $15,679)			

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Transportation (Continued)			
Passed Through Minnesota Trial Courts			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	83499	**$ 105,423**
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 $131,162)			
Total U.S. Department of Transportation			**$ 347,986**
U.S. Department of Education			
Passed Through Minnesota Department of Health			
Special Education - Grants for Infants and Families	84.181	0322C/6212	**$ 2,492**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	U90TP000529	$ 25,220
Universal Newborn Hearing Screening	93.251	H61MC00035	800
Immunization Cooperative Agreements	93.268	H23IP000737	600
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	6NUR3DD000842-05-01	75
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	D89MC23539	92,688
Temporary Assistance for Needy Families	93.558	1601MFTANF	73,445
(Total Temporary Assistance for Needy Families 93.558 $487,656)			
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	38,446
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	7,834
Temporary Assistance for Needy Families	93.558	1601MNTANF	414,211
(Total Temporary Assistance for Needy Families 93.558 $487,656)			
Child Support Enforcement	93.563	1604MNCSES	699,255
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCMA	438
Child Care and Development Block Grant	93.575	G1601MNCCDF	11,721
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	4,937
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	3,307
Foster Care - Title IV-E	93.658	1601MNFOST	314,664
Social Services Block Grant	93.667	16-01MNSOSR	236,028
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	859
Children's Health Insurance Program	93.767	1605MN5021	73
Medical Assistance Program	93.778	05-1605MN5ADM	1,084,326
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-15	720
Total U.S. Department of Health and Human Services			**$ 3,009,647**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	FBG-100215	$ 16,712
Passed Through Minnesota Department of Public Safety			
Hazard Mitigation Grant	97.039	DR-1941.5	9,583
Emergency Management Performance Grants	97.042	2014-EMPG-00797	24,789
Total U.S. Department of Homeland Security			**$ 51,084**
Total Federal Awards			**$ 4,532,642**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

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

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Cass County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule does not include $432,882 in federal awards expended by the Cass County Housing and Redevelopment Authority component unit, which had a separate audit performed by an other auditor.

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cass County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Cass County, it is not intended to and does not present the financial position or changes in net position of Cass 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Cass County has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	4,416,560
Unavailable revenue in 2015		
Schools and Roads - Grants to States		116,082
Expenditures Per Schedule of Expenditures of Federal Awards	$	4,532,642

This page was left blank intentionally.

Management and Compliance Section

This page was left blank intentionally.

CASS COUNTY
WALKER, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **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 federal programs: **Unmodified**

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

The major federal programs are:

Schools and Roads - Grants to States	CFDA No. 10.665
Payments in Lieu of Taxes	CFDA No. 15.226
Social Services Block Grant	CFDA No. 93.667
Medical Assistance Program	CFDA No. 93.778

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

Cass 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 1996-007

Department Internal Accounting Controls

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

Condition: Due to the limited number of office personnel within various County departments, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible.

Context: Because of the small size of some departments of Cass County, the internal control that management can design and implement into these departments is limited.

Effect: Without proper segregation of duties, an opportunity is created for errors or fraudulent activities to occur and remain undetected.

Cause: This condition is not unusual in small departmental situations where staffing limitations can result in improper segregation of duties. Management has identified departments where inadequate segregation of duties issues exist. Management has determined that given departmental size, staffing considerations, and resource limitations, the desirable level of segregation of duties necessary to achieve an adequate level of internal control is not feasible.

Recommendation: Management is aware that segregation of duties is not adequate from an internal control point of view. We recommend the County Board of Commissioners be mindful that limited staffing causes inherent risks in safeguarding the County's assets and the proper reporting of its financial activity. We recommend the Board of Commissioners continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

The County will continue to emphasize the need for Department Heads to closely supervise accounting functions where proper segregation of duties cannot be achieved. The County will also continue to monitor effective controls that currently exist, as well as work toward a goal of establishing key controls and compensating controls for accounting functions that can minimize risk of loss to an acceptable level.

Finding 2011-001

Audit Adjustments

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

Condition: During our audit, we identified a material adjustment that resulted in significant changes to the County's financial statements. The adjustment was reviewed and approved by appropriate County staff and is reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the County's internal control.

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

Effect: In the Forfeited Tax Sale Special Revenue Fund, due from other governments was increased by $940,500, with related intergovernmental revenue being increased by $880,000, along with an increase in unavailable revenue - grants by $60,500 to account for the state Lessard-Sams Outdoor Heritage Council (LSOHC) grant.

Cause: As a result of the timing of a change in management in the Chief Financial Officer's (CFO) position and conversion of the County's general ledger from cash basis to modified accrual, this transaction was overlooked during the financial statement closing process.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements.

Client's Response:

As a result of this finding, the County has established additional procedures that address the financial reporting process associated with reimbursement-type awards. Department Heads and accounting staff will work together to ensure that material adjustments are complete before submitting the financial statements to the Auditor.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2014-001

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award #05-1605MN5ADM, 2015

Pass-Through Agency: Minnesota Department of Human Services

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

Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, the following exceptions were detected in our sample of 40 cases tested:

- In three instances, asset verification was not completed. It is unknown if this information would have caused the participants to be ineligible.
- In one instance, a participant indicated they were on Medicare on their application. The participant's Medicare information was not entered into MAXIS during intake. This resulted in $944.10 of the participant's Medicare premiums not being reimbursed.
- In one instance, the County processed a Combined Application Form (DHS-5223) for the participant's recertification of eligibility for health care assistance. The State of Minnesota requires that the Health Care Renewal Form (DHS-3418) be used instead. The Combined Application Form is to be used only for programs that provide cash or food assistance, as it does not include questions specific to health care programs.

The sample size was based on guidance from Chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

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

Context: The State of Minnesota Department of Human Services contracts with the Cass County Health, Human and Veterans Services Department to perform the "intake function" (meeting with social services participants to determine income and categorical eligibility). The state also maintains the MAXIS system used by County intake workers in the determination of participant program eligibility. Based upon the eligibility period determined in MAXIS, the state makes the benefit payments to program participants.

Effect: A participant in the Medical Assistance Program did not receive all benefits for which they were eligible. Missing information increases the risk that participants will receive incorrect benefits.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was entered into MAXIS or that it was verified as required, and supervisory review did not detect the errors. Program personnel were unaware of new state guidelines which lay out which forms are applicable for health care program renewal.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation and required forms to support eligibility determinations are obtained and properly input into MAXIS. These procedures should include providing additional training to program personnel and increased supervisory review for new and less experienced staff.

<u>Corrective Action Plan</u>:

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

Heidi Tumberg, Director of Business Management

<u>Corrective Action Planned</u>:

1. *Review specific audit findings with the assigned case worker. (Completed 2/29/16)*

2. *Review audit findings for CY 2015 Medical Assistance (MA) Program at unit staff meeting. (Completed 3/10/16)*

3. *CAP and handouts to be reviewed at unit meeting.*

4. *Require eligibility workers to complete training refresher courses quarterly beginning October 1, 2015, and ongoing. Topic to be determined by Supervisor. Supervisor will track worker completion of course. (Ongoing)*

5. *Workers will check Elig/HC Person Tests/Assets before approving each client to determine if there is an asset limit and then will check for asset verifications.*

6. *Workers will review and use cheat sheet for asset/income/eligibility panels and to make sure correct forms are used before each approval.*

7. *Workers will use visual aid poster as a reminder to review audit error areas.*

8. *New eligibility worker staff is not authorized to approve eligibility without supervisor or experienced worker case review, until such time as the supervisor determines the new eligibility worker is sufficiently trained. Eligibility review will be done according to DHS Case Review forms by program. (ongoing)*

9. *Ongoing supervisor and/or peer reviews will be completed monthly according to DHS Case Review forms. Review results will be shared with assigned eligibility worker. (Ongoing)*

10. *Supervisors will maintain documentation of case reviews. (Ongoing)*

<u>Anticipated Completion Date</u>:

9/30/2016

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

REBECCA OTTO
STATE AUDITOR

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

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

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

Independent Auditor's Report

Board of County Commissioners
Cass County
Walker, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining funding information of Cass County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 1, 2016. Our report includes a reference to an other auditor who audited the financial statements of the Cass County Housing and Redevelopment Authority and the Pine River Area Sanitary District, the discretely presented component units, as described in our report on Cass 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 the other auditor.

Internal Control Over Financial Reporting

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

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

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 2011-001 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 1996-007 to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because that provision was not applicable to Cass County.

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

Cass County's Response to Findings

Cass County's responses to the internal control 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 Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 1, 2016

This page was left blank intentionally.

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

REBECCA OTTO
STATE AUDITOR

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

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

Independent Auditor's Report

Board of County Commissioners
Cass County
Walker, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Cass County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. Cass County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Cass County's basic financial statements include the operations of the Cass County Housing and Redevelopment Authority component unit, which expended $432,882 in federal awards during the year ended December 31, 2015, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Cass County Housing and Redevelopment Authority because it was audited by an other auditor.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Cass 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cass 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, Cass 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider to be a significant deficiency.

Cass County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Cass 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.

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 the Uniform Guidance. 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 1, 2016