

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**CASS COUNTY**  
**WALKER, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2013

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

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

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**CASS COUNTY  
WALKER, MINNESOTA**

**For the Year Ended December 31, 2013**



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

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**CASS COUNTY  
WALKER, MINNESOTA**

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**CASS COUNTY  
WALKER, MINNESOTA**

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**CASS COUNTY  
WALKER, MINNESOTA**

**ORGANIZATION  
AS OF DECEMBER 31, 2013**

|  |                       | <u>Term Expires</u> |
|--|-----------------------|---------------------|
| Elected                                |                       |                     |
| Commissioners                          |                       |                     |
| District I                             | Neal Gaalswyk         | January 2015        |
| District II                            | Robert Kangas         | January 2017        |
| District III                           | Jeff Peterson         | January 2017        |
| District IV                            | James Dowson          | January 2015        |
| District V                             | Dick Downham          | January 2017        |
| Attorney                               | Christopher Strandlie | January 2015        |
| Recorder                               | Kathryn Norby         | January 2015        |
| Sheriff                                | Tom Burch             | January 2015        |
| 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<br>Services | Reno Wells            | Indefinite          |
| Highway Engineer                       | Dave Enblom           | May 2017            |
| Land Commissioner                      | Joshua Stevenson      | Indefinite          |
| Medical Examiner                       | Dr. Michael B. McGee  | January 2015        |
| Probation Director                     | James Schneider       | Indefinite          |

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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525 PARK STREET  
SAINT PAUL, MN 55103-2139

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1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Cass County

#### **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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cass County Housing and Redevelopment Authority (HRA) or the Pine River Area Sanitary District (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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 23, 2014, 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 OMB Circular A-133**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 23, 2014

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CASS COUNTY  
WALKER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013  
(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, 2013. 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, 2013, by \$174,472,236 (net position). Of this amount, \$39,395,073 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2013, Cass County's governmental funds reported combined ending fund balances of \$61,288,938, a decrease of \$587,270 in comparison with 2012. Of this balance amount, \$8,300,222 was unassigned by Cass County and thus available for spending at the government's discretion.

Cass County had no debt during 2013.

**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 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 Forfeited Tax Sale Special Revenue Fund. A budgetary comparison statement 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, Minnesota Counties Information Systems, and Mississippi Headwaters Board.

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 and federal awards programs.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position serves as a useful indicator of the County’s financial position. Cass County’s assets exceeded liabilities by \$174,472,236 at the close of 2013. The largest portion of Cass County’s net position (69 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.

| Governmental Activities  | Net Position<br>(in Thousands) |            |
|--------------------------|--------------------------------|------------|
|                          | 2013                           | 2012       |
| Assets                   |                                |            |
| Current and other assets | \$ 69,768                      | \$ 70,903  |
| Capital assets           | 121,340                        | 118,615    |
| Total Assets             | \$ 191,108                     | \$ 189,518 |
| Liabilities              |                                |            |
| Long-term liabilities    | \$ 13,124                      | \$ 11,600  |
| Other liabilities        | 3,512                          | 4,509      |
| Total Liabilities        | \$ 16,636                      | \$ 16,109  |

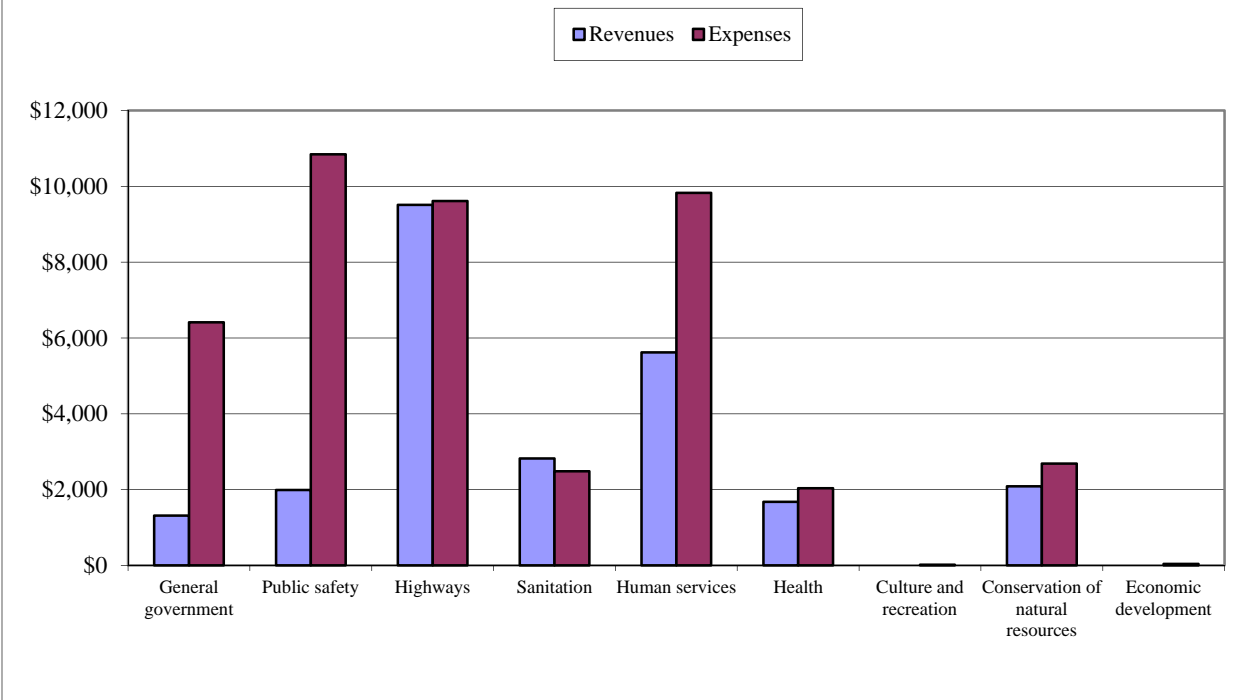
| Governmental Activities          | 2013           | 2012           |
|----------------------------------|----------------|----------------|
| Net Position                     |                |                |
| Net investment in capital assets | \$ 121,340     | \$ 118,615     |
| Restricted                       | 13,737         | 13,060         |
| Unrestricted                     | 39,395         | 41,734         |
| <br>Total Net Position           | <br>\$ 174,472 | <br>\$ 173,409 |

The unrestricted net position of \$39,395,073 as of December 31, 2013, may be used to meet the County's ongoing obligations to citizens and creditors.

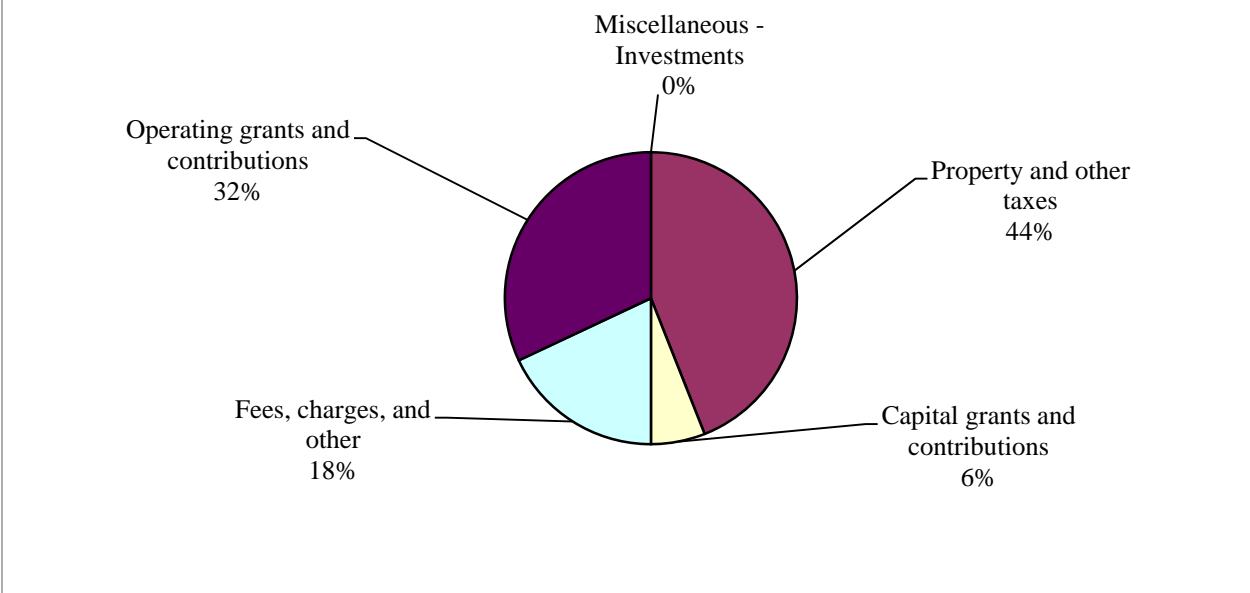
**Changes in Net Position  
(in Thousands)**

| Governmental Activities            | 2013           | 2012           |
|------------------------------------|----------------|----------------|
| Revenues                           |                |                |
| Program revenues                   |                |                |
| Charges for services               | \$ 7,940       | \$ 8,515       |
| Operating grants and contributions | 14,866         | 13,606         |
| Capital grants and contributions   | 2,214          | 2,407          |
| General revenues                   |                |                |
| Property taxes                     | 20,149         | 20,107         |
| Other                              | (148)          | 2,911          |
| <br>Total Revenues                 | <br>\$ 45,021  | <br>\$ 47,546  |
| Expenses                           |                |                |
| General government                 | \$ 6,413       | \$ 6,135       |
| Public safety                      | 10,845         | 10,046         |
| Highways                           | 9,611          | 10,098         |
| Sanitation                         | 2,483          | 2,519          |
| Human services                     | 9,830          | 9,208          |
| Health                             | 2,037          | 1,993          |
| Culture and recreation             | 17             | 17             |
| Conservation of natural resources  | 2,684          | 2,672          |
| Economic development               | 38             | 38             |
| <br>Total Expenses                 | <br>\$ 43,958  | <br>\$ 42,726  |
| <br>Increase in Net Position       | <br>\$ 1,063   | <br>\$ 4,820   |
| <br>Net Position - January 1       | <br>173,409    | <br>168,589    |
| <br>Net Position - December 31     | <br>\$ 174,472 | <br>\$ 173,409 |

### Expenses and Program Revenues - 2013



### Revenues by Source - 2013



## 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 short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

Cass County's governmental funds reported combined fund balance of \$61,288,938 in 2013, compared with \$61,876,208 in 2012, a decrease of \$587,270. Fund balances classified as restricted are either nonspendable or restricted and have specific (usually external) constraints placed on their use. Fund balances classified as unrestricted are either 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 2013 of \$11,907,918, or 19.4 percent, of total fund balance. Restricted fund balance was \$5,338,074 nonspendable and \$6,569,844 restricted. Unrestricted fund balance was \$49,381,020, or 80.6 percent of total fund balance. Unrestricted fund balance was \$10,300,000 committed, \$30,780,798 assigned, and \$8,300,222 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 required to be accounted for in another fund. The unrestricted fund balance of the General Fund was \$17,073,766 in 2013, compared to \$19,410,309 in 2012. This decrease was due to the fair market value adjustment of the County's portfolio in 2013. Unrestricted fund balance at the end of the year represented 109.1 percent of the General Fund's operating revenues and 91.4 percent of operating expenditures. The County's unassigned fund balance represents 53.0 percent of the General Fund's operating revenues and 44.4 percent of operating expenditures. The Office of the State Auditor recommends that counties maintain unrestricted fund balance in the General Fund of approximately 35 to 50 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 Special Revenue Fund was \$2,680,157 in 2013, compared to \$2,290,469 in 2012. This increase was due to additional revenue that exceeded expenditures during the year. Unrestricted fund balance at the end of the year represented 21.1 percent of the Road and Bridge Special Revenue Fund's operating revenues and 21.8 percent of operating expenditures.



The unrestricted-assigned fund balance of the Health, Human, and Veterans Services Special Revenue Fund (HHVS) was \$14,336,006 in 2013, compared to \$12,380,307 in 2012. This increase was due to lower expenditures than budgeted in HHVS programs and services. Unrestricted-assigned fund balance at the end of the year represented 104.6 percent of the HHVS Fund's operating revenues and 121.7 percent of operating expenditures. In 2012, the County Board committed \$3,000,000 of HHVS fund balance for out-of-home placement costs.

Total assigned fund balance in the Capital Projects Fund was \$11,747,998 in 2013, compared to \$11,820,309 in 2012. This fund balance is to be held for a future capital project such as a law enforcement and judicial center.

Pursuant to Minnesota statutes, the Forfeited Tax Sale Fund distributed \$915,231 in net proceeds to County funds, schools, cities, and towns in Cass County. The distribution was \$481,578 less than the 2012 distribution primarily because of a decrease in land and timber sales for 2013.

### 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 2013 were \$2,485,492 less than the final budget. The fair market value adjustment of \$3,178,000 was the major reason for the variance. Actual expenditures were less than budgeted expenditures by \$521,913 in 2013.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Cass County's capital assets for its governmental activities at December 31, 2013, totaled \$121,339,885 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net capital assets increased \$2,724,922, or 2.3 percent, from the previous year. The major capital asset event was the \$15 million completion of construction in progress projects in 2013.

#### Governmental Capital Assets (Net of Depreciation)

|                                     | <u>2013</u>           | <u>2012</u>           |
|-------------------------------------|-----------------------|-----------------------|
| Land                                | \$ 4,979,093          | \$ 4,973,873          |
| Infrastructure                      | 95,699,702            | 87,867,940            |
| Buildings                           | 12,852,044            | 12,872,466            |
| Machinery, furniture, and equipment | 5,743,332             | 1,430,224             |
| Construction in progress            | <u>2,065,714</u>      | <u>11,470,460</u>     |
| Total                               | <u>\$ 121,339,885</u> | <u>\$ 118,614,963</u> |

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 2013, Cass County's legal debt limit was \$185,000,000.

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 2013 was 2.5 percent less than 2012. This was the third decline since 2002. Although the tax base declined, 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 2013, Cass County approved its balanced 2014 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.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

|   | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> | <b>Discretely<br/>Presented<br/>Component Units</b> |
|---|---|---|
| <b><u>Assets</u></b>                          |   |   |
| Cash and pooled investments                   | \$ 57,696,979   | \$ 122,091  |
| Petty cash and change funds                   | 2,591   | -   |
| Investments                                   | 3,857,681   | -   |
| Taxes receivable                              |   |   |
| Prior - net                                   | 890,970   | -   |
| Special assessments receivable                |   |   |
| Prior - net                                   | 167,562   | 19,095  |
| Accounts receivable - net                     | 1,820,232   | 38,321  |
| Accrued interest receivable                   | 182,419   | 8   |
| Due from other governments                    | 3,935,899   | -   |
| Prepaid items                                 | 865,120   | 5,733   |
| Inventories                                   | 348,254   | -   |
| Note receivable                               | -   | 117,148   |
| Restricted assets                             |   |   |
| Cash and pooled investments                   | -   | 298,287   |
| Capital assets                                |   |   |
| Non-depreciable                               | 7,044,807   | 35,753  |
| Depreciable - net of accumulated depreciation | 114,295,078   | 1,986,711   |
| <b>Total Assets</b>                           | <b>\$ 191,107,592</b>   | <b>\$ 2,623,147</b>                                 |
| <b><u>Liabilities</u></b>                     |   |   |
| Accounts payable                              | \$ 1,373,517  | \$ 27,116   |
| Salaries payable                              | 1,124,000   | 13,933  |
| Compensated absences payable - current        | -   | 6,464   |
| Contracts payable                             | 79,888  | -   |
| Retainage payable                             | 73,865  | -   |
| Due to other governments                      | 558,940   | -   |
| Accrued interest payable                      | -   | 1,962   |
| Unearned revenue                              | 301,818   | -   |
| Customer deposits payable                     | -   | 3,793   |
| Checks in excess of deposits                  | -   | 16,112  |
| Other current liabilities                     | -   | 538   |
| Long-term liabilities                         |   |   |
| Due within one year                           | 256,695   | 177,718   |
| Due in more than one year                     | 12,866,633  | 917,283   |
| <b>Total Liabilities</b>                      | <b>\$ 16,635,356</b>  | <b>\$ 1,164,919</b>                                 |

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

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**CASS COUNTY  
WALKER, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

|                                   | <u>Primary<br/>Government<br/>Governmental<br/>Activities</u> | <u>Discretely<br/>Presented<br/>Component Units</u> |
|-----------------------------------|---|---|
| <b><u>Net Position</u></b>        |   |   |
| Net investment in capital assets  | \$ 121,339,885  | \$ 926,219  |
| Restricted for                    |   |   |
| General government                | 555,635   | -   |
| Public safety                     | 926,795   | -   |
| Highways and streets              | 2,159,575   | -   |
| Capital projects                  | -   | 65,527  |
| Conservation of natural resources | 9,752,410   | -   |
| Other purposes                    | 342,863   | -   |
| Unrestricted                      | <u>39,395,073</u>   | <u>466,482</u>                                      |
| <b>Total Net Position</b>         | <b><u>\$ 174,472,236</u></b>                                  | <b><u>\$ 1,458,228</u></b>                          |

**CASS COUNTY  
WALKER, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

| <u>Functions/Programs</u>           | <u>Expenses</u>             | <u>Fees, Charges,<br/>Fines, and Other</u>                   |
|-------------------------------------|-----------------------------|--|
| <b>Primary government</b>           |                             |  |
| <b>Governmental activities</b>      |                             |  |
| General government                  | \$ 6,413,472                | \$ 726,959   |
| Public safety                       | 10,845,100                  | 540,437  |
| Highways and streets                | 9,610,788                   | 663,165  |
| Sanitation                          | 2,483,155                   | 2,752,318  |
| Human services                      | 9,829,878                   | 764,131  |
| Health                              | 2,037,569                   | 709,499  |
| Culture and recreation              | 16,812                      | -  |
| Conservation of natural resources   | 2,683,846                   | 1,783,243  |
| Economic development                | 37,500                      | -  |
| <b>Total Primary Government</b>     | <b><u>\$ 43,958,120</u></b> | <b><u>\$ 7,939,752</u></b>                                   |
| <b>Component unit</b>               |                             |  |
| Housing and Redevelopment Authority | \$ 546,913                  | \$ 64,387  |
| Pine River Area Sanitary District   | 532,047                     | 579,814  |
| <b>Total Component Units</b>        | <b><u>\$ 1,078,960</u></b>  | <b><u>\$ 644,201</u></b>                                     |
| <b>General Revenues</b>             |                             |  |
|                                     |                             | Property taxes   |
|                                     |                             | Mortgage registry and deed tax                               |
|                                     |                             | Other taxes  |
|                                     |                             | Payments in lieu of tax                                      |
|                                     |                             | Grants and contributions not restricted to specific programs |
|                                     |                             | Unrestricted investment earnings                             |
|                                     |                             | Gain on sale of capital assets                               |
|                                     |                             | Miscellaneous  |
|                                     |                             | <b>Total general revenues</b>                                |
|                                     |                             | <b>Change in net position</b>                                |
|                                     |                             | <b>Net Position - Beginning</b>                              |
|                                     |                             | <b>Net Position - Ending</b>                                 |



**EXHIBIT 2**

| <u>Program Revenues</u>                   |   | <u>Net (Expense) Revenue and Changes in Net Position</u> |  |
|---|---|--|--|
| <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Primary Government Governmental Activities</u>        | <u>Discretely Presented Component Unit</u> |
| \$ 589,397                                | \$ -                                    | \$ (5,097,116)   |  |
| 1,447,893                                 | -                                       | (8,856,770)  |  |
| 6,633,109                                 | 2,214,572                               | (99,942)   |  |
| 69,234                                    | -                                       | 338,397  |  |
| 4,854,847                                 | -                                       | (4,210,900)  |  |
| 969,265                                   | -                                       | (358,805)  |  |
| -   | -                                       | (16,812)   |  |
| 301,934                                   | -                                       | (598,669)  |  |
| -   | -                                       | (37,500)   |  |
| <u>\$ 14,865,679</u>                      | <u>\$ 2,214,572</u>                     | <u>\$ (18,938,117)</u>                                   |  |
| \$ -                                      | \$ 407,554                              |  | \$ (74,972)                                |
| -   | 94,191                                  |  | 141,958                                    |
| <u>\$ -</u>                               | <u>\$ 501,745</u>                       |  | <u>\$ 66,986</u>                           |
|   |   | \$ 20,148,501  | \$ -                                       |
|   |   | 42,772   | -  |
|   |   | 30,039   | -  |
|   |   | 1,091,148  | -  |
|   |   | 1,085,842  | -  |
|   |   | (2,702,478)  | 1,455                                      |
|   |   | -  | 500  |
|   |   | 305,030  | -  |
|   |   | <u>\$ 20,000,854</u>                                     | <u>\$ 1,955</u>                            |
|   |   | \$ 1,062,737   | \$ 68,941                                  |
|   |   | <u>173,409,499</u>                                       | <u>1,389,287</u>                           |
|   |   | <u>\$ 174,472,236</u>                                    | <u>\$ 1,458,228</u>                        |

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**CASS COUNTY  
WALKER, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

|   | <u>General</u>       | <u>Road and<br/>Bridge</u> | <u>Health, Human,<br/>and Veterans<br/>Services</u> |
|---|----------------------|----------------------------|---|
| <b><u>Assets</u></b>  |                      |                            |   |
| Cash and pooled investments   | \$ 18,558,453        | \$ 2,652,189               | \$ 17,343,907                                       |
| Petty cash and change funds   | 2,251                | 100                        | 140   |
| Undistributed cash in agency funds  | 261,863              | 64,642                     | 95,886  |
| Investments   | -                    | -                          | -   |
| Taxes receivable  |                      |                            |   |
| Prior   | 444,044              | 175,765                    | 262,217   |
| Special assessments   |                      |                            |   |
| Prior   | 167,562              | -                          | -   |
| Accounts receivable   | 132,379              | -                          | 89,543  |
| Accrued interest receivable   | 164,300              | -                          | -   |
| Due from other funds  | 281,891              | 120,084                    | -   |
| Due from other governments  | 204,725              | 2,587,596                  | 966,245   |
| Prepaid items   | 865,120              | -                          | -   |
| Inventories   | -                    | 348,254                    | -   |
|   | <hr/>                | <hr/>                      | <hr/>   |
| <b>Total Assets</b>   | <b>\$ 21,082,588</b> | <b>\$ 5,948,630</b>        | <b>\$ 18,757,938</b>                                |
| <br><b><u>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</u></b> |                      |                            |   |
| <b>Liabilities</b>  |                      |                            |   |
| Accounts payable  | \$ 562,613           | \$ 186,009                 | \$ 530,345  |
| Salaries payable  | 620,516              | 150,107                    | 322,484   |
| Compensated absences - current  | 122,799              | 33,889                     | 92,658  |
| Contracts payable   | -                    | 79,888                     | -   |
| Retainage payable   | -                    | 73,865                     | -   |
| Due to other funds  | 4,544                | -                          | 1,783   |
| Due to other governments  | 106,058              | -                          | 61,271  |
| Unearned revenue  | 12,182               | 280,744                    | 8,892   |
|   | <hr/>                | <hr/>                      | <hr/>   |
| <b>Total Liabilities</b>  | <b>\$ 1,428,712</b>  | <b>\$ 804,502</b>          | <b>\$ 1,017,433</b>                                 |
| <br><b>Deferred Inflows of Resources</b>  |                      |                            |   |
| Unavailable revenue   |                      |                            |   |
| Taxes   | \$ 480,842           | \$ 149,235                 | \$ 222,794  |
| Grants  | -                    | 1,966,482                  | 137,585   |
| Other   | 73,635               | -                          | 43,980  |
|   | <hr/>                | <hr/>                      | <hr/>   |
| <b>Total Deferred Inflows of Resources</b>  | <b>\$ 554,477</b>    | <b>\$ 2,115,717</b>        | <b>\$ 404,359</b>                                   |

**EXHIBIT 3**

| <u>Forfeited<br/>Tax Sale</u> | <u>Environmental<br/>Trust</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------|--------------------------------|-----------------------------|--------------------------|---|
| \$ 5,508,036                  | \$ 829,431                     | \$ 11,798,712               | \$ 582,534               | \$ 57,273,262                           |
| 100                           | -                              | -                           | -                        | 2,591                                   |
| -                             | -                              | 155                         | 1,171                    | 423,717                                 |
| -                             | 3,857,681                      | -                           | -                        | 3,857,681                               |
| -                             | -                              | 2,626                       | 6,318                    | 890,970                                 |
| -                             | -                              | -                           | -                        | 167,562                                 |
| 1,598,310                     | -                              | -                           | -                        | 1,820,232                               |
| -                             | 18,119                         | -                           | -                        | 182,419                                 |
| -                             | -                              | -                           | 2,720                    | 404,695                                 |
| 177,333                       | -                              | -                           | -                        | 3,935,899                               |
| -                             | -                              | -                           | -                        | 865,120                                 |
| -                             | -                              | -                           | -                        | 348,254                                 |
| <u>\$ 7,283,779</u>           | <u>\$ 4,705,231</u>            | <u>\$ 11,801,493</u>        | <u>\$ 592,743</u>        | <u>\$ 70,172,402</u>                    |
| \$ 43,501                     | \$ -                           | \$ 51,049                   | \$ -                     | \$ 1,373,517                            |
| 30,893                        | -                              | -                           | -                        | 1,124,000                               |
| 7,349                         | -                              | -                           | -                        | 256,695                                 |
| -                             | -                              | -                           | -                        | 79,888                                  |
| -                             | -                              | -                           | -                        | 73,865                                  |
| 286,678                       | 68,247                         | -                           | 43,443                   | 404,695                                 |
| 420,141                       | -                              | -                           | -                        | 587,470                                 |
| -                             | -                              | -                           | -                        | 301,818                                 |
| <u>\$ 788,562</u>             | <u>\$ 68,247</u>               | <u>\$ 51,049</u>            | <u>\$ 43,443</u>         | <u>\$ 4,201,948</u>                     |
| \$ -                          | \$ -                           | \$ 2,446                    | \$ 6,207                 | \$ 861,524                              |
| -                             | -                              | -                           | -                        | 2,104,067                               |
| 1,598,310                     | -                              | -                           | -                        | 1,715,925                               |
| <u>\$ 1,598,310</u>           | <u>\$ -</u>                    | <u>\$ 2,446</u>             | <u>\$ 6,207</u>          | <u>\$ 4,681,516</u>                     |

**CASS COUNTY  
WALKER, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

|   | <b>General</b>       | <b>Road and<br/>Bridge</b> | <b>Health, Human,<br/>and Veterans<br/>Services</b> |
|---|----------------------|----------------------------|---|
| <b><u>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances (Continued)</u></b> |                      |                            |   |
| <b>Fund Balances</b>  |                      |                            |   |
| Nonspendable  |                      |                            |   |
| Inventories   | \$ -                 | \$ 348,254                 | \$ -  |
| Prepaid items   | 865,120              | -                          | -   |
| Environmental trust   | -                    | -                          | -   |
| Restricted for  |                      |                            |   |
| Forestry development  | -                    | -                          | -   |
| Law library   | 46,799               | -                          | -   |
| Recorder's technology equipment   | 448,132              | -                          | -   |
| Recorder's compliance fund  | 54,307               | -                          | -   |
| E-911   | 57,831               | -                          | -   |
| Missing heirs   | 23,508               | -                          | -   |
| Federal projects  | 317,355              | -                          | -   |
| Attorney's forfeiture   | 6,397                | -                          | -   |
| Wetland activity  | 200,340              | -                          | -   |
| Sheriff permit to carry fees  | 3,844                | -                          | -   |
| Surveyor bond   | 2,000                | -                          | -   |
| Birth certificates  | -                    | -                          | 140   |
| Environmental trust   | -                    | -                          | -   |
| Committed to  |                      |                            |   |
| Road and bridge projects  | -                    | -                          | -   |
| Out-of-home placements  | -                    | -                          | 3,000,000   |
| ARMER radio project   | 100,000              | -                          | -   |
| Compensated absences  | 2,750,000            | -                          | -   |
| Health insurance  | 4,100,000            | -                          | -   |
| Assigned to   |                      |                            |   |
| Capital projects  | -                    | -                          | -   |
| Road and bridge projects  | -                    | 2,633,986                  | -   |
| Unorganized towns   | -                    | -                          | -   |
| Pit reclamation   | -                    | 31,367                     | -   |
| Petrovend   | -                    | 14,804                     | -   |
| Human services  | -                    | -                          | 14,297,829  |
| Health insurance  | 62,568               | -                          | -   |
| Drug and alcohol addiction fees   | -                    | -                          | 6,683   |
| Food support enhanced funds   | -                    | -                          | 31,494  |
| Uninsured claims  | 1,300,000            | -                          | -   |
| Longville ambulance   | 309,931              | -                          | -   |
| Environmental grants  | 107,234              | -                          | -   |
| Shingobee Island  | 43,811               | -                          | -   |
| Unassigned  | 8,300,222            | -                          | -   |
| <b>Total Fund Balances</b>  | <b>\$ 19,099,399</b> | <b>\$ 3,028,411</b>        | <b>\$ 17,336,146</b>                                |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b>              | <b>\$ 21,082,588</b> | <b>\$ 5,948,630</b>        | <b>\$ 18,757,938</b>                                |



**EXHIBIT 3  
(Continued)**

| <u>Forfeited<br/>Tax Sale</u> | <u>Environmental<br/>Trust</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-------------------------------|--------------------------------|-----------------------------|--------------------------|---|
| \$ -                          | \$ -                           | \$ -                        | \$ -                     | \$ 348,254                              |
| -                             | -                              | -                           | -                        | 865,120                                 |
| -                             | 4,124,700                      | -                           | -                        | 4,124,700                               |
| 4,896,907                     | -                              | -                           | -                        | 4,896,907                               |
| -                             | -                              | -                           | -                        | 46,799                                  |
| -                             | -                              | -                           | -                        | 448,132                                 |
| -                             | -                              | -                           | -                        | 54,307                                  |
| -                             | -                              | -                           | -                        | 57,831                                  |
| -                             | -                              | -                           | -                        | 23,508                                  |
| -                             | -                              | -                           | -                        | 317,355                                 |
| -                             | -                              | -                           | -                        | 6,397                                   |
| -                             | -                              | -                           | -                        | 200,340                                 |
| -                             | -                              | -                           | -                        | 3,844                                   |
| -                             | -                              | -                           | -                        | 2,000                                   |
| -                             | -                              | -                           | -                        | 140                                     |
| -                             | 512,284                        | -                           | -                        | 512,284                                 |
| -                             | -                              | -                           | 350,000                  | 350,000                                 |
| -                             | -                              | -                           | -                        | 3,000,000                               |
| -                             | -                              | -                           | -                        | 100,000                                 |
| -                             | -                              | -                           | -                        | 2,750,000                               |
| -                             | -                              | -                           | -                        | 4,100,000                               |
| -                             | -                              | 11,747,998                  | -                        | 11,747,998                              |
| -                             | -                              | -                           | -                        | 2,633,986                               |
| -                             | -                              | -                           | 193,093                  | 193,093                                 |
| -                             | -                              | -                           | -                        | 31,367                                  |
| -                             | -                              | -                           | -                        | 14,804                                  |
| -                             | -                              | -                           | -                        | 14,297,829                              |
| -                             | -                              | -                           | -                        | 62,568                                  |
| -                             | -                              | -                           | -                        | 6,683                                   |
| -                             | -                              | -                           | -                        | 31,494                                  |
| -                             | -                              | -                           | -                        | 1,300,000                               |
| -                             | -                              | -                           | -                        | 309,931                                 |
| -                             | -                              | -                           | -                        | 107,234                                 |
| -                             | -                              | -                           | -                        | 43,811                                  |
| -                             | -                              | -                           | -                        | 8,300,222                               |
| <u>\$ 4,896,907</u>           | <u>\$ 4,636,984</u>            | <u>\$ 11,747,998</u>        | <u>\$ 543,093</u>        | <u>\$ 61,288,938</u>                    |
| <u>\$ 7,283,779</u>           | <u>\$ 4,705,231</u>            | <u>\$ 11,801,493</u>        | <u>\$ 592,743</u>        | <u>\$ 70,172,402</u>                    |

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**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 4**

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

|   |                     |                              |
|---|---------------------|------------------------------|
| <b>Fund balances - total governmental funds (Exhibit 3)</b>   | <b>\$</b>           | <b>61,288,938</b>            |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p>   |                     |                              |
| <p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p> |                     | 121,339,885                  |
| <p>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.</p> |                     |                              |
| <p>    Unavailable revenue reported as deferred inflows</p>   | \$ 4,681,516        |                              |
| <p>    Unavailable revenue reported as due to other governments</p>   | <u>28,530</u>       | 4,710,046                    |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>                |                     |                              |
| <p>    Compensated absences</p>   | \$ (2,722,970)      |                              |
| <p>    Net other postemployment benefits payable</p>  | <u>(10,143,663)</u> | <u>(12,866,633)</u>          |
| <b>Net Position of Governmental Activities (Exhibit 1)</b>  |                     | <b><u>\$ 174,472,236</u></b> |

**CASS COUNTY  
WALKER, MINNESOTA**

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

|   | <u>General</u>        | <u>Road and<br/>Bridge</u> | <u>Health, Human,<br/>and Veterans<br/>Services</u> |
|---|-----------------------|----------------------------|---|
| <b>Revenues</b>   |                       |                            |   |
| Taxes   | \$ 10,572,787         | \$ 3,842,232               | \$ 5,687,544  |
| Special assessments                                     | 1,772,336             | -                          | -   |
| Licenses and permits                                    | 134,644               | -                          | 7,695   |
| Intergovernmental                                       | 3,200,690             | 8,197,520                  | 6,069,607   |
| Charges for services                                    | 1,893,221             | 629,221                    | 900,136   |
| Fines and forfeits                                      | 10,067                | -                          | -   |
| Gifts and contributions                                 | 2,822                 | -                          | 800   |
| Investment earnings                                     | (2,516,574)           | -                          | 22,380  |
| Miscellaneous   | 579,825               | 29,872                     | 1,045,794   |
| <b>Total Revenues</b>                                   | <b>\$ 15,649,818</b>  | <b>\$ 12,698,845</b>       | <b>\$ 13,733,956</b>                                |
| <b>Expenditures</b>                                     |                       |                            |   |
| <b>Current</b>  |                       |                            |   |
| General government                                      | \$ 6,280,503          | \$ -                       | \$ 190,801  |
| Public safety   | 9,856,342             | -                          | -   |
| Highways and streets                                    | -                     | 12,309,157                 | -   |
| Sanitation  | 2,110,527             | -                          | -   |
| Human services  | -                     | -                          | 9,724,394   |
| Health  | -                     | -                          | 1,863,062   |
| Culture and recreation                                  | 15,000                | -                          | -   |
| Conservation of natural resources                       | 381,042               | -                          | -   |
| Economic development                                    | 37,500                | -                          | -   |
| <b>Capital outlay</b>                                   | <b>-</b>              | <b>-</b>                   | <b>-</b>  |
| <b>Total Expenditures</b>                               | <b>\$ 18,680,914</b>  | <b>\$ 12,309,157</b>       | <b>\$ 11,778,257</b>                                |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ (3,031,096)</b> | <b>\$ 389,688</b>          | <b>\$ 1,955,699</b>                                 |
| <b>Other Financing Sources (Uses)</b>                   |                       |                            |   |
| Transfers in  | \$ 371,891            | \$ -                       | \$ -  |
| Transfers out   | -                     | -                          | -   |
| <b>Total Other Financing Sources (Uses)</b>             | <b>\$ 371,891</b>     | <b>\$ -</b>                | <b>\$ -</b>   |
| <b>Net Change in Fund Balances</b>                      | <b>\$ (2,659,205)</b> | <b>\$ 389,688</b>          | <b>\$ 1,955,699</b>                                 |
| <b>Fund Balances - January 1</b>                        | <b>21,758,604</b>     | <b>2,736,598</b>           | <b>15,380,447</b>                                   |
| <b>Increase (decrease) in inventories</b>               | <b>-</b>              | <b>(97,875)</b>            | <b>-</b>  |
| <b>Fund Balances - December 31</b>                      | <b>\$ 19,099,399</b>  | <b>\$ 3,028,411</b>        | <b>\$ 17,336,146</b>                                |

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

**EXHIBIT 5**

| <u>Forfeited<br/>Tax Sale</u> | <u>Environmental<br/>Trust</u> | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Fund</u> | <u>Total<br/>Governmental<br/>Fund</u> |
|-------------------------------|--------------------------------|-----------------------------|--------------------------|--|
| \$ -                          | \$ -                           | \$ 1,676                    | \$ 244,583               | \$ 20,348,822                          |
| -                             | -                              | -                           | -                        | 1,772,336                              |
| -                             | -                              | -                           | -                        | 142,339                                |
| 594,850                       | -                              | -                           | 88,028                   | 18,150,695                             |
| -                             | -                              | -                           | -                        | 3,422,578                              |
| -                             | -                              | -                           | -                        | 10,067                                 |
| -                             | -                              | -                           | -                        | 3,622                                  |
| -                             | (208,284)                      | -                           | -                        | (2,702,478)                            |
| 1,798,731                     | -                              | 4,072                       | -                        | 3,458,294                              |
| <u>\$ 2,393,581</u>           | <u>\$ (208,284)</u>            | <u>\$ 5,748</u>             | <u>\$ 332,611</u>        | <u>\$ 44,606,275</u>                   |
| \$ -                          | \$ -                           | \$ -                        | \$ 1,500                 | \$ 6,472,804                           |
| -                             | -                              | -                           | 29,040                   | 9,885,382                              |
| -                             | -                              | -                           | 152,425                  | 12,461,582                             |
| -                             | -                              | -                           | -                        | 2,110,527                              |
| -                             | -                              | -                           | -                        | 9,724,394                              |
| -                             | -                              | -                           | -                        | 1,863,062                              |
| -                             | -                              | -                           | -                        | 15,000                                 |
| 1,972,071                     | 94,247                         | -                           | -                        | 2,447,360                              |
| -                             | -                              | -                           | -                        | 37,500                                 |
| -                             | -                              | 78,059                      | -                        | 78,059                                 |
| <u>\$ 1,972,071</u>           | <u>\$ 94,247</u>               | <u>\$ 78,059</u>            | <u>\$ 182,965</u>        | <u>\$ 45,095,670</u>                   |
| <u>\$ 421,510</u>             | <u>\$ (302,531)</u>            | <u>\$ (72,311)</u>          | <u>\$ 149,646</u>        | <u>\$ (489,395)</u>                    |
| \$ -                          | \$ -                           | \$ -                        | \$ 2,720                 | \$ 374,611                             |
| (374,611)                     | -                              | -                           | -                        | (374,611)                              |
| <u>\$ (374,611)</u>           | <u>\$ -</u>                    | <u>\$ -</u>                 | <u>\$ 2,720</u>          | <u>\$ -</u>                            |
| \$ 46,899                     | \$ (302,531)                   | \$ (72,311)                 | \$ 152,366               | \$ (489,395)                           |
| 4,850,008                     | 4,939,515                      | 11,820,309                  | 390,727                  | 61,876,208                             |
| -                             | -                              | -                           | -                        | (97,875)                               |
| <u>\$ 4,896,907</u>           | <u>\$ 4,636,984</u>            | <u>\$ 11,747,998</u>        | <u>\$ 543,093</u>        | <u>\$ 61,288,938</u>                   |

**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, 2013**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (489,395)**

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

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

|                                   |                    |         |
|-----------------------------------|--------------------|---------|
| Unavailable revenue - December 31 | \$ 4,710,046       |         |
| Unavailable revenue - January 1   | <u>(4,295,465)</u> | 414,581 |

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 | \$ 6,560,158       |           |
| Current year depreciation                                  | <u>(3,821,999)</u> | 2,738,159 |

In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds the proceeds from the disposal increase financial resources. Therefore, the change in net position differs from the change in fund balance by the book value of the capital assets disposed of. (13,237)

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          | \$ (125,522)    |                    |
| Change in other postemployment benefits | (1,363,974)     |                    |
| Change in inventories                   | <u>(97,875)</u> | <u>(1,587,371)</u> |

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,062,737**

**FIDUCIARY FUNDS**

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CASS COUNTY  
WALKER, MINNESOTA

EXHIBIT 7

FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2013

|                             | <u>Agency</u>              |
|-----------------------------|----------------------------|
| <b><u>Assets</u></b>        |                            |
| Cash and pooled investments | \$ 1,296,733               |
| Petty cash and change funds | 400                        |
| <b>Total Assets</b>         | <b><u>\$ 1,297,133</u></b> |
| <b><u>Liabilities</u></b>   |                            |
| Salaries payable            | \$ 69,791                  |
| Due to other governments    | 1,158,934                  |
| Prepaid taxes               | 68,408                     |
| <b>Total Liabilities</b>    | <b><u>\$ 1,297,133</u></b> |

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**DISCRETELY PRESENTED COMPONENT UNITS**

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT 8*

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2013**

|  | <b>Housing and<br/>Redevelopment<br/>Authority</b> | <b>Pine River Area<br/>Sanitary District</b> | <b>Total</b>        |
|--|--|--|---------------------|
| <b><u>Assets</u></b>                   |  |  |                     |
| <b>Current assets</b>                  |  |  |                     |
| Cash and pooled investments            | \$ 44,228  | \$ 77,863                                    | \$ 122,091          |
| Special assessments receivable - prior | -  | 19,095                                       | 19,095              |
| Accounts receivable - net              | 31,048   | 7,273  | 38,321              |
| Accrued interest receivable            | 8  | -  | 8                   |
| Prepaid items                          | -  | 5,733  | 5,733               |
| <b>Total current assets</b>            | <b>\$ 75,284</b>                                   | <b>\$ 109,964</b>                            | <b>\$ 185,248</b>   |
| <b>Restricted assets</b>               |  |  |                     |
| Cash and pooled investments            | <b>\$ 28,216</b>                                   | <b>\$ 270,071</b>                            | <b>\$ 298,287</b>   |
| <b>Noncurrent assets</b>               |  |  |                     |
| Note receivable                        | \$ 117,148   | \$ -   | \$ 117,148          |
| Capital assets                         |  |  |                     |
| Nondepreciable                         | 25,753   | 10,000                                       | 35,753              |
| Depreciable - net                      | 314,972  | 1,671,739                                    | 1,986,711           |
| <b>Total noncurrent assets</b>         | <b>\$ 457,873</b>                                  | <b>\$ 1,681,739</b>                          | <b>\$ 2,139,612</b> |
| <b>Total Assets</b>                    | <b>\$ 561,373</b>                                  | <b>\$ 2,061,774</b>                          | <b>\$ 2,623,147</b> |

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 8  
(Continued)**

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2013**

|  | <b>Housing and<br/>Redevelopment<br/>Authority</b> | <b>Pine River Area<br/>Sanitary District</b> | <b>Total</b>        |
|--|--|--|---------------------|
| <b><u>Liabilities</u></b>              |  |  |                     |
| <b>Current liabilities</b>             |  |  |                     |
| Accounts payable                       | \$ 23,126  | \$ 3,990                                     | \$ 27,116           |
| Salaries payable                       | 1,748  | 12,185                                       | 13,933              |
| Compensated absences payable - current | 761  | 5,703  | 6,464               |
| Accrued interest payable               | 82   | 1,880  | 1,962               |
| Notes payable - current                | 4,977  | 172,741                                      | 177,718             |
| Customer deposits - current            | 3,793  | -  | 3,793               |
| Checks in excess of deposits           | 16,112   | -  | 16,112              |
| Other current liabilities              | 538  | -  | 538                 |
| <b>Total current liabilities</b>       | <b>\$ 51,137</b>                                   | <b>\$ 196,499</b>                            | <b>\$ 247,636</b>   |
| <b>Noncurrent liabilities</b>          |  |  |                     |
| Notes payable - long-term              | \$ 1,638   | \$ 880,926                                   | \$ 882,564          |
| Loans payable                          | 34,205   | -  | 34,205              |
| Other noncurrent liabilities           | 514  | -  | 514                 |
| <b>Total noncurrent liabilities</b>    | <b>\$ 36,357</b>                                   | <b>\$ 880,926</b>                            | <b>\$ 917,283</b>   |
| <b>Total Liabilities</b>               | <b>\$ 87,494</b>                                   | <b>\$ 1,077,425</b>                          | <b>\$ 1,164,919</b> |
| <b><u>Net Position</u></b>             |  |  |                     |
| Net investment in capital assets       | \$ 299,905   | \$ 626,314                                   | \$ 926,219          |
| Restricted for capital projects        | 22,535   | 42,992                                       | 65,527              |
| Unrestricted                           | 151,439  | 315,043                                      | 466,482             |
| <b>Total Net Position</b>              | <b>\$ 473,879</b>                                  | <b>\$ 984,349</b>                            | <b>\$ 1,458,228</b> |

**CASS COUNTY  
WALKER, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                     | <b>Expenses</b>                 | <b>Program<br/>Fees, Charges,<br/>Fines, and Other</b> |
|-------------------------------------|---------------------------------|--|
| <b>Component Units</b>              |                                 |  |
| Housing and Redevelopment Authority | \$ 546,913                      | \$ 64,387  |
| Pine River Area Sanitary District   | 532,047                         | 579,814  |
|                                     | <b>\$ 1,078,960</b>             | <b>\$ 644,201</b>                                      |
| <b>Total Component Units</b>        |                                 |  |
|                                     | <b>General Revenues</b>         |  |
|                                     | Investment income               |  |
|                                     | Gain on disposal of assets      |  |
|                                     | <b>Total general revenues</b>   |  |
|                                     | <b>Change in net position</b>   |  |
|                                     | <b>Net Position - Beginning</b> |  |
|                                     | <b>Net Position - Ending</b>    |  |

**EXHIBIT 9**

| <u>Revenues</u>                                 | <u>Net (Expense) Revenue and Changes in Net Position</u> |  |                     |
|---|--|--|---------------------|
| <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Housing and<br/>Redevelopment<br/>Authority</u>       | <u>Pine River<br/>Area Sanitary<br/>District</u> | <u>Total</u>        |
| \$ 407,554                                      | \$ (74,972)  | \$ -   | \$ (74,972)         |
| 94,191  | -  | 141,958  | 141,958             |
| <u>\$ 501,745</u>                               | <u>\$ (74,972)</u>                                       | <u>\$ 141,958</u>                                | <u>\$ 66,986</u>    |
|   | \$ 355   | \$ 1,100   | \$ 1,455            |
|   | -  | 500  | 500                 |
|   | <u>\$ 355</u>  | <u>\$ 1,600</u>                                  | <u>\$ 1,955</u>     |
|   | \$ (74,617)  | \$ 143,558                                       | \$ 68,941           |
|   | <u>548,496</u>   | <u>840,791</u>                                   | <u>1,389,287</u>    |
|   | <u>\$ 473,879</u>  | <u>\$ 984,349</u>                                | <u>\$ 1,458,228</u> |

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**CASS COUNTY  
WALKER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

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:

| <u>Component Unit</u>  | <u>Component Unit<br/>Included in<br/>Reporting Entity Because</u>   | <u>Separate<br/>Financial Statements<br/>Available at</u>                            |
|--|--|--|
| 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<br>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<br>District<br>P. O. Box 354<br>Pine River, Minnesota 56474 |

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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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.

**CASS COUNTY  
WALKER, MINNESOTA**

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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, Minnesota Counties Information Systems, and the Mississippi Headwaters Board.

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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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, 2013, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment loss for 2013 was \$2,516,574 at the governmental fund level. The investment loss was due to the significant mark to market value adjustment that was made at year-end.

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 MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool. Information relating to the MAGIC Fund can be obtained from Client Services Group, Minnesota Association of Governments Investing for Counties, c/o PFM Asset Management LLC, P. O. Box 11760, Harrisburg, Pennsylvania 17108-11760.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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.

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.

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 government-wide statements.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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.

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:

| <u>Assets</u>                      | <u>Years</u> |
|------------------------------------|--------------|
| 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 and fiduciary fund 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.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Long-Term Obligations

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



**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. Long-Term Obligations (Continued)

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.

9. 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.

10. 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.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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.

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

**CASS COUNTY  
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1. Summary of Significant Accounting Policies

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

11. 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.

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.

12. 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. Changes in Accounting Principles

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

**CASS COUNTY  
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1. Summary of Significant Accounting Policies

E. Changes in Accounting Principles (Continued)

and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.7. for additional information regarding the County's deferred outflows/inflows of resources.

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

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               | \$ 57,696,979 |
| Petty cash and change funds               | 2,591         |
| Investments                               | 3,857,681     |
| Discretely presented component units      |               |
| Cash and pooled investments               | 122,091       |
| Restricted cash and pooled investments    | 298,287       |
| Statement of fiduciary net position       |               |
| Cash and pooled investments               | 1,296,733     |
| Petty cash and change funds               | 400           |
|   | <hr/>         |
| Total Cash and Investments                | \$ 63,274,762 |
|   | <hr/> <hr/>   |

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County 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, 2013, 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;

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County 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.

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has a policy to minimize investment custodial credit risk. Of the County's investments at December 31, 2013, \$7,128,867 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, 2013, and information relating to potential investment risks:

| Investment Type                                    | Credit Risk   |               | Concentration Risk          | Interest Rate Risk | Carrying (Fair) Value |
|--|---------------|---------------|-----------------------------|--------------------|-----------------------|
|  | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date      |                       |
| U.S. government agency securities                  |               |               |                             |                    |                       |
| Federal National Mortgage Association Pool         | Aaa/AA+       | Moody's/S&P   |                             | 08/23/2027         | \$ 906,570            |
| Federal National Mortgage Association Pool         | Aaa/AA+       | Moody's/S&P   |                             | 05/22/2008         | 1,194,825             |
| Total Federal National Mortgage Association Pools  |               |               | <5%                         |                    | \$ 2,101,395          |
| Federal Home Loan Mortgage Corporation Note        | Aaa/AA+       | Moody's/S&P   |                             | 12/10/2021         | \$ 589,148            |
| Federal Home Loan Mortgage Corporation Note        | Aaa/AA+       | Moody's/S&P   |                             | 12/10/2021         | 790,832               |
| Federal Home Loan Mortgage Corporation Note        | Aaa/AA+       | Moody's/S&P   |                             | 11/27/2023         | 733,118               |
| Federal Home Loan Mortgage Corporation Note        | Aaa/AA+       | Moody's/S&P   |                             | 10/30/2023         | 260,378               |
| Federal Home Loan Mortgage Corporation Note        | Aaa/AA+       | Moody's/S&P   |                             | 10/30/2023         | 491,280               |
| Total Federal Home Loan Mortgage Corporation Notes |               |               | 5%                          |                    | \$ 2,864,756          |

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment Type   | Credit Risk   |               | Concentration Risk          | Interest Rate Risk | Carrying (Fair) Value |
|---|---------------|---------------|-----------------------------|--------------------|-----------------------|
|   | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date      |                       |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 05/21/2027         | \$ 946,390            |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 12/27/2024         | 924,500               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 07/30/2024         | 819,108               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 10/29/2027         | 440,895               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 12/20/2024         | 891,700               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 01/30/2023         | 463,290               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 04/28/2028         | 922,810               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 04/28/2023         | 909,370               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 06/28/2022         | 480,090               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 05/18/2022         | 1,059,114             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 10/25/2022         | 1,373,330             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 11/15/2022         | 1,203,675             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 11/28/2022         | 2,243,825             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 12/27/2022         | 456,670               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 12/27/2022         | 1,946,200             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 01/17/2023         | 2,817,776             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 01/30/2023         | 1,412,790             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 02/22/2023         | 2,206,022             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 03/27/2023         | 955,420               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 03/27/2023         | 454,785               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 03/27/2023         | 545,664               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 04/18/2023         | 1,030,656             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 05/08/2023         | 2,022,152             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 05/16/2023         | 2,270,516             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 05/22/2023         | 2,289,075             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 06/06/2023         | 942,260               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 06/13/2023         | 910,460               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 06/20/2023         | 1,081,161             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 06/27/2023         | 975,610               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 05/08/2023         | 912,930               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 07/24/2023         | 2,429,375             |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 06/20/2023         | 970,440               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 11/18/2020         | 489,701               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 06/27/2023         | 972,356               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 07/25/2022         | 699,145               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 03/28/2028         | 916,800               |
| Federal Home Loan Bank Bonds                              | Aaa/AA+       | Moody's/S&P   |                             | 09/07/2022         | 1,387,344             |
| Total Federal Home Loan Bank Bonds                        |               |               | 76.7%                       |                    | \$ 43,773,405         |
| Total U.S. government securities                          |               |               |                             |                    | \$ 48,739,556         |
| Federal Farm Credit Banks Funding Corporation Bonds       |               |               |                             |                    |                       |
| Federal Farm Credit Banks Funding Corporation Bonds       | Aaa/AA+       | Moody's/S&P   |                             | 08/16/2021         | \$ 457,462            |
| Federal Farm Credit Banks Funding Corporation Bonds       | Aaa/AA+       | Moody's/S&P   |                             | 02/20/2025         | 452,988               |
| Federal Farm Credit Banks Funding Corporation Bonds       | Aaa/AA+       | Moody's/S&P   |                             | 07/25/2019         | 986,856               |
| Total Federal Farm Credit Banks Funding Corporation Bonds |               |               | <5%                         |                    | \$ 1,897,306          |



**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment Type                                    | Credit Risk   |               | Concentration Risk          | Interest Rate Risk | Carrying (Fair) Value |
|--|---------------|---------------|-----------------------------|--------------------|-----------------------|
|  | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date      |                       |
| Federal Home Loan Repurchase Agreements            |               |               |                             |                    |                       |
| Federal Home Loan Bank                             | Aaa/AA+       | Moody's/S&P   |                             | 07/07/2014         | \$ 525,601            |
| Federal Home Loan Bank                             | Aaa/AA+       | Moody's/S&P   |                             | 07/28/2014         | 478,617               |
| Total Federal Home Loan Bank Repurchase Agreements |               |               | <5%                         |                    | \$ 1,004,218          |
| Federal Farm Credit Bank Repurchase Agreements     |               |               |                             |                    |                       |
| Federal Farm Credit Bank Funding Corporation Bonds | Aaa/AA+       | Moody's/S&P   |                             | 07/17/2016         | \$ 1,000,034          |
| Negotiable certificates of deposit                 |               |               |                             |                    |                       |
| BNC National Bank Phoenix, AZ                      | N/A           | N/A           | <5%                         | 08/08/2018         | \$ 239,191            |
| Bank of Baroda New York, NY                        | N/A           | N/A           | <5%                         | 11/13/2018         | 243,459               |
| Compass Bank Birmingham, AL                        | N/A           | N/A           | <5%                         | 06/23/2014         | 248,476               |
| Enerbank USA Salt Lake City, UT                    | N/A           | N/A           | <5%                         | 11/26/2019         | 243,170               |
| First American Bank                                | N/A           | N/A           | <5%                         | 08/24/2020         | 234,443               |
| 1st Financial Bank Dakota Dunes, SD                | N/A           | N/A           | <5%                         | 09/21/2020         | 233,134               |
| Magna Bank Memphis, TN                             | N/A           | N/A           | <5%                         | 07/20/2020         | 232,929               |
| Welch State Bank, OK                               | N/A           | N/A           | <5%                         | 06/27/2018         | 241,590               |
| Discover Bank Greenwood, DE                        | N/A           | N/A           | <5%                         | 07/18/2017         | 246,566               |
| Goldman Sachs Bank New York, NY                    | N/A           | N/A           | <5%                         | 06/06/2019         | 243,853               |
| Isabella Bank                                      | N/A           | N/A           | <5%                         | 06/17/2020         | 232,144               |
| American Express Centurion                         | N/A           | N/A           | <5%                         | 06/20/2018         | 145,275               |
| BMW Bank Utah                                      | N/A           | N/A           | <5%                         | 11/12/2015         | 101,363               |
| GE Capital Bank                                    | N/A           | N/A           | <5%                         | 06/22/2015         | 249,273               |
| GE Money Bank                                      | N/A           | N/A           | <5%                         | 11/05/2015         | 101,981               |
| Toyota Financial SGS                               | N/A           | N/A           | <5%                         | 12/21/2020         | 242,903               |
| State Bank of India                                | N/A           | N/A           | <5%                         | 06/22/2015         | 249,633               |
| Citi Bank Salt Lake City, UT                       | N/A           | N/A           | <5%                         | 05/08/2023         | 229,940               |
| GE Capital Retail Bank Draper, UT                  | N/A           | N/A           | <5%                         | 06/10/2019         | 144,298               |
| World Financial Network Wilmington, DE             | N/A           | N/A           | <5%                         | 06/08/2017         | 202,676               |
| Sallie Mae Bank Salt Lake City, UT                 | N/A           | N/A           | <5%                         | 11/13/2018         | 151,119               |
| Total negotiable certificates of deposit           |               |               |                             |                    | \$ 4,457,416          |
| Total investments                                  |               |               |                             |                    | \$ 57,098,530         |
| Deposits - primary government                      |               |               |                             |                    | 5,752,863             |
| Deposits - component units                         |               |               |                             |                    | 382,847               |
| Investments - component units                      |               |               |                             |                    | 37,231                |
| Petty cash and change funds - primary government   |               |               |                             |                    | 2,991                 |
| Petty cash and change funds - component units      |               |               |                             |                    | 300                   |
| Total Cash and Investments                         |               |               |                             |                    | \$ 63,274,762         |

N/A - Not Applicable

<5% - Concentration is less than 5% of investments

**CASS COUNTY  
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2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

|                               | Total<br>Receivables | Amounts Not<br>Scheduled for<br>Collection During<br>the Subsequent Year |
|-------------------------------|----------------------|--|
| Governmental Activities       |                      |  |
| Taxes                         | \$ 890,970           | \$ -   |
| Special assessments           | 167,562              | 144,568  |
| Accounts receivable           | 1,820,232            | -  |
| Accrued interest              | 182,419              | -  |
| Due from other governments    | 3,935,899            | -  |
|                               | <hr/>                | <hr/>  |
| Total Governmental Activities | \$ 6,997,082         | \$ 144,568   |

Cass County was a member of the South Country Health Alliance (SCHA) but terminated its membership effective December 31, 2010. The County's equity interest in the SCHA at December 31, 2010, was \$1,072,043. The County was to receive five annual installment payments of \$214,408 plus interest. Cass County received its third installment in September 2013 and the final two installments in October 2013. The balance has been received in full.

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

Minimum future rents on the lease are:

| <u>Year Ending<br/>December 31</u> |                   |
|------------------------------------|-------------------|
| 2014                               | \$ 37,125         |
| 2015                               | 37,125            |
| 2016                               | <u>37,125</u>     |
| Total                              | <u>\$ 111,375</u> |

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.

Minimum future rents on the lease are:

| <u>Year Ending<br/>December 31</u> |                  |
|------------------------------------|------------------|
| 2014                               | \$ 14,388        |
| 2015                               | 14,388           |
| 2016                               | 14,388           |
| 2017                               | <u>10,192</u>    |
| Total                              | <u>\$ 53,356</u> |

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

On November 15, 2005, American Cellular Corporation (ACC) Tower Sub, LLC, (Global Tower 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 Tower 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, Global Towers has two additional renewal options for ten-year terms each. 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:

| <u>Year Ending<br/>December 31</u> |                  |
|------------------------------------|------------------|
| 2014                               | \$ 8,540         |
| 2015                               | <u>8,881</u>     |
| Total                              | <u>\$ 17,421</u> |

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

4. Capital Assets

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

|                                       | Beginning<br>Balance | Increase      | Decrease      | Ending<br>Balance |
|---------------------------------------|----------------------|---------------|---------------|-------------------|
| Capital assets not depreciated        |                      |               |               |                   |
| Land                                  | \$ 4,973,873         | \$ 5,220      | \$ -          | \$ 4,979,093      |
| Construction in progress              | 11,470,460           | 5,671,963     | 15,076,709    | 2,065,714         |
| Total capital assets not depreciated  | \$ 16,444,333        | \$ 5,677,183  | \$ 15,076,709 | \$ 7,044,807      |
| Capital assets depreciated            |                      |               |               |                   |
| Buildings                             | \$ 21,440,864        | \$ 445,312    | \$ -          | \$ 21,886,176     |
| Machinery, furniture, and equipment   | 5,639,265            | 5,155,151     | 239,869       | 10,554,547        |
| Infrastructure                        | 118,513,594          | 10,359,221    | -             | 128,872,815       |
| Total capital assets depreciated      | \$ 145,593,723       | \$ 15,959,684 | \$ 239,869    | \$ 161,313,538    |
| Less: accumulated depreciation for    |                      |               |               |                   |
| Buildings                             | \$ 8,568,398         | \$ 465,734    | \$ -          | \$ 9,034,132      |
| Machinery, furniture, and equipment   | 4,209,041            | 828,806       | 226,632       | 4,811,215         |
| Infrastructure                        | 30,645,654           | 2,527,459     | -             | 33,173,113        |
| Total accumulated depreciation        | \$ 43,423,093        | \$ 3,821,999  | \$ 226,632    | \$ 47,018,460     |
| Total capital assets depreciated, net | \$ 102,170,630       | \$ 12,137,685 | \$ 13,237     | \$ 114,295,078    |
| Capital Assets, Net                   | \$ 118,614,963       | \$ 17,814,868 | \$ 15,089,946 | \$ 121,339,885    |

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

|   |              |
|---|--------------|
| Governmental Activities   |              |
| General government  | \$ 148,801   |
| Public safety   | 615,617      |
| Highways and streets, including depreciation of infrastructure assets | 2,782,001    |
| Health, human, and veterans services                                  | 49,430       |
| Sanitation  | 36,699       |
| Culture and recreation  | 1,812        |
| Conservation of natural resources                                     | 187,639      |
| Total Depreciation Expense - Governmental Activities                  | \$ 3,821,999 |

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

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

1. Due To/From Other Funds

| <u>Receivable Fund</u>  | <u>Payable Fund</u>                     | <u>Amount</u>     | <u>Purpose</u>              |
|-------------------------|---|-------------------|-----------------------------|
| General                 | Forfeited Tax Sale                      | \$ 281,891        | Forfeited tax apportionment |
| Road and Bridge         | General                                 | \$ 4,544          | Reimbursement for services  |
|                         | Health, Human, and<br>Veterans Services | 1,783             | Reimbursement for services  |
|                         | Forfeited Tax Sale                      | 2,067             | Reimbursement for services  |
|                         | Environmental Trust                     | 68,247            | Reimbursement for services  |
|                         | Other governmental                      | 43,443            | Reimbursement for services  |
|                         | Total Due to Road and Bridge            | <u>\$ 120,084</u> |                             |
| Other governmental fund | Forfeited Tax Sale                      | \$ 2,720          | Forfeited tax apportionment |
|                         | Total Due To/From Other Funds           | <u>\$ 404,695</u> |                             |

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, 2013, consisted of the following:

|   |                   |   |
|---|-------------------|---|
| Transfers to General Fund from Forfeited<br>Tax Sale Fund             | \$ 371,891        | Forfeited tax apportionment<br>and indirect costs |
| Transfers to other governmental funds<br>from Forfeited Tax Sale Fund | <u>2,720</u>      | Forfeited tax apportionment                       |
| Total Interfund Transfers   | <u>\$ 374,611</u> |   |

**CASS COUNTY  
WALKER, MINNESOTA**

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, 2013, was as follows:

Governmental Activities

|                      | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|----------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Compensated absences | \$ 2,820,323                 | \$ 1,698,729     | \$ 1,539,387      | \$ 2,979,665              | \$ 256,695                     |

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 2013:

| <u>Type of Property</u>                        | <u>Amount</u>     |
|--|-------------------|
| Rental of office space and parking             | \$ 15,200         |
| Data processing, copiers, and office equipment | 60,629            |
| Radio towers and equipment                     | 38,276            |
| Total Rental Expense                           | <u>\$ 114,105</u> |

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2013:

| <u>Year Ended</u>                   | <u>Amount</u>     |
|-------------------------------------|-------------------|
| 2014                                | \$ 113,057        |
| 2015                                | 104,975           |
| 2016                                | 79,571            |
| 2017                                | 42,623            |
| 2018                                | 39,388            |
| Total Future Minimum Lease Payments | <u>\$ 379,614</u> |

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The government has active construction projects as of December 31, 2013. The projects include the following:

|                         | <u>Spent-to-Date</u> | <u>Remaining<br/>Commitment</u> |
|-------------------------|----------------------|---------------------------------|
| Governmental Activities |                      |                                 |
| Highways and streets    | \$ 1,124,539         | \$ 1,333,692                    |

3. Pension Plans

A. Defined Benefit Plans

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.

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and



**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

Two methods are used to compute benefits for the General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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

|                                       |        |
|---------------------------------------|--------|
| General Employees Retirement Fund     |        |
| Basic Plan members                    | 11.78% |
| Coordinated Plan members              | 7.25   |
| Public Employees Police and Fire Fund | 14.40  |
| Public Employees Correctional Fund    | 8.75   |

**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

|                                       | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---------------------------------------|-------------|-------------|-------------|
| General Employees Retirement Fund     | \$ 836,113  | \$ 811,315  | \$ 813,322  |
| Public Employees Police and Fire Fund | 361,477     | 340,199     | 321,713     |
| Public Employees Correctional Fund    | 65,128      | 66,076      | 68,402      |

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

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. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**CASS COUNTY  
WALKER, MINNESOTA**

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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, 2013, were:

|                               | <u>Employee</u> | <u>Employer</u> |
|-------------------------------|-----------------|-----------------|
| Contribution amount           | \$ 5,440        | \$ 5,440        |
| Percentage of covered payroll | 5%              | 5%              |

Required contribution rates were 5.00 percent.

4. Postemployment Benefits

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Postemployment Benefits

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, 2013, there were approximately 120 retirees receiving health benefits from the County's health plan.

B. Annual OPEB Costs and Net OPEB Obligation

The County's annual other postemployment benefits (OPEB) cost 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 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 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

|   |                             |
|---|-----------------------------|
| ARC                                     | \$ 2,744,859                |
| Interest on net OPEB obligation         | 395,086                     |
| Adjustments to ARC                      | <u>(547,904)</u>            |
| Annual OPEB cost                        | \$ 2,592,041                |
| Contributions during the year           | <u>(1,228,067)</u>          |
| Increase in net OPEB obligation         | \$ 1,363,974                |
| Net OPEB Obligation - Beginning of Year | <u>8,779,689</u>            |
| Net OPEB Obligation - End of Year       | <u><u>\$ 10,143,663</u></u> |

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Postemployment Benefits (Continued)

C. Funded Status and Funding Progress

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 2011, 2012, and 2013, were as follows:

| <u>Fiscal Year<br/>Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Employer<br/>Contribution</u> | <u>Percentage<br/>of Annual<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|------------------------------|-----------------------------|----------------------------------|---|--------------------------------|
| December 31, 2011            | \$ 2,679,197                | \$ 1,180,112                     | 44.0%   | \$ 7,372,823                   |
| December 31, 2012            | 2,653,593                   | 1,246,727                        | 47.0  | 8,779,689                      |
| December 31, 2013            | 2,592,041                   | 1,228,067                        | 47.4  | 10,143,663                     |

The actuarial accrued liability for benefits as of January 1, 2013, the most recent actuarial valuation date, is \$32.27 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 \$13.42 million. The ratio of the unfunded actuarial accrued liabilities (UAAL) to covered payroll is 240.5 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.

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Postemployment Benefits

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, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50 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 7.50 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after five years. The unfunded actuarial accrued liability is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 25 years.

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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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 \$470,000 per claim in 2013 and \$480,000 per claim in 2014. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.



**CASS COUNTY  
WALKER, MINNESOTA**

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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 |             |
|---|------------------------|-------------|
|   | 2013                   | 2012        |
| Unpaid claims, beginning of fiscal year | \$ 265,605             | \$ 194,628  |
| Incurred claims (including IBNRs)       | 4,737,107              | 4,370,358   |
| Claims payments                         | (4,812,670)            | (4,299,381) |
| Unpaid Claims, End of Fiscal Year       | \$ 190,042             | \$ 265,605  |

**CASS COUNTY  
WALKER, MINNESOTA**

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

B. Contingent Liabilities

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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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 \$306,251 in payments to the Northwestern Minnesota Juvenile Center in 2013. 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.

**CASS COUNTY  
WALKER, MINNESOTA**

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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 2013.

Complete financial information can be obtained from:

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

Email: [mhb@mississippiheadwaters.org](mailto:mhb@mississippiheadwaters.org)

**CASS COUNTY  
WALKER, MINNESOTA**

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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 made \$475 in contributions in 2013.

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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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 \$20,135 to the Waste Management Group in 2013. 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.

**CASS COUNTY  
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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

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 Pike Bay, Wilkinson, Ottertail Peninsula, Farden, Ten Lakes, and Brook Lake, 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 \$7,917 in 2013.

Region Five Development Commission

The Region Five Development Commission was established in 1973 pursuant to the Minnesota Regional Development Act of 1969 Authorized under Minn. Stat. §§ 462.384 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. 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.

**CASS COUNTY  
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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 \$79,789 for Region Five as a special taxing district, and remitted \$79,126 in current and delinquent taxes for the year ended December 31, 2013.

Separate financial information can be obtained from:

Region Five Development Commission  
200 1st Street N.E., Suite 2  
Staples, Minnesota 56379  
[www.regionfive.org](http://www.regionfive.org)

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 (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created 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 \$32,461 to the MCCC.



**CASS COUNTY  
WALKER, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Region Two - Northeast Minnesota Homeland Security Emergency Management Organization

The Region Two - Northeast Minnesota Security Emergency Management Organization (NERHSEM) 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 NERHSEM 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.

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 \$341,417 to the Library for the year ended December 31, 2013.

Separate financial information can be obtained from:

Kitchigami Regional Library  
P. O. Box 84  
Pine River, Minnesota 56474  
[www.krls.org](http://www.krls.org)

**CASS COUNTY  
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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.

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 funds set aside to be used in the future for capital replacements and repairs and for the accumulation of capital recovery charges to be used to make principal and interest payments on outstanding long-term debt. Other amounts are restricted for tenant security deposits. Interest earned on cash balances is allocated to cash and restricted cash balances.

**CASS COUNTY  
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7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits (Continued)

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.

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

|   | Cass County<br>Housing and<br>Redevelopment<br>Authority | Pine River<br>Area Sanitary<br>District |
|---|--|---|
| Government-wide statement of net position |  |   |
| Cash and pooled investments               | \$ 44,228  | \$ 77,863                               |
| Restricted assets                         |  |   |
| Cash and pooled investments               | 28,216   | 270,071                                 |
| Total Cash and Investments                | \$ 72,444  | \$ 347,934                              |

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.

**CASS COUNTY  
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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, 2013, the HRA and the District were not exposed to any custodial credit risk.

(2) Investments

The HRA and the District may investment 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;

**CASS COUNTY  
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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, 2013, 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.

**CASS COUNTY  
WALKER, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets (Continued)

b. Receivables

Receivables as of December 31, 2013, for each discretely presented component unit, including any applicable allowances for uncollectible accounts, are as follows:

|                       | Cass County<br>Housing and<br>Redevelopment<br>Authority | Pine River<br>Area Sanitary<br>District | Total<br>Receivables | Amounts Not<br>Scheduled for<br>Collection During<br>the Year |
|-----------------------|--|---|----------------------|---|
| Special assessments   | \$ -   | \$ 19,095                               | \$ 19,095            | \$ -  |
| Accounts              | 31,048   | 7,273                                   | 38,321               | -   |
| Note                  | 117,148  | -                                       | 117,148              | 117,148   |
| Total Component Units | <u>\$ 148,196</u>  | <u>\$ 26,368</u>                        | <u>\$ 174,564</u>    | <u>\$ 117,148</u>   |

c. Capital Assets

Component unit capital asset activity for the year ended December 31, 2013, was as follows:

|  | Beginning<br>Balance | Increase    | Decrease      | Ending<br>Balance   |
|--|----------------------|-------------|---------------|---------------------|
| Capital assets not depreciated                           |                      |             |               |                     |
| Land   |                      |             |               |                     |
| Cass County Housing and<br>Redevelopment Authority (HRA) | \$ 25,753            | \$ -        | \$ -          | \$ 25,753           |
| Pine River Area Sanitary District                        | 10,000               | -           | -             | 10,000              |
| Total capital assets not depreciated                     | <u>\$ 35,753</u>     | <u>\$ -</u> | <u>\$ -</u>   | <u>\$ 35,753</u>    |
| Capital assets depreciated                               |                      |             |               |                     |
| Buildings and improvements                               |                      |             |               |                     |
| Cass County HRA  | \$ 817,726           | \$ -        | \$ 725        | \$ 817,001          |
| Pine River Area Sanitary District                        | 2,261,313            | -           | -             | 2,261,313           |
| Total buildings and improvements                         | <u>\$ 3,079,039</u>  | <u>\$ -</u> | <u>\$ 725</u> | <u>\$ 3,078,314</u> |
| Water treatment facilities                               |                      |             |               |                     |
| Pine River Area Sanitary District                        | \$ 4,368,261         | \$ 19,147   | \$ -          | \$ 4,387,408        |

**CASS COUNTY  
WALKER, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

c. Capital Assets (Continued)

|   | <u>Beginning<br/>Balance</u> | <u>Increase</u>            | <u>Decrease</u>    | <u>Ending<br/>Balance</u>  |
|---|------------------------------|----------------------------|--------------------|----------------------------|
| Capital assets depreciated (Continued)    |                              |                            |                    |                            |
| Machinery, furniture, and equipment       |                              |                            |                    |                            |
| Cass County HRA                           | \$ 112,147                   | \$ 1,075                   | \$ -               | \$ 113,222                 |
| Pine River Area Sanitary District         | 102,479                      | 1,505                      | -                  | 103,984                    |
| Total machinery, furniture, and equipment | <u>\$ 214,626</u>            | <u>\$ 2,580</u>            | <u>\$ -</u>        | <u>\$ 217,206</u>          |
| Total capital assets depreciated          | <u>\$ 7,661,926</u>          | <u>\$ 21,727</u>           | <u>\$ 725</u>      | <u>\$ 7,682,928</u>        |
| Less: accumulated depreciation for        |                              |                            |                    |                            |
| Buildings and improvements                |                              |                            |                    |                            |
| Cass County HRA                           | \$ 484,920                   | \$ 27,434                  | \$ 725             | \$ 511,629                 |
| Pine River Area Sanitary District         | 2,390,062                    | 50,358                     | -                  | 2,440,420                  |
| Total buildings and improvements          | <u>\$ 2,874,982</u>          | <u>\$ 77,792</u>           | <u>\$ 725</u>      | <u>\$ 2,952,049</u>        |
| Water treatment facilities                |                              |                            |                    |                            |
| Pine River Area Sanitary District         | <u>\$ 2,402,162</u>          | <u>\$ 141,517</u>          | <u>\$ -</u>        | <u>\$ 2,543,679</u>        |
| Machinery, furniture, and equipment       |                              |                            |                    |                            |
| Cass County HRA                           | \$ 97,816                    | \$ 5,806                   | \$ -               | \$ 103,622                 |
| Pine River Area Sanitary District         | 92,944                       | 3,924                      | -                  | 96,868                     |
| Total machinery, furniture, and equipment | <u>\$ 190,760</u>            | <u>\$ 9,730</u>            | <u>\$ -</u>        | <u>\$ 200,490</u>          |
| Total accumulated depreciation            | <u>\$ 5,467,904</u>          | <u>\$ 229,039</u>          | <u>\$ 725</u>      | <u>\$ 5,696,218</u>        |
| Total capital assets depreciated, net     | <u>\$ 2,194,022</u>          | <u>\$ (207,312)</u>        | <u>\$ -</u>        | <u>\$ 1,986,710</u>        |
| Total Capital Assets, Net                 | <u><u>\$ 2,229,775</u></u>   | <u><u>\$ (207,312)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 2,022,463</u></u> |

As of January 1, 2013, Pine River Area Sanitary District reclassified \$155,940 from Buildings and Improvements to Water Treatment Facilities.

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

|                                   |                          |
|-----------------------------------|--------------------------|
| Cass County HRA                   | \$ 33,240                |
| Pine River Area Sanitary District | <u>195,799</u>           |
| Total Depreciation Expense        | <u><u>\$ 229,039</u></u> |

**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes (Continued)

2. Liabilities

The Cass County 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.

| Loan Date             | Term     | Balance<br>December 31,<br>2013 |
|-----------------------|----------|---------------------------------|
| February 20, 1992     | 20 years | \$ 34,205                       |
| October 20, 2008      | 5 years  | 2,618                           |
| September 1, 2010     | 5 years  | 3,997                           |
| Total                 |          | \$ 40,820                       |
| Less: current portion |          | (4,977)                         |
| Long-Term Portion     |          | \$ 35,843                       |

Debt Service Requirements

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

| Year Ending<br>December 31 | Amount    |
|----------------------------|-----------|
| 2014                       | \$ 4,977  |
| 2015                       | 1,638     |
| 2016                       | -         |
| Thereafter                 | 34,205    |
| Total                      | \$ 40,820 |



**CASS COUNTY  
WALKER, MINNESOTA**

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.

On June 1, 2010, the District entered into General Obligation Sewer Revenue Note, Series 2010A, (MN Rural Water Micro-Loan, Series 2008) to finalize planned future plant expansion. This loan was paid in full on November 25, 2013.

Long-term debt outstanding at December 31, 2013, for the Pine River Area Sanitary District consists of the following:

| <u>Type of Indebtedness</u>                              | <u>Final Maturity</u> | <u>Installment Amount</u> | <u>Interest Rate (%)</u> | <u>Original Issue Amount</u> | <u>Remaining Commitment</u> |
|--|-----------------------|---------------------------|--------------------------|------------------------------|-----------------------------|
| 1997A PFA G.O. Sewer Revenue Note                        | 2019                  | \$ 75,939                 | 1.13                     | \$ 1,366,190                 | \$ 443,187                  |
| 1997B PFA G.O. Sewer Revenue Note                        | 2020                  | 94,191                    | -                        | 1,883,810                    | 612,238                     |
| 2010A G.O. Sewer Revenue Note                            | 2017                  | 14,000                    | 2.75                     | 103,600                      | -                           |
| Total  |                       |                           |                          |                              | \$ 1,055,425                |
| Less: 2010A GO Sewer Revenue Note<br>Bond Issuance Costs |                       |                           |                          |                              | (1,758)                     |
| Net Long-Term Debt                                       |                       |                           |                          |                              | <u>\$ 1,053,667</u>         |

**CASS COUNTY  
WALKER, MINNESOTA**

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<br>December 31 | PFA Sewer &<br>G.O. Revenue<br>Note |
|----------------------------|-------------------------------------|
| 2014                       | \$ 177,528                          |
| 2015                       | 177,528                             |
| 2016                       | 177,527                             |
| 2017                       | 177,527                             |
| 2018                       | 177,527                             |
| 2019 - 2020                | 182,953                             |
| Total                      | \$ 1,070,590                        |
| Less: interest             | (15,165)                            |
| Total                      | \$ 1,055,425                        |

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 Authority 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.

**CASS COUNTY  
WALKER, MINNESOTA**

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, 2013.

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Pine River Area Sanitary District<br>PFA G.O. Sewer Revenue Notes<br>Payable | \$ 1,227,285                 | \$ -             | \$ 171,860        | \$ 1,055,425              | \$ 172,741                     |
| General Obligation Sewer<br>Revenue Note                                     | 69,000                       | -                | 69,000            | -                         | -                              |
| Total Long-Term Liabilities  | <u>\$ 1,296,285</u>          | <u>\$ -</u>      | <u>\$ 240,860</u> | <u>\$ 1,055,425</u>       | <u>\$ 172,741</u>              |

3. 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-1*

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

|   | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Revenues</b>                                     |                         |                      |                           |                                       |
| Taxes   | \$ 10,439,536           | \$ 10,439,536        | \$ 10,572,787             | \$ 133,251                            |
| Special assessments                                 | 1,650,000               | 1,650,000            | 1,772,336                 | 122,336                               |
| Licenses and permits                                | 87,590                  | 87,590               | 134,644                   | 47,054                                |
| Intergovernmental                                   | 2,545,259               | 2,545,259            | 3,200,690                 | 655,431                               |
| Charges for services                                | 2,252,800               | 2,252,800            | 1,893,221                 | (359,579)                             |
| Fines and forfeits                                  | 6,500                   | 6,500                | 10,067                    | 3,567                                 |
| Gifts and contributions                             | 500                     | 500                  | 2,822                     | 2,322                                 |
| Investment earnings                                 | 758,000                 | 758,000              | (2,516,574)               | (3,274,574)                           |
| Miscellaneous                                       | 395,125                 | 395,125              | 579,825                   | 184,700                               |
| <b>Total Revenues</b>                               | <b>\$ 18,135,310</b>    | <b>\$ 18,135,310</b> | <b>\$ 15,649,818</b>      | <b>\$ (2,485,492)</b>                 |
| <b>Expenditures</b>                                 |                         |                      |                           |                                       |
| <b>Current</b>                                      |                         |                      |                           |                                       |
| <b>General government</b>                           |                         |                      |                           |                                       |
| Commissioners                                       | \$ 297,017              | \$ 297,017           | \$ 286,231                | \$ 10,786                             |
| Courts  | 139,322                 | 139,322              | 110,514                   | 28,808                                |
| Law library   | 30,000                  | 30,500               | 30,255                    | 245                                   |
| County administration                               | 228,517                 | 228,517              | 221,877                   | 6,640                                 |
| County auditor                                      | 1,248,597               | 1,264,597            | 1,253,300                 | 11,297                                |
| County assessor                                     | 870,542                 | 870,542              | 855,179                   | 15,363                                |
| Attorney  | 1,015,583               | 1,015,583            | 980,853                   | 34,730                                |
| Recorder  | 451,027                 | 471,027              | 467,571                   | 3,456                                 |
| Planning and zoning                                 | 396,751                 | 396,751              | 388,388                   | 8,363                                 |
| Buildings and plant                                 | 717,218                 | 1,062,218            | 1,052,605                 | 9,613                                 |
| MIS   | 580,682                 | 632,682              | 628,630                   | 4,052                                 |
| HHVS cost plan and reimbursement                    | 5,500                   | 5,500                | 5,100                     | 400                                   |
| <b>Total general government</b>                     | <b>\$ 5,980,756</b>     | <b>\$ 6,414,256</b>  | <b>\$ 6,280,503</b>       | <b>\$ 133,753</b>                     |
| <b>Public safety</b>                                |                         |                      |                           |                                       |
| Sheriff   | \$ 5,144,257            | \$ 5,492,257         | \$ 5,469,706              | \$ 22,551                             |
| Boat and water safety                               | 390,630                 | 390,630              | 344,227                   | 46,403                                |
| Emergency services                                  | 87,944                  | 237,944              | 231,505                   | 6,439                                 |
| Coroner   | 100,000                 | 100,000              | 89,599                    | 10,401                                |
| Law enforcement center                              | 2,336,041               | 2,587,321            | 2,515,728                 | 71,593                                |
| Sentence to serve                                   | 69,491                  | 69,491               | 65,235                    | 4,256                                 |
| Probation and parole                                | 717,344                 | 727,344              | 724,655                   | 2,689                                 |
| Longville ambulance subordinate<br>service district | 461,000                 | 461,000              | 415,687                   | 45,313                                |
| <b>Total public safety</b>                          | <b>\$ 9,306,707</b>     | <b>\$ 10,065,987</b> | <b>\$ 9,856,342</b>       | <b>\$ 209,645</b>                     |

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

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

|   | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Expenditures</b>                                 |                         |                      |                           |                                       |
| <b>Current (Continued)</b>                          |                         |                      |                           |                                       |
| <b>Sanitation</b>                                   |                         |                      |                           |                                       |
| Solid waste   | \$ 2,257,495            | \$ 2,257,495         | \$ 2,110,527              | \$ 146,968                            |
| <b>Culture and recreation</b>                       |                         |                      |                           |                                       |
| Parks   | \$ 15,000               | \$ 15,000            | \$ 15,000                 | \$ -                                  |
| <b>Conservation of natural resources</b>            |                         |                      |                           |                                       |
| Cooperative extension                               | \$ 69,850               | \$ 70,500            | \$ 70,468                 | \$ 32                                 |
| Mississippi Headwaters Board                        | 17,850                  | 17,850               | 17,850                    | -                                     |
| Soil and water conservation                         | 7,250                   | 7,250                | 6,050                     | 1,200                                 |
| Environmental services                              | 305,989                 | 305,989              | 276,120                   | 29,869                                |
| County Ditch #9 project                             | -                       | 11,000               | 10,554                    | 446                                   |
| <b>Total conservation of natural resources</b>      | <u>\$ 400,939</u>       | <u>\$ 412,589</u>    | <u>\$ 381,042</u>         | <u>\$ 31,547</u>                      |
| <b>Economic development</b>                         |                         |                      |                           |                                       |
| Administration                                      | \$ 37,500               | \$ 37,500            | \$ 37,500                 | \$ -                                  |
| <b>Total Expenditures</b>                           | <u>\$ 17,998,397</u>    | <u>\$ 19,202,827</u> | <u>\$ 18,680,914</u>      | <u>\$ 521,913</u>                     |
| <b>Excess of Revenues Over (Under) Expenditures</b> | \$ 136,913              | \$ (1,067,517)       | \$ (3,031,096)            | \$ (1,963,579)                        |
| <b>Other Financing Sources (Uses)</b>               |                         |                      |                           |                                       |
| Transfers in  | 350,000                 | 350,000              | 371,891                   | 21,891                                |
| <b>Net Change in Fund Balance</b>                   | \$ 486,913              | \$ (717,517)         | \$ (2,659,205)            | \$ (1,941,688)                        |
| <b>Fund Balance - January 1</b>                     | <u>21,758,604</u>       | <u>21,758,604</u>    | <u>21,758,604</u>         | <u>-</u>                              |
| <b>Fund Balance - December 31</b>                   | <u>\$ 22,245,517</u>    | <u>\$ 21,041,087</u> | <u>\$ 19,099,399</u>      | <u>\$ (1,941,688)</u>                 |



**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-2*

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

|   | <u>Budgeted Amounts</u> |                       | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|-----------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>          |                           |                                       |
| <b>Revenues</b>                           |                         |                       |                           |                                       |
| Taxes                                     | \$ 3,839,633            | \$ 3,839,633          | \$ 3,842,232              | \$ 2,599                              |
| Intergovernmental                         | 5,825,808               | 5,825,808             | 8,197,520                 | 2,371,712                             |
| Charges for services                      | 510,000                 | 510,000               | 629,221                   | 119,221                               |
| Miscellaneous                             | 2,000                   | 2,000                 | 29,872                    | 27,872                                |
| <b>Total Revenues</b>                     | <b>\$ 10,177,441</b>    | <b>\$ 10,177,441</b>  | <b>\$ 12,698,845</b>      | <b>\$ 2,521,404</b>                   |
| <b>Expenditures</b>                       |                         |                       |                           |                                       |
| <b>Current</b>                            |                         |                       |                           |                                       |
| <b>Highways and streets</b>               |                         |                       |                           |                                       |
| Administration                            | \$ 695,780              | \$ 695,780            | \$ 683,909                | \$ 11,871                             |
| Maintenance                               | 3,318,435               | 4,383,435             | 4,317,435                 | 66,000                                |
| Construction                              | 4,275,000               | 5,315,000             | 5,276,320                 | 38,680                                |
| Equipment maintenance and shop            | 1,711,030               | 1,891,030             | 1,868,665                 | 22,365                                |
| Other                                     | 177,196                 | 177,196               | 162,828                   | 14,368                                |
| <b>Total Expenditures</b>                 | <b>\$ 10,177,441</b>    | <b>\$ 12,462,441</b>  | <b>\$ 12,309,157</b>      | <b>\$ 153,284</b>                     |
| <b>Net Change in Fund Balance</b>         | <b>\$ -</b>             | <b>\$ (2,285,000)</b> | <b>\$ 389,688</b>         | <b>\$ 2,674,688</b>                   |
| <b>Fund Balance - January 1</b>           | <b>2,736,598</b>        | <b>2,736,598</b>      | <b>2,736,598</b>          | <b>-</b>                              |
| <b>Increase (decrease) in inventories</b> | <b>-</b>                | <b>-</b>              | <b>(97,875)</b>           | <b>(97,875)</b>                       |
| <b>Fund Balance - December 31</b>         | <b>\$ 2,736,598</b>     | <b>\$ 451,598</b>     | <b>\$ 3,028,411</b>       | <b>\$ 2,576,813</b>                   |

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT A-3**

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

|                                   | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Revenues</b>                   |                         |                      |                           |                                       |
| Taxes                             | \$ 5,683,026            | \$ 5,683,026         | \$ 5,687,544              | \$ 4,518                              |
| Licenses and permits              | 6,510                   | 6,510                | 7,695                     | 1,185                                 |
| Intergovernmental                 | 6,031,401               | 6,031,401            | 6,069,607                 | 38,206                                |
| Charges for services              | 963,355                 | 963,355              | 900,136                   | (63,219)                              |
| Gifts and contributions           | 1,000                   | 1,000                | 800                       | (200)                                 |
| Investment earnings               | -                       | -                    | 22,380                    | 22,380                                |
| Miscellaneous                     | 451,400                 | 451,400              | 1,045,794                 | 594,394                               |
| <b>Total Revenues</b>             | <b>\$ 13,136,692</b>    | <b>\$ 13,136,692</b> | <b>\$ 13,733,956</b>      | <b>\$ 597,264</b>                     |
| <b>Expenditures</b>               |                         |                      |                           |                                       |
| <b>Current</b>                    |                         |                      |                           |                                       |
| <b>General government</b>         |                         |                      |                           |                                       |
| Veterans services officer         | \$ 208,143              | \$ 208,143           | \$ 190,801                | \$ 17,342                             |
| <b>Human services</b>             |                         |                      |                           |                                       |
| Income maintenance                | \$ 3,344,555            | \$ 3,664,555         | \$ 3,577,767              | \$ 86,788                             |
| Social services                   | 7,188,874               | 7,188,874            | 5,943,272                 | 1,245,602                             |
| Children's initiative             | 225,000                 | 225,000              | 203,355                   | 21,645                                |
| <b>Total human services</b>       | <b>\$ 10,758,429</b>    | <b>\$ 11,078,429</b> | <b>\$ 9,724,394</b>       | <b>\$ 1,354,035</b>                   |
| <b>Health</b>                     |                         |                      |                           |                                       |
| Public health                     | \$ 2,170,120            | \$ 2,170,120         | \$ 1,863,062              | \$ 307,058                            |
| <b>Total Expenditures</b>         | <b>\$ 13,136,692</b>    | <b>\$ 13,456,692</b> | <b>\$ 11,778,257</b>      | <b>\$ 1,678,435</b>                   |
| <b>Net Change in Fund Balance</b> | <b>\$ -</b>             | <b>\$ (320,000)</b>  | <b>\$ 1,955,699</b>       | <b>\$ 2,275,699</b>                   |
| <b>Fund Balance - January 1</b>   | <b>15,380,447</b>       | <b>15,380,447</b>    | <b>15,380,447</b>         | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 15,380,447</b>    | <b>\$ 15,060,447</b> | <b>\$ 17,336,146</b>      | <b>\$ 2,275,699</b>                   |

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
FORFEITED TAX SALE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|---------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>   |                         |                     |                           |                                       |
| Intergovernmental                                       | \$ 810,800              | \$ 810,800          | \$ 594,850                | \$ (215,950)                          |
| Miscellaneous   | 2,307,900               | 2,307,900           | 1,798,731                 | (509,169)                             |
| <b>Total Revenues</b>                                   | <b>\$ 3,118,700</b>     | <b>\$ 3,118,700</b> | <b>\$ 2,393,581</b>       | <b>\$ (725,119)</b>                   |
| <b>Expenditures</b>                                     |                         |                     |                           |                                       |
| <b>Current</b>  |                         |                     |                           |                                       |
| <b>Conservation of natural resources</b>                |                         |                     |                           |                                       |
| Reforestation   | \$ 705,000              | \$ 705,000          | \$ 530,181                | \$ 174,819                            |
| In-lieu   | 130,000                 | 140,000             | 137,562                   | 2,438                                 |
| Roads   | 30,000                  | 30,000              | -                         | 30,000                                |
| Trails  | 269,000                 | 269,000             | 227,796                   | 41,204                                |
| Land commissioner                                       | 1,984,700               | 1,984,700           | 1,076,532                 | 908,168                               |
| <b>Total Expenditures</b>                               | <b>\$ 3,118,700</b>     | <b>\$ 3,128,700</b> | <b>\$ 1,972,071</b>       | <b>\$ 1,156,629</b>                   |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>             | <b>\$ (10,000)</b>  | <b>\$ 421,510</b>         | <b>\$ 431,510</b>                     |
| <b>Other Financing Sources (Uses)</b>                   |                         |                     |                           |                                       |
| Transfers out   | -                       | -                   | (374,611)                 | (374,611)                             |
| <b>Net Change in Fund Balance</b>                       | <b>\$ -</b>             | <b>\$ (10,000)</b>  | <b>\$ 46,899</b>          | <b>\$ 56,899</b>                      |
| <b>Fund Balance - January 1</b>                         | <b>4,850,008</b>        | <b>4,850,008</b>    | <b>4,850,008</b>          | <b>-</b>                              |
| <b>Fund Balance - December 31</b>                       | <b>\$ 4,850,008</b>     | <b>\$ 4,840,008</b> | <b>\$ 4,896,907</b>       | <b>\$ 56,899</b>                      |

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT A-5**

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

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|--|--------------------------|---------------------------|---|
| January 1, 2009                | \$ -                                   | \$ 33,948,649                                     | \$ 33,948,649  | 0.0%                     | \$ 12,141,633             | 279.60%   |
| 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  |

**CASS COUNTY  
WALKER, MINNESOTA**

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

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Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. 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 15, 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 15. 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.

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**SUPPLEMENTARY INFORMATION**

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**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.

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CASS COUNTY  
WALKER, MINNESOTA

*EXHIBIT B-1*

BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND  
DECEMBER 31, 2013

|   | <u>Unorganized Town<br/>Special Revenue</u> |
|---|---|
| <u>Assets</u>   |   |
| Cash and pooled investments   | \$ 582,534                                  |
| Undistributed cash in agency funds  | 1,171                                       |
| Taxes receivable  |   |
| Prior   | 6,318                                       |
| Due from other funds  | <u>2,720</u>                                |
| <b>Total Assets</b>   | <b><u><u>\$ 592,743</u></u></b>             |
| <br><u>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balance</u>   |   |
| <b>Liabilities</b>  |   |
| Due to other funds  | <b><u>\$ 43,443</u></b>                     |
| <b>Deferred Inflows of Resources</b>  |   |
| Unavailable revenue - taxes   | <b><u>\$ 6,207</u></b>                      |
| <b>Fund Balance</b>   |   |
| Committed to  |   |
| Road and bridge projects  | \$ 350,000                                  |
| Assigned to   |   |
| Unorganized towns   | <u>193,093</u>                              |
| <b>Total Fund Balance</b>   | <b><u>\$ 543,093</u></b>                    |
| <b>Total Liabilities, Deferred Inflows of Resources,<br/>and Fund Balance</b> | <b><u><u>\$ 592,743</u></u></b>             |

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT B-2*

**BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED TOWN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>   |                         |                   |                           |                                       |
| Taxes   | \$ 245,000              | \$ 245,000        | \$ 244,583                | \$ (417)                              |
| Intergovernmental                                       | 45,000                  | 45,000            | 88,028                    | 43,028                                |
| <b>Total Revenues</b>                                   | <b>\$ 290,000</b>       | <b>\$ 290,000</b> | <b>\$ 332,611</b>         | <b>\$ 42,611</b>                      |
| <b>Expenditures</b>                                     |                         |                   |                           |                                       |
| <b>Current</b>  |                         |                   |                           |                                       |
| <b>General government</b>                               |                         |                   |                           |                                       |
| Elections   | \$ -                    | \$ -              | \$ 1,500                  | \$ (1,500)                            |
| <b>Public safety</b>                                    |                         |                   |                           |                                       |
| Other public safety                                     | 35,000                  | 35,000            | 29,040                    | 5,960                                 |
| <b>Highways and streets</b>                             |                         |                   |                           |                                       |
| Maintenance   | 255,000                 | 255,000           | 152,425                   | 102,575                               |
| <b>Total Expenditures</b>                               | <b>\$ 290,000</b>       | <b>\$ 290,000</b> | <b>\$ 182,965</b>         | <b>\$ 107,035</b>                     |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ 149,646</b>         | <b>\$ 149,646</b>                     |
| <b>Other Financing Sources (Uses)</b>                   |                         |                   |                           |                                       |
| Transfers in  | -                       | -                 | 2,720                     | 2,720                                 |
| <b>Net Change in Fund Balance</b>                       | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ 152,366</b>         | <b>\$ 152,366</b>                     |
| <b>Fund Balance - January 1</b>                         | <b>390,727</b>          | <b>390,727</b>    | <b>390,727</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b>                       | <b>\$ 390,727</b>       | <b>\$ 390,727</b> | <b>\$ 543,093</b>         | <b>\$ 152,366</b>                     |

**FIDUCIARY FUNDS**

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**CASS COUNTY  
WALKER, MINNESOTA**

**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.

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**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                   | <b>Balance<br/>January 1</b> | <b>Additions</b>            | <b>Deductions</b>           | <b>Balance<br/>December 31</b> |
|-----------------------------------|------------------------------|-----------------------------|-----------------------------|--------------------------------|
| <b><u>TAXES AND PENALTIES</u></b> |                              |                             |                             |                                |
| <b><u>Assets</u></b>              |                              |                             |                             |                                |
| Cash and pooled investments       | \$ <u>457,755</u>            | \$ <u>52,625,435</u>        | \$ <u>52,638,189</u>        | \$ <u>445,001</u>              |
| <b><u>Liabilities</u></b>         |                              |                             |                             |                                |
| Due to other governments          | \$ 370,948                   | \$ 52,500,442               | \$ 52,494,797               | \$ 376,593                     |
| Prepaid taxes                     | <u>86,807</u>                | <u>124,993</u>              | <u>143,392</u>              | <u>68,408</u>                  |
| <b>Total Liabilities</b>          | <b>\$ <u>457,755</u></b>     | <b>\$ <u>52,625,435</u></b> | <b>\$ <u>52,638,189</u></b> | <b>\$ <u>445,001</u></b>       |
| <br>                              |                              |                             |                             |                                |
| <b><u>STATE OF MINNESOTA</u></b>  |                              |                             |                             |                                |
| <b><u>Assets</u></b>              |                              |                             |                             |                                |
| Cash and pooled investments       | \$ <u>185,842</u>            | \$ <u>10,992,363</u>        | \$ <u>11,043,829</u>        | \$ <u>134,376</u>              |
| <b><u>Liabilities</u></b>         |                              |                             |                             |                                |
| Due to other governments          | <u>\$ 185,842</u>            | <u>\$ 10,992,363</u>        | <u>\$ 11,043,829</u>        | <u>\$ 134,376</u>              |
| <br>                              |                              |                             |                             |                                |
| <b><u>SCHOOL DISTRICTS</u></b>    |                              |                             |                             |                                |
| <b><u>Assets</u></b>              |                              |                             |                             |                                |
| Cash and pooled investments       | \$ <u>9</u>                  | \$ <u>174,343</u>           | \$ <u>174,352</u>           | \$ <u>-</u>                    |
| <b><u>Liabilities</u></b>         |                              |                             |                             |                                |
| Due to other governments          | <u>\$ 9</u>                  | <u>\$ 174,343</u>           | <u>\$ 174,352</u>           | <u>\$ -</u>                    |

**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, 2013**

|  | <b>Balance<br/>January 1</b> | <b>Additions</b>    | <b>Deductions</b>   | <b>Balance<br/>December 31</b> |
|--|------------------------------|---------------------|---------------------|--------------------------------|
| <b><u>TOWNS AND CITIES</u></b>                               |                              |                     |                     |                                |
| <b><u>Assets</u></b>   |                              |                     |                     |                                |
| Cash and pooled investments                                  | \$ 9,443                     | \$ 599,326          | \$ 599,022          | \$ 9,747                       |
| <b><u>Liabilities</u></b>                                    |                              |                     |                     |                                |
| Due to other governments                                     | \$ 9,443                     | \$ 599,326          | \$ 599,022          | \$ 9,747                       |
| <br><b><u>MINNESOTA COUNTIES INFORMATION<br/>SYSTEMS</u></b> |                              |                     |                     |                                |
| <b><u>Assets</u></b>   |                              |                     |                     |                                |
| Cash and pooled investments                                  | \$ 541,450                   | \$ 1,853,135        | \$ 1,686,976        | \$ 707,609                     |
| Petty cash and change funds                                  | 400                          | -                   | -                   | 400                            |
| <b>Total Assets</b>  | <b>\$ 541,850</b>            | <b>\$ 1,853,135</b> | <b>\$ 1,686,976</b> | <b>\$ 708,009</b>              |
| <b><u>Liabilities</u></b>                                    |                              |                     |                     |                                |
| Salaries payable   | \$ 58,309                    | \$ 69,791           | \$ 58,309           | \$ 69,791                      |
| Due to other governments                                     | 483,541                      | 1,783,344           | 1,628,667           | 638,218                        |
| <b>Total Liabilities</b>                                     | <b>\$ 541,850</b>            | <b>\$ 1,853,135</b> | <b>\$ 1,686,976</b> | <b>\$ 708,009</b>              |
| <br><b><u>MISSISSIPPI HEADWATERS BOARD</u></b>               |                              |                     |                     |                                |
| <b><u>Assets</u></b>   |                              |                     |                     |                                |
| Petty cash and change funds                                  | \$ 40                        | \$ -                | \$ 40               | \$ -                           |
| <b><u>Liabilities</u></b>                                    |                              |                     |                     |                                |
| Due to other governments                                     | \$ 40                        | \$ -                | \$ 40               | \$ -                           |

**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, 2013**

|                                      | <b>Balance<br/>January 1</b> | <b>Additions</b>            | <b>Deductions</b>           | <b>Balance<br/>December 31</b> |
|--------------------------------------|------------------------------|-----------------------------|-----------------------------|--------------------------------|
| <b><u>TOTAL ALL AGENCY FUNDS</u></b> |                              |                             |                             |                                |
| <b><u>Assets</u></b>                 |                              |                             |                             |                                |
| Cash and pooled investments          | \$ 1,194,499                 | \$ 66,244,602               | \$ 66,142,368               | \$ 1,296,733                   |
| Petty cash and change funds          | 440                          | -                           | 40                          | 400                            |
| <b>Total Assets</b>                  | <b><u>\$ 1,194,939</u></b>   | <b><u>\$ 66,244,602</u></b> | <b><u>\$ 66,142,408</u></b> | <b><u>\$ 1,297,133</u></b>     |
| <b><u>Liabilities</u></b>            |                              |                             |                             |                                |
| Salaries payable                     | \$ 58,309                    | \$ 69,791                   | \$ 58,309                   | \$ 69,791                      |
| Due to other governments             | 1,049,823                    | 66,049,818                  | 65,940,707                  | 1,158,934                      |
| Prepaid taxes                        | 86,807                       | 124,993                     | 143,392                     | 68,408                         |
| <b>Total Liabilities</b>             | <b><u>\$ 1,194,939</u></b>   | <b><u>\$ 66,244,602</u></b> | <b><u>\$ 66,142,408</u></b> | <b><u>\$ 1,297,133</u></b>     |

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## **OTHER SCHEDULES**

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**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT D-1**

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

**Shared Revenue**

**State**

|                                 |    |           |
|---------------------------------|----|-----------|
| Highway users tax               | \$ | 6,152,942 |
| County program aid              |    | 630,549   |
| PERA rate reimbursement         |    | 52,234    |
| Disparity reduction aid         |    | 7,402     |
| Police aid                      |    | 267,096   |
| E-911                           |    | 105,117   |
| Market value credit             |    | 110,661   |
| Casino aid/tribal tax agreement |    | 75,427    |
|                                 |    | 75,427    |

**Total shared revenue** **\$ 7,401,428**

**Reimbursement for Services**

Minnesota Department of Human Services **\$ 852,812**

**Payments**

**Local**

|                           |    |           |
|---------------------------|----|-----------|
| Local contribution        | \$ | 985,632   |
| Payments in lieu of taxes |    | 1,091,148 |
|                           |    | 1,091,148 |

**Total payments** **\$ 2,076,780**

**Grants**

**State**

|                                    |    |           |
|------------------------------------|----|-----------|
| Minnesota Department of/Agency     |    |           |
| Corrections                        | \$ | 187,792   |
| Crime Victim Services              |    | 43,772    |
| Public Safety                      |    | 2,725     |
| Health                             |    | 321,713   |
| Natural Resources                  |    | 979,367   |
| Pollution Control                  |    | 43,783    |
| Human Services                     |    | 1,605,806 |
| Veterans Affairs                   |    | 3,608     |
| Office of Environmental Assistance |    | 69,234    |
|                                    |    | 69,234    |

**Total state** **\$ 3,257,800**

**Federal**

|                           |    |           |
|---------------------------|----|-----------|
| Department of             |    |           |
| Agriculture               | \$ | 555,080   |
| Interior                  |    | 435,490   |
| Justice                   |    | 2,619     |
| Transportation            |    | 673,972   |
| Health and Human Services |    | 2,796,334 |
| Homeland Security         |    | 98,380    |
|                           |    | 98,380    |

**Total federal** **\$ 4,561,875**

**Total state and federal grants** **\$ 7,819,675**

**Total Intergovernmental Revenue** **\$ 18,150,695**

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT D-2**

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

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b>  | <b>Pass-Through<br/>Grant Numbers</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b>      |
|---|---------------------------------------|------------------------------------|--------------------------|
| <b>U.S. Department of Agriculture</b>   |                                       |                                    |                          |
| Direct  |                                       |                                    |                          |
| Cooperative Forestry Assistance   |                                       | 10.664                             | \$ 9,679                 |
| Passed Through Minnesota Department of Health<br>Special Supplemental Nutrition Program for Women, Infants, and<br>Children                               |                                       | 10.557                             | 151,822                  |
| Passed Through Minnesota Department of Human Services<br>State Administrative Matching Grants for the Supplemental Nutrition<br>Assistance Program (SNAP) |                                       | 10.561                             | 251,805                  |
| Passed Through Minnesota Department of Management & Budget<br>Schools and Roads - Grants to States  |                                       | 10.665                             | <u>141,774</u>           |
| <b>Total U.S. Department of Agriculture</b>   |                                       |                                    | <b><u>\$ 555,080</u></b> |
| <b>U.S. Department of the Interior</b>  |                                       |                                    |                          |
| Direct  |                                       |                                    |                          |
| Payments in Lieu of Taxes   |                                       | 15.226                             | \$ 426,190               |
| Fish and Wildlife Management Assistance   |                                       | 15.608                             | <u>9,300</u>             |
| <b>Total U.S. Department of the Interior</b>  |                                       |                                    | <b><u>\$ 435,490</u></b> |
| <b>U.S. Department of Justice</b>   |                                       |                                    |                          |
| Direct  |                                       |                                    |                          |
| Bulletproof Vest Partnership Program  |                                       | 16.607                             | <b><u>\$ 2,619</u></b>   |
| <b>U.S. Department of Transportation</b>  |                                       |                                    |                          |
| Passed Through Minnesota Department of Transportation<br>Highway Planning and Construction  |                                       | 20.205                             | \$ 365,006               |
| Passed Through Minnesota Department of Natural Resources<br>Recreational Trails Program   |                                       | 20.219                             | 150,000                  |
| Passed Through Minnesota Department of Public Safety<br>State and Community Highway Safety  |                                       | 20.600                             | 35,430                   |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated<br>(Total CFDA 20.608 \$132,110)   | 9200-2994                             | 20.608                             | 29,635                   |
| Passed Through Minnesota Trial Courts<br>Minimum Penalties for Repeat Offenders for Driving While Intoxicated<br>(Total CFDA 20.608 \$132,110)            |                                       | 20.608                             | <u>102,475</u>           |
| <b>Total U.S. Department of Transportation</b>  |                                       |                                    | <b><u>\$ 682,546</u></b> |



**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

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

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b>                   | <b>Pass-Through<br/>Grant Numbers</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|--|---------------------------------------|------------------------------------|---------------------|
| <b>U.S. Department of Health and Human Services</b>                                      |                                       |                                    |                     |
| Passed Through Minnesota Department of Health  |                                       |                                    |                     |
| Public Health Emergency Preparedness   |                                       | 93.069                             | \$ 26,567           |
| Universal Newborn Hearing Screening  |                                       | 93.251                             | 825                 |
| Immunization Cooperative Agreements  |                                       | 93.268                             | 300                 |
| Centers for Disease Control and Prevention - Investigations and<br>Technical Assistance  |                                       | 93.283                             | 450                 |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood<br>Home Visiting Program |                                       | 93.505                             | 89,842              |
| Temporary Assistance for Needy Families<br>(Total CFDA 93.558 \$565,518)                 |                                       | 93.558                             | 70,842              |
| Maternal and Child Health Services Block Grant to the States                             |                                       | 93.994                             | 41,163              |
| Passed Through Minnesota Department of Human Services                                    |                                       |                                    |                     |
| Promoting Safe and Stable Families   |                                       | 93.556                             | 7,987               |
| Temporary Assistance for Needy Families<br>(Total CFDA 93.558 \$565,518)                 |                                       | 93.558                             | 494,676             |
| Child Support Enforcement  |                                       | 93.563                             | 640,133             |
| Refugee and Entrant Assistance - State-Administered Programs                             |                                       | 93.566                             | 632                 |
| Child Care and Development Block Grant   |                                       | 93.575                             | 17,523              |
| Stephanie Tubbs Jones Child Welfare Services Program                                     |                                       | 93.645                             | 9,640               |
| Foster Care - Title IV-E   |                                       | 93.658                             | 184,100             |
| Social Services Block Grant  |                                       | 93.667                             | 220,043             |
| Chafee Foster Care Independence Program  |                                       | 93.674                             | 628                 |
| Children's Health Insurance Program  |                                       | 93.767                             | 128                 |
| Medical Assistance Program   |                                       | 93.778                             | 958,454             |
| Passed Through Todd/Morrison/Wadena Community Health Board                               |                                       |                                    |                     |
| Community Transformation Grant   |                                       | 93.531                             | 32,401              |
| <b>Total U.S. Department of Health and Human Services</b>                                |                                       |                                    | <b>\$ 2,796,334</b> |
| <b>U.S. Department of Homeland Security</b>  |                                       |                                    |                     |
| Passed Through Minnesota Department of Natural Resources                                 |                                       |                                    |                     |
| Boating Safety Financial Assistance  |                                       | 97.012                             | \$ 74,665           |
| Passed Through Minnesota Department of Public Safety                                     |                                       |                                    |                     |
| Hazard Mitigation Grant  |                                       | 97.039                             | 12,440              |
| Homeland Security Grant Program  | 2009-SHSP-00558                       | 97.067                             | 11,275              |
| <b>Total U.S. Department of Homeland Security</b>  |                                       |                                    | <b>\$ 98,380</b>    |
| <b>Total Federal Awards</b>  |                                       |                                    | <b>\$ 4,570,449</b> |

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**CASS COUNTY  
WALKER, MINNESOTA**

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

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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 \$391,526 in federal awards expended by the Cass County Housing and Redevelopment Authority component unit, which has 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, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of 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 the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

4. Reconciliation to Schedule of Intergovernmental Revenue

|   |                            |
|---|----------------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue | \$ 4,561,875               |
| Unavailable revenue in 2013                                     |                            |
| Highway Planning and Construction                               | <u>8,574</u>               |
| Expenditures Per Schedule of Expenditures of Federal Awards     | <u><u>\$ 4,570,449</u></u> |

5. Subrecipients

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

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**CASS COUNTY  
WALKER, MINNESOTA**

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

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

The major programs are:

|  |              |
|--|--------------|
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | CFDA #10.561 |
| Schools and Roads - Grants to the States   | CFDA #10.665 |
| Payment in Lieu of Taxes   | CFDA #15.226 |
| Temporary Assistance for Needy Families  | CFDA #93.558 |
| Foster Care - Title IV-E   | CFDA #93.658 |

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

Cass County qualified as a low-risk auditee? **Yes**

## 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 it 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 segregate accounting functions whenever possible and to closely supervise those areas where proper segregation of duties cannot be achieved.*

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 financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** Material audit adjustments were required in the Road and Bridge Special Revenue Fund to correct the fund level financial statements.

**Context:** In the prior year, there were some complicated transactions, and not all correcting adjustments were posted to the Road and Bridge Special Revenue Fund financial statements.

**Effect:** The following material audit adjustments were reviewed and approved by County staff and reflected in the financial statements to properly report receivables, advances, and revenues in the Road and Bridge Special Revenue Fund of the County:

- Due from other governments was increased by \$695,783 to correct regular construction revenue.
- Advances from other governments was decreased by \$880,208 to eliminate the prior year advance balance and increase regular construction revenue.

**Cause:** Although the underlying transactions were complex, a final review of the fund level trial balance account balances may have detected these errors since it was already known that the advance had been recovered at the state level and the receivable accrual was a significant account balance.

**Recommendation:** We recommend that responsible staff in the Road and Bridge Department review the financial statement closing procedures to ensure that all material adjustments and reclassifications have been made that are considered necessary to fairly state the County's financial statements in accordance with generally accepted accounting principles.

Client's Response:

*The County Road and Bridge Accountant will seek assistance from identified staff at other counties when preparing the Road and Bridge trial balance when reporting questions arise. The Accountant will also seek assistance from the Office of the State Auditor staff and the County Chief Financial Officer in the review and completion of the trial balance. The Chief Financial Officer and the Chief Deputy Treasurer will assist the Road and Bridge Accountant to ensure that all revenue is properly classified and reported. By adding depth to the review process, it is the County's goal to avoid any future material adjustments by the Auditor.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

ITEM ARISING THIS YEAR

Finding 2013-001

Cash Management

**Program:** U.S Department of Health and Human Services' Temporary Assistance for Needy Families (CFDA No. 93.558)

**Pass-Through Agency:** Minnesota Department of Health

**Criteria:** The Office of Management and Budget (OMB) Compliance Supplement, Part 3C., Cash Management, states that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested. Requests must be based upon actual invoices approved and paid before completing a reimbursement request.

**Condition:** During the review of reports submitted to the Minnesota Department of Health for the Family Planning and Special Projects Grant, audit procedures detected one vendor claim in the 2nd quarter and one vendor claim in the 3rd quarter of 2013 that were submitted for reimbursement before being paid by the County. The claim submitted for the 3rd quarter of 2013 was reimbursed with federal funds passed through the State of Minnesota. The 2nd quarter claim was reimbursed with state funding; however, the grant agreement specifies administering the grant on a reimbursement basis.

**Questioned Costs:** None.

**Context:** The grant agreement between the Minnesota Department of Health and Cass County states that the grant is to be administered on a reimbursement basis only. In addition, the grant agreement states that a specific amount of funding will be provided by

federal funds; however, when the County is requesting reimbursement, it does not know if it will be reimbursed with federal or state funds, or how much of each reimbursement request will be funded with federal or state funds.

**Effect:** The County's internal controls operating over cash management failed to detect that the County was not in compliance with cash management requirements as stated in the OMB Compliance Supplement.

**Cause:** The County believed it was allowed to include invoices received and accrued, but not yet paid, on the financial reports it submitted to the Minnesota Department of Health for reimbursement.

**Recommendation:** We recommend that County management review and strengthen its internal controls over the preparation of grant reimbursement requests to ensure that financial reports submitted to grantor agencies for federal reimbursement comply with federal cash management requirements by only including expenditures that have actually been paid by the County.

Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

*Melanie S. Wolfe, Director of Business Management I*

Corrective Action Planned:

1. *Inventory of all public health federal grants will be performed.*
2. *Cash Management federal compliance issue will be reviewed with Public Health Management staff.*
3. *Vendors will be notified of new due dates for invoices so payments are made prior to submission for reimbursement.*
4. *Fiscal Officer will assure that vendor invoices are received and paid timely, and payments are made prior to report submission.*
5. *Director of Business Management will review all reports submitted for reimbursement.*

Anticipated Completion Date:

*September 30, 2014*

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Cass County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 23, 2014. Our report includes a reference to an other auditor who audited the financial statements of the Cass County Housing and Redevelopment Authority (HRA) and the Pine River Area Sanitary District (District), 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 Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because 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 Political Subdivisions*. 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 Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 23, 2014

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

### Independent Auditor's Report

Board of County Commissioners  
Cass County

### **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) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2013. 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 \$391,103 in federal awards during the year ended December 31, 2013, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Cass County Housing and Redevelopment Authority because it was audited by an other auditor.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable

assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001. 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 23, 2014

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR