

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CASS COUNTY
WALKER, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009



**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, 2009**

		<u>Term Expires</u>
Elected		
Commissioners		
District I	James Demgen	January 2011
District II	Robert Kangas	January 2011
District III	Jeff Peterson	January 2013
District IV	James Dowson	January 2011
District V	Dick Downham	January 2013
Attorney	Christopher Strandlie	January 2011
Recorder	Kathryn Norby	January 2011
Sheriff	Randy Fisher	January 2011
Appointed		
Administrator	Robert Yochum	November 2013
Assessor	Steven Kuha	December 2012
Auditor/Treasurer	Sharon K. Anderson	Indefinite
Central Services Director	Tim Richardson	Indefinite
Chief Financial Officer	Larry Wolfe	Indefinite
Environmental Services Director	John Ringle	Indefinite
Health, Human and Veterans Services	Ane Rogers	Indefinite
Highway Engineer	Dave Enblom	May 2013
Land Commissioner	Joshua Stevenson	Indefinite
Medical Examiner	Dr. Michael B. McGee	January 2010
Probation Director	Reno Wells	Indefinite

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cass County

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, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Cass County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cass County Housing and Redevelopment Authority (HRA) and the Pine River Area Sanitary District (District), which comprise the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA and the District, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the 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 and for the year ended December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Cass County's basic financial statements. The supplementary information and other schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 28, 2010, 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* and should be read in conjunction with this report in considering the results of our audit. It does not include the Cass County HRA and the Pine River Area Sanitary District, which were audited by other auditors.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CASS COUNTY
WALKER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(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, 2009. 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, 2009, by \$150,785,615 (net assets). Of this amount, \$33,016,523 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2009, Cass County's governmental funds reported combined ending fund balances of \$53,984,883, an increase of \$7,396,368 in comparison with 2008. Of this balance amount, \$9,622,585 was unreserved and undesignated by Cass County, and thus available for spending at the government's discretion.

Cass County had no debt during 2009.

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 assets presents information on all of Cass County's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 balance 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Cass County's assets exceeded liabilities by \$150,785,615 at the close of 2009. The largest portion of Cass County's net assets (66 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.

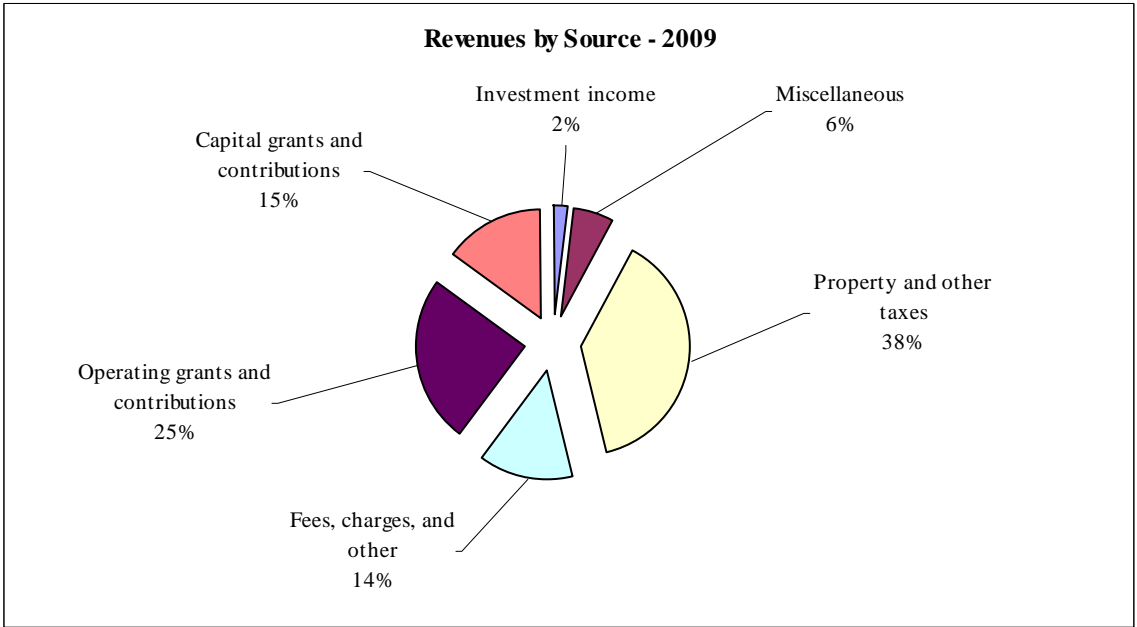
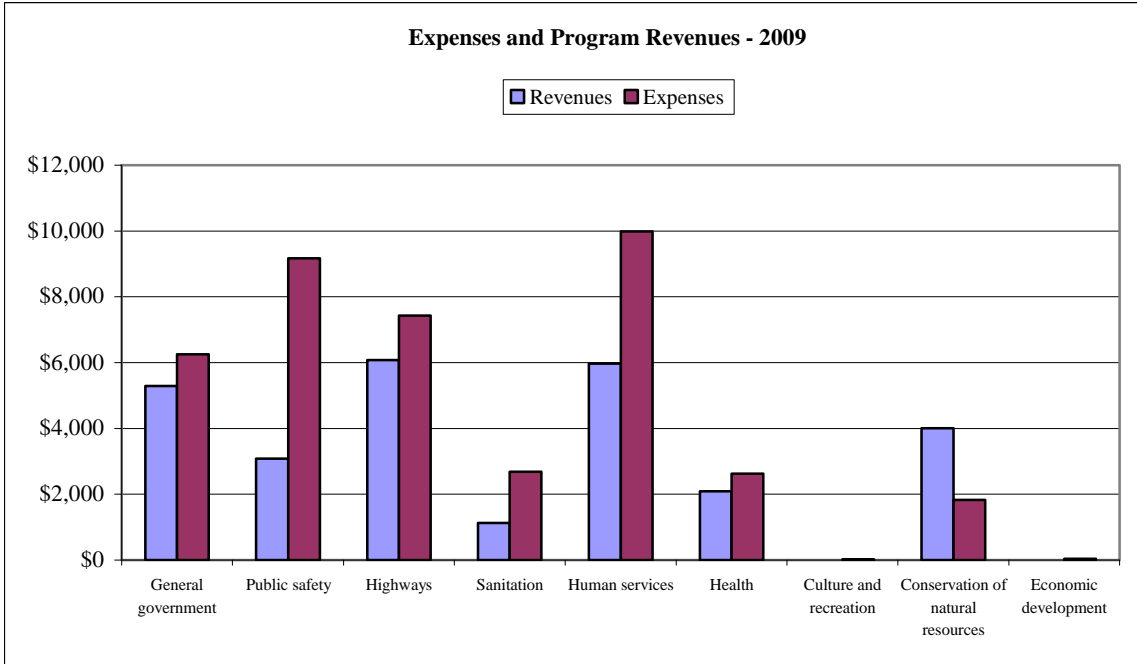
Governmental Activities	Net Assets (in Thousands)	
	2009	2008
Assets		
Current and other assets	\$ 61,643	\$ 54,431
Capital assets	99,564	94,169
Total Assets	\$ 161,207	\$ 148,600
Liabilities		
Long-term liabilities	\$ 3,536	\$ 3,498
Other liabilities	6,885	5,622
Total Liabilities	\$ 10,421	\$ 9,120

	<u>2009</u>	<u>2008</u>
Net Assets		
Invested in capital assets	\$ 99,564	\$ 94,169
Restricted	18,205	13,395
Unrestricted	<u>33,017</u>	<u>31,916</u>
Total Net Assets	<u>\$ 150,786</u>	<u>\$ 139,480</u>

The unrestricted net assets amount of \$33,016,523 as of December 31, 2009, may be used to meet the County's ongoing obligations to citizens and creditors.

**Changes in Net Assets
(in Thousands)**

<u>Governmental Activities</u>	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues		
Charges for services	\$ 7,042	\$ 7,384
Operating grants and contributions	12,945	12,830
Capital grants and contributions	7,652	4,332
General revenues		
Property taxes	19,176	18,272
Other	<u>4,527</u>	<u>5,255</u>
Total Revenues	<u>\$ 51,342</u>	<u>\$ 48,073</u>
Expenses		
General government	\$ 6,257	\$ 6,899
Public safety	9,170	8,970
Highways	7,427	8,089
Sanitation	2,685	2,867
Human services	9,989	9,836
Health	2,623	2,811
Culture and recreation	17	17
Conservation of natural resources	1,831	2,345
Economic development	<u>37</u>	<u>126</u>
Total Expenses	<u>\$ 40,036</u>	<u>\$ 41,960</u>
Increase in Net Assets	\$ 11,306	\$ 6,113
Net Assets - January 1	<u>139,480</u>	<u>133,367</u>
Net Assets - December 31	<u>\$ 150,786</u>	<u>\$ 139,480</u>



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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Cass County's governmental funds reported combined ending fund balances of \$53,984,883, an increase of \$7,396,368 in comparison with the prior year. Unreserved and undesignated fund balance, \$9,622,585 of the ending fund balance, may be available for spending at the County's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund for Cass County. At the end of the current fiscal year, it had a designated for cash flow fund balance of \$6,741,678. As a measure of the General Fund's liquidity, it may be useful to compare the designated for cash flow fund balance to total expenditures. General Fund designated for cash flow fund balance represents 40.0 percent of total General Fund expenditures. In 2009, ending unreserved and undesignated fund balance in the General Fund remained unchanged from 2008.

The Road and Bridge Special Revenue Fund's designated for cash flow fund balance of \$4,089,996 at year-end represents 45.8 percent of the fund's annual expenditures. Unreserved and undesignated fund balance increased \$1,054,830 during 2009, primarily due to revenues exceeding expenditures.

The Health, Human, and Veterans Services Special Revenue Fund's designated for cash flow fund balance of \$5,774,621 at year-end represents 45.5 percent of the fund's annual expenditures. Unreserved and undesignated fund balance increased \$2,163,540 during 2009, primarily due to revenues exceeding expenditures.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended budget were relatively minor and were due to the recognition of expenditures that had prior County Board approval.

Actual revenues exceeded budgeted revenues by \$1,239,908, primarily due to increased intergovernmental revenues and charges for services over budget.

Actual expenditures did not exceed budgeted expenditures for the period ending December 31, 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Cass County's capital assets for its governmental activities at December 31, 2009, totaled \$99,563,943 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net capital assets increased \$5,395,159, or 5.73 percent, from the previous year. The major capital asset event was \$6.9 million gross investment in infrastructure for 2009.

Governmental Capital Assets (Net of Depreciation)		
	2009	2008
Land	\$ 2,279,818	\$ 2,219,088
Infrastructure	75,541,406	70,632,096
Buildings	13,072,052	13,314,980
Machinery, furniture, and equipment	1,748,511	1,593,404
Construction in progress	6,922,156	6,409,216
Total	\$ 99,563,943	\$ 94,168,784

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 2009, Cass County's legal debt limit was \$200,000,000.

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

The growth of Cass County's tax base at the end of 2009 was 9.3 percent over 2008. This growth in the tax base allows Cass County 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 2009, Cass County approved its balanced 2010 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 ASSETS
DECEMBER 31, 2009**

	Primary Government Governmental Activities	Discretely Presented Component Units
<u>Assets</u>		
Cash and pooled investments	\$ 44,549,231	\$ 278,069
Petty cash and change funds	2,591	-
Investments	4,141,610	-
Taxes receivable		
Prior - net	860,895	-
Special assessments receivable		
Prior - net	182,650	9,903
Accounts receivable - net	1,609,299	21,075
Accrued interest receivable	218,142	984
Due from other governments	7,241,966	-
Prepaid items	1,730,240	2,761
Inventories	568,172	-
Note receivable	-	142,667
Restricted assets		
Cash and pooled investments	-	153,176
Investment in joint venture	538,534	-
Capital assets		
Non-depreciable	9,201,974	35,753
Depreciable - net of accumulated depreciation	90,361,969	2,596,694
	\$ 161,207,273	\$ 3,241,082
<u>Liabilities</u>		
Accounts payable	\$ 1,360,988	\$ 9,490
Salaries payable	868,237	5,580
Compensated absences payable - current	-	6,779
Contracts payable	172,744	-
Retainage payable	214,390	-
Due to other governments	544,844	-
Accrued interest payable	-	5,946
Unearned revenue	38,849	31,866
Customer deposits - current	-	4,169
Advance from other governments	336,017	-
Long-term liabilities		
Due within one year	182,574	184,438
Due in more than one year	6,703,015	1,659,742
	\$ 10,421,658	\$ 1,908,010

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 ASSETS
DECEMBER 31, 2009**

	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 99,563,943	\$ 838,282
Restricted for		
General government	422,518	-
Public safety	6,888,185	-
Highways and streets	1,453,594	-
Conservation of natural resources	8,909,697	-
Capital projects	-	102,700
Debt service	157,605	-
Other purposes	373,550	-
Unrestricted	<u>33,016,523</u>	<u>392,090</u>
Total Net Assets	<u>\$ 150,785,615</u>	<u>\$ 1,333,072</u>

**CASS COUNTY
WALKER, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 6,256,503	\$ 1,716,629
Public safety	9,169,888	479,530
Highways and streets	7,426,972	467,832
Sanitation	2,684,865	1,126,943
Human services	9,989,406	642,938
Health	2,623,388	989,818
Culture and recreation	16,812	-
Conservation of natural resources	1,830,698	1,618,473
Economic development	37,500	-
	\$ 40,036,032	\$ 7,042,163
Total Primary Government		
Component units		
Housing and Redevelopment Authority	\$ 549,674	\$ 59,389
Pine River Area Sanitary District	418,391	387,889
	\$ 968,065	\$ 447,278
Total Component Units		
General Revenues		
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		
Miscellaneous		
Gain on sale of capital assets		
Total general revenues		
Change in net assets		
Net Assets - Beginning, Restated (Note 7.B.4.)		
Net Assets - Ending		

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Discretely Presented Component Units
\$ 541,224	\$ 3,028,875	\$ (969,775)	
906,191	1,719,597	(6,064,570)	
4,733,636	1,142,640	(1,082,864)	
-	-	(1,557,922)	
5,098,239	-	(4,248,229)	
1,067,415	-	(566,155)	
-	-	(16,812)	
598,127	1,760,510	2,146,412	
-	-	(37,500)	
\$ 12,944,832	\$ 7,651,622	\$ (12,397,415)	
\$ 420,738	\$ 37,300		\$ (32,247)
-	94,190		63,688
\$ 420,738	\$ 131,490		\$ 31,441
		\$ 19,175,531	\$ -
		43,050	-
		27,450	-
		1,029,721	-
		1,816,731	-
		1,251,510	5,286
		281,736	500
		77,500	-
		\$ 23,703,229	\$ 5,786
		\$ 11,305,814	\$ 37,227
		139,479,801	1,295,845
		\$ 150,785,615	\$ 1,333,072

**CASS COUNTY
WALKER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge	Health, Human, and Veterans Services
<u>Assets</u>			
Cash and pooled investments	\$ 23,263,662	\$ 5,222,845	\$ 8,909,709
Petty cash and change funds	2,251	100	140
Undistributed cash in agency funds	204,103	55,800	87,967
Investments	-	-	-
Taxes receivable			
Prior	397,832	173,623	271,539
Special assessments			
Prior	182,650	-	-
Accounts receivable	154,126	-	139,223
Accrued interest receivable	190,422	-	-
Due from other funds	321,845	30,957	-
Due from other governments	100,958	1,396,324	996,212
Prepaid expense	1,730,240	-	-
Inventories	-	568,172	-
	\$ 26,548,089	\$ 7,447,821	\$ 10,404,790
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 584,540	\$ 68,808	\$ 444,626
Salaries payable	472,396	114,850	253,230
Compensated absences - current	93,865	25,719	54,653
Contracts payable	-	172,744	-
Retainage payable	-	32,598	-
Due to other funds	2,758	-	295
Due to other governments	-	10,528	119,607
Deferred revenue - unavailable	502,775	1,265,079	235,529
Deferred revenue - unearned	12,906	-	25,943
Advance from other governments	-	-	109,017
	\$ 1,669,240	\$ 1,690,326	\$ 1,242,900

EXHIBIT 3

<u>Forfeited Tax Sale</u>	<u>Environmental Trust</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 4,882,119	\$ 737,140	\$ 622,092	\$ 557,936	\$ 44,195,503
100	-	-	-	2,591
-	-	3,849	2,009	353,728
-	4,141,610	-	-	4,141,610
-	-	13,828	4,073	860,895
-	-	-	-	182,650
1,315,903	-	-	47	1,609,299
-	27,720	-	-	218,142
-	-	-	1,820	354,622
-	-	4,748,472	-	7,241,966
-	-	-	-	1,730,240
-	-	-	-	568,172
<u>\$ 6,198,122</u>	<u>\$ 4,906,470</u>	<u>\$ 5,388,241</u>	<u>\$ 565,885</u>	<u>\$ 61,459,418</u>
\$ 18,782	\$ -	\$ 244,232	\$ -	\$ 1,360,988
27,761	-	-	-	868,237
8,337	-	-	-	182,574
-	-	-	-	172,744
-	-	181,792	-	214,390
324,179	-	-	27,390	354,622
480,948	-	-	-	611,083
1,315,903	-	11,913	3,832	3,335,031
-	-	-	-	38,849
227,000	-	-	-	336,017
<u>\$ 2,402,910</u>	<u>\$ -</u>	<u>\$ 437,937</u>	<u>\$ 31,222</u>	<u>\$ 7,474,535</u>

**CASS COUNTY
WALKER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Road and Bridge	Health, Human, and Veterans Services
<u>Liabilities and Fund Balances</u>			
(Continued)			
Fund Balances			
Reserved for			
Prepaid items	\$ 1,730,240	\$ -	\$ -
Inventories	-	568,172	-
Missing heirs	31,690	-	-
Law library	47,945	-	-
Recorder's equipment	315,282	-	-
Recorder's compliance fund	57,316	-	-
Attorney's forfeiture	1,975	-	-
Enhanced 911	207,641	-	-
Federal projects	341,860	-	-
Forestry development	-	-	-
Environmental trust	-	-	-
Wetland activity	134,415	-	-
Birth/death certificates	-	-	140
Unreserved			
Designated for future expenditures	8,766,428	44,141	-
Designated for cash flows	6,741,678	4,089,996	5,774,621
Designated for social services	-	-	6,683
Designated for uninsured claims	500,000	-	-
Designated for health insurance	3,209,410	-	-
Designated for income maintenance grants	-	-	26,409
Designated for Longville Ambulance Subordinate Service District	137,643	-	-
Designated for petty cash funds	2,251	-	-
Designated for compensated absences	2,580,160	-	-
Designated for environmental grants	72,915	-	-
Undesignated	-	1,055,186	3,354,037
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Debt service fund	-	-	-
	\$ 24,878,849	\$ 5,757,495	\$ 9,161,890
Total Fund Balances			
	\$ 26,548,089	\$ 7,447,821	\$ 10,404,790
Total Liabilities and Fund Balances			

EXHIBIT 3
(Continued)

<u>Forfeited Tax Sale</u>	<u>Environmental Trust</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,730,240
-	-	-	-	568,172
-	-	-	-	31,690
-	-	-	-	47,945
-	-	-	-	315,282
-	-	-	-	57,316
-	-	-	-	1,975
-	-	-	-	207,641
-	-	-	-	341,860
3,795,212	-	-	-	3,795,212
-	4,906,470	-	-	4,906,470
-	-	-	-	134,415
-	-	-	-	140
-	-	-	-	8,810,569
-	-	-	-	16,606,295
-	-	-	-	6,683
-	-	-	-	500,000
-	-	-	-	3,209,410
-	-	-	-	26,409
-	-	-	-	137,643
-	-	-	-	2,251
-	-	-	-	2,580,160
-	-	-	-	72,915
-	-	4,950,304	-	9,359,527
-	-	-	377,058	377,058
-	-	-	157,605	157,605
<u>\$ 3,795,212</u>	<u>\$ 4,906,470</u>	<u>\$ 4,950,304</u>	<u>\$ 534,663</u>	<u>\$ 53,984,883</u>
<u>\$ 6,198,122</u>	<u>\$ 4,906,470</u>	<u>\$ 5,388,241</u>	<u>\$ 565,885</u>	<u>\$ 61,459,418</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**CASS COUNTY
WALKER, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Fund balances - total governmental funds (Exhibit 3)		\$	53,984,883
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.			99,563,943
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. This adjustment is deferred revenue - unavailable, plus amounts included in deferred revenue that will be paid to other governments when collected.			
Deferred revenue - unavailable	\$	3,335,031	
Due to other governments		<u>66,239</u>	3,401,270
Cass County has an equity interest in a joint venture. The investment is not a current resource and, therefore, is not reported in the funds.			538,534
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
Net other postemployment benefits liability	\$	(4,122,858)	
Compensated absences		<u>(2,580,157)</u>	<u>(6,703,015)</u>
Net Assets of Governmental Activities (Exhibit 1)			<u>\$ 150,785,615</u>

**CASS COUNTY
WALKER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health, Human, and Veterans Services</u>
Revenues			
Taxes	\$ 8,993,590	\$ 3,738,500	\$ 5,895,646
Special assessments	1,739,487	-	-
Licenses and permits	83,038	-	5,580
Intergovernmental	3,205,625	6,129,591	6,796,683
Charges for services	3,071,997	435,859	1,103,650
Fines and forfeits	6,979	-	-
Gifts and contributions	16	-	1,170
Investment earnings	1,095,535	-	-
Miscellaneous	409,825	14,473	517,366
Total Revenues	\$ 18,606,092	\$ 10,318,423	\$ 14,320,095
Expenditures			
Current			
General government	\$ 5,634,615	\$ -	\$ 148,938
Public safety	8,643,154	-	-
Highways and streets	-	8,923,093	-
Sanitation	2,208,951	-	-
Human services	-	-	9,760,012
Health	-	-	2,780,623
Culture and recreation	15,000	-	-
Conservation of natural resources	328,586	-	-
Economic development	37,500	-	-
Capital outlay	-	-	-
Total Expenditures	\$ 16,867,806	\$ 8,923,093	\$ 12,689,573
Excess of Revenues Over (Under) Expenditures	\$ 1,738,286	\$ 1,395,330	\$ 1,630,522
Other Financing Sources (Uses)			
Transfers in	\$ 391,845	\$ -	\$ -
Transfers out	(3,000,000)	-	-
Total Other Financing Sources (Uses)	\$ (2,608,155)	\$ -	\$ -
Change in Fund Balance	\$ (869,869)	\$ 1,395,330	\$ 1,630,522
Fund Balance - January 1	25,748,718	4,195,534	7,531,368
Increase (decrease) in reserved for inventories	-	166,631	-
Fund Balance - December 31	\$ 24,878,849	\$ 5,757,495	\$ 9,161,890

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

EXHIBIT 5

<u>Forfeited Tax Sale</u>	<u>Environmental Trust</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 258,177	\$ 237,822	\$ 19,123,735
-	-	-	-	1,739,487
-	-	-	-	88,618
393,811	-	4,906,771	71,263	21,503,744
-	-	-	2,646	4,614,152
-	-	-	-	6,979
-	-	133,547	-	134,733
-	155,116	-	859	1,251,510
1,695,271	37,406	-	17,500	2,691,841
\$ 2,089,082	\$ 192,522	\$ 5,298,495	\$ 330,090	\$ 51,154,799
\$ -	\$ -	\$ 4,510	\$ -	\$ 5,788,063
-	-	-	27,390	8,670,544
-	-	-	145,056	9,068,149
-	-	-	3,938	2,212,889
-	-	-	-	9,760,012
-	-	-	-	2,780,623
-	-	-	-	15,000
1,110,267	32,015	-	-	1,470,868
-	-	-	-	37,500
-	161,851	3,959,563	-	4,121,414
\$ 1,110,267	\$ 193,866	\$ 3,964,073	\$ 176,384	\$ 43,925,062
\$ 978,815	\$ (1,344)	\$ 1,334,422	\$ 153,706	\$ 7,229,737
\$ -	\$ -	\$ 3,000,000	\$ 1,820	\$ 3,393,665
(393,665)	-	-	-	(3,393,665)
\$ (393,665)	\$ -	\$ 3,000,000	\$ 1,820	\$ -
\$ 585,150	\$ (1,344)	\$ 4,334,422	\$ 155,526	\$ 7,229,737
3,210,062	4,907,814	615,882	379,137	46,588,515
-	-	-	-	166,631
\$ 3,795,212	\$ 4,906,470	\$ 4,950,304	\$ 534,663	\$ 53,984,883

**CASS COUNTY
WALKER, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 7,229,737

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. Included in deferred revenue are timber sales receivable, that when received will be paid to other governments. On the government-wide financial statements, these are reported as due to other governments. The adjustment to revenues between the fund statements and the statement of activities is the increase or decrease in revenues deferred in unavailable.

December 31		
Deferred revenue - unavailable	\$ 3,335,031	
Plus: timber sales	66,239	
January 1		
Deferred revenue - unavailable	(3,411,771)	
Plus: timber sales	<u>120,048</u>	109,547

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

Expenditures for general capital assets and infrastructure	\$ 8,173,467	
Current year depreciation	<u>(2,778,308)</u>	5,395,159
Transactions to report investment in joint venture		
Decrease in investment in joint venture		(269,321)

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	\$ (138,202)	
Change in other postemployment benefits	(1,852,368)	
Change in South Country Health Alliance assessments payable	664,631	
Change in inventories	<u>166,631</u>	<u>(1,159,308)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 11,305,814

FIDUCIARY FUNDS

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CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,621,279
Petty cash and change funds	440
Total Assets	<u>\$ 1,621,719</u>
<u>Liabilities</u>	
Salaries payable	\$ 50,629
Due to other governments	1,505,153
Prepaid taxes	65,937
Total Liabilities	<u>\$ 1,621,719</u>

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DISCRETELY PRESENTED COMPONENT UNITS

**CASS COUNTY
WALKER, MINNESOTA**

EXHIBIT 8

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2009**

	Housing and Redevelopment Authority	Pine River Area Sanitary District	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 201,675	\$ 76,394	\$ 278,069
Special assessments receivable - prior	-	9,903	9,903
Accounts receivable - net	5,366	15,709	21,075
Accrued interest receivable	984	-	984
Prepaid items	-	2,761	2,761
Total current assets	\$ 208,025	\$ 104,767	\$ 312,792
Restricted assets			
Cash and pooled investments	\$ -	\$ 153,176	\$ 153,176
Noncurrent assets			
Note receivable	\$ 142,667	\$ -	\$ 142,667
Capital assets			
Nondepreciable	25,753	10,000	35,753
Depreciable - net	408,030	2,188,664	2,596,694
Total noncurrent assets	\$ 576,450	\$ 2,198,664	\$ 2,775,114
Total Assets	\$ 784,475	\$ 2,456,607	\$ 3,241,082
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 5,649	\$ 3,841	\$ 9,490
Salaries payable	2,358	3,222	5,580
Compensated absences payable - current	1,908	4,871	6,779
Accrued interest payable	-	5,946	5,946
Deferred revenue - unearned	31,866	-	31,866
Customer deposits - current	4,169	-	4,169
Notes payable - current	1,467	182,971	184,438
Total current liabilities	\$ 47,417	\$ 200,851	\$ 248,268
Noncurrent liabilities			
Loans payable	\$ 34,205	\$ -	\$ 34,205
General obligation notes payable - long-term	6,149	1,614,151	1,620,300
Other noncurrent liabilities	5,237	-	5,237
Total noncurrent liabilities	\$ 45,591	\$ 1,614,151	\$ 1,659,742
Total Liabilities	\$ 93,008	\$ 1,815,002	\$ 1,908,010

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

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**CASS COUNTY
WALKER, MINNESOTA**

**EXHIBIT 8
(Continued)**

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2009**

	<u>Housing and Redevelopment Authority</u>	<u>Pine River Area Sanitary District</u>	<u>Total</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ 391,962	\$ 446,320	\$ 838,282
Restricted for capital projects	77,673	25,027	102,700
Unrestricted	221,832	170,258	392,090
Total Net Assets	<u>\$ 691,467</u>	<u>\$ 641,605</u>	<u>\$ 1,333,072</u>

**CASS COUNTY
WALKER, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Expenses	Fees, Charges, Fines, and Other
Component Units		
Housing and Redevelopment Authority	\$ 549,674	\$ 59,389
Pine River Area Sanitary District	418,391	387,889
	_____	_____
Total Component Units	\$ 968,065	\$ 447,278
		General Revenues
		Investment income
		Miscellaneous
		Total general revenues
		Change in net assets
		Net Assets - Beginning, Restated (Note 7.B.4.)
		Net Assets - Ending

EXHIBIT 9

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Housing and Redevelopment Authority	Pine River Area Sanitary District	Total
\$ 420,738	\$ 37,300	\$ (32,247)	\$ -	\$ (32,247)
-	94,190	-	63,688	63,688
\$ 420,738	\$ 131,490	\$ (32,247)	\$ 63,688	\$ 31,441
		\$ 3,769	\$ 1,517	\$ 5,286
		-	500	500
		\$ 3,769	\$ 2,017	\$ 5,786
		\$ (28,478)	\$ 65,705	\$ 37,227
		719,945	575,900	1,295,845
		\$ 691,467	\$ 641,605	\$ 1,333,072

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**CASS COUNTY
WALKER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009. 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.

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Cass County has one blended component unit.

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Shingobee Island Water and Sewer Commission (Commission) provides services pursuant to Minn. Stat. § 116A.24.	The County Board also serves as the Board of the Commission.	Separate financial statements are not prepared.

**CASS COUNTY
WALKER, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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 Included in Reporting Entity Because</u>	<u>Separate Financial Statements 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 is a financial burden.	Cass County HRA Backus, Minnesota 56435
Pine River Area Sanitary District (District) provides services pursuant to Minn. Stat. § 116A.24.	County appoints members, and the District is a financial burden.	Pine River Area Sanitary District P. O. Box 354 Pine River, Minnesota 56474

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component 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.

**CASS COUNTY
WALKER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**CASS COUNTY
WALKER, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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 Minn. Laws 1999, 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.

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 types:

The Debt Service Fund is used to accumulate resources for the payment of principal, interest, and the related costs of long-term debt.

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.

**CASS COUNTY
WALKER, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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.

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

D. Assets, Liabilities, and Net Assets or Equity

1. 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, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$1,095,535.

**CASS COUNTY
WALKER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares. 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.

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.

**CASS COUNTY
WALKER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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. 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

**CASS COUNTY
WALKER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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, for example, as a result of employee resignations and retirements.

7. Deferred Revenue

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

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**CASS COUNTY
WALKER, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

10. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets		
Governmental activities		
Cash and pooled investments	\$	44,549,231
Petty cash and change funds		2,591
Investments		4,141,610
Discretely presented component units		
Cash and pooled investments		278,069
Restricted cash and pooled investments		153,176
Statement of fiduciary net assets		
Cash and pooled investments		1,621,279
Petty cash and change funds		440
		<hr/>
Total Cash and Investments	\$	<u>50,746,396</u>

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

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, 2009, 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.

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

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 for investment custodial credit risk. All of Cass County's investments in negotiable certificates of deposit and government securities are held by the counterparty to the transactions and, therefore, are subject to custodial credit risk. A portion of these investments are insured by Securities Investor Protection Corporation insurance.

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. 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, 2009, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal National Mortgage Association Pool	AAA	Moody's/S&P		01/22/2014	\$ 250,703
Federal National Mortgage Association Pool	AAA	Moody's/S&P		12/08/2017	1,487,343
Federal National Mortgage Association Pool	AAA	Moody's/S&P		05/17/2022	306,375
Federal National Mortgage Association Pool	AAA	Moody's/S&P		11/09/2022	495,470
Federal National Mortgage Association Pool	AAA	Moody's/S&P		11/30/2022	344,750
Federal National Mortgage Association Pool	AAA	Moody's/S&P		08/20/2020	495,940
Federal National Mortgage Association Pool	AAA	Moody's/S&P		02/21/2023	497,655
Federal National Mortgage Association Pool	AAA	Moody's/S&P		06/10/2010	506,720
Federal National Mortgage Association Pool	AAA	Moody's/S&P		01/27/2012	500,470
Federal National Mortgage Association Pool	AAA	Moody's/S&P		02/20/2024	489,690
Federal National Mortgage Association Pool	AAA	Moody's/S&P		03/02/2016	248,985
Federal National Mortgage Association Pool	AAA	Moody's/S&P		05/11/2016	495,940
Federal National Mortgage Association Pool	AAA	Moody's/S&P		05/28/2024	469,375
Federal National Mortgage Association Pool	AAA	Moody's/S&P		11/27/2017	494,845
Federal National Mortgage Association Pool	AAA	Moody's/S&P		09/23/2016	347,214
Federal National Mortgage Association Pool	AAA	Moody's/S&P		10/29/2014	502,813
Federal National Mortgage Association Pool	AAA	Moody's/S&P		12/30/2019	491,895
Federal National Mortgage Association Pool	AAA	Moody's/S&P		02/13/2017	493,280
Federal National Mortgage Association Pool	AAA	Moody's/S&P		12/30/2014	497,970
Total Federal National Mortgage Association Pools			21.9%		\$ 9,417,433
Federal Home Loan Mortgage Corporation Note					
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		01/15/2015	\$ 344,939
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		04/09/2014	500,145
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		04/15/2013	1,003,120
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		04/30/2014	1,003,213
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		05/19/2014	501,956
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		12/11/2014	999,337
Total Federal Home Loan Mortgage Corporation Notes			10.1%		\$ 4,352,710

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/30/2012	\$ 1,501,406
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/30/2016	1,001,250
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/14/2015	1,101,718
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/15/2012	750,234
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/19/2016	250,078
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/26/2016	1,000,312
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		11/07/2014	1,001,562
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		11/10/2014	500,781
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		11/12/2015	500,156
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		11/23/2016	498,380
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/11/2015	999,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/17/2019	1,497,975
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/23/2019	2,500,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/23/2019	1,000,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/02/2012	512,190
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/17/2017	505,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/29/2016	1,490,160
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/13/2017	985,630
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/28/2016	246,485
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/11/2019	478,905
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/22/2016	501,719
Total Federal Home Loan Bank Bonds			43.8%		\$ 18,822,941
Federal Home Loan Bank Repurchase Agreements					
Federal Home Loan Bank					\$ 532,031
Federal Home Loan Bank					532,031
Federal Home Loan Bank					103,063
Federal Home Loan Bank					503,125
Federal Home Loan Bank					503,125
Federal Home Loan Bank					502,188
Federal Home Loan Bank					1,004,688
Federal Home Loan Bank					532,969
Total Federal Home Loan Bank Repurchase Agreements			9.8%		\$ 4,213,220
Investment pools/mutual funds					
Wells Fargo Money Market	N/A	N/A	<5%	N/A	\$ 106,421

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Negotiable certificates of deposit					
Advanta Bank	N/A	N/A	<5%	02/22/2010	\$ 96,427
American Express Centurion Bank	N/A	N/A	<5%	11/12/2010	98,448
Ameris Bank	N/A	N/A	<5%	01/10/2011	97,140
Bank of Northern Michigan	N/A	N/A	<5%	10/28/2010	98,311
BMW Bank	N/A	N/A	<5%	12/01/2010	98,531
CB&T BK Middle GA	N/A	N/A	<5%	02/01/2010	98,312
CIT Bank	N/A	N/A	<5%	05/05/2010	97,185
Capital One Natl Assn	N/A	N/A	<5%	03/01/2010	96,599
Carolina First Bank	N/A	N/A	<5%	05/31/2011	97,961
Discover Bank	N/A	N/A	<5%	04/15/2011	97,936
Enterprise B&T	N/A	N/A	<5%	07/21/2010	98,807
GE CAP Finl Inc.	N/A	N/A	<5%	03/25/2011	97,136
GE Money Bank	N/A	N/A	<5%	07/11/2011	145,600
Hindsdale Bank & Trust	N/A	N/A	<5%	05/07/2010	97,202
Integra Bank	N/A	N/A	<5%	07/13/2010	96,770
Lehman Bros. Commercial Bank	N/A	N/A	<5%	02/01/2010	96,301
M I BK FSB	N/A	N/A	<5%	07/16/2010	97,719
Mid-First Bank	N/A	N/A	<5%	05/20/2011	97,791
Morgan Stanley Bank	N/A	N/A	<5%	10/08/2010	98,251
NBT Bank National Association	N/A	N/A	<5%	04/16/2010	96,926
National City Bank	N/A	N/A	<5%	04/16/2010	96,926
Paragon Commercial Bank	N/A	N/A	<5%	07/23/2010	98,809
Parke Bank	N/A	N/A	<5%	01/13/2011	98,101
Quad City Bank TR	N/A	N/A	<5%	01/13/2011	99,061
Sallie Mae Bank	N/A	N/A	<5%	06/03/2011	146,914
Southwest Bank	N/A	N/A	<5%	07/16/2010	97,719
Sovereign Bank FSB	N/A	N/A	<5%	05/26/2010	97,363
Standard Federal BK IFCD	N/A	N/A	<5%	01/26/2011	96,149
Washington Bank TR	N/A	N/A	<5%	05/20/2011	97,857
American Express Bank FSB Utah	N/A	N/A	<5%	06/10/2013	150,267
American Express Centurion BK FSB	N/A	N/A	<5%	06/10/2013	150,267
BMW Bank of North America	N/A	N/A	<5%	06/18/2012	151,202
CIT Bank Interest Bearing Cert.	N/A	N/A	<5%	06/18/2012	151,202
Capmark Bank Interest Bearing	N/A	N/A	<5%	06/10/2013	247,876
Eurobank Interest Bearing	N/A	N/A	<5%	10/14/2010	101,444
EVA Bank Interest Bearing Cert	N/A	N/A	<5%	12/30/2013	101,400
GMAC Bank Midvale Utah	N/A	N/A	<5%	04/16/2010	98,020
Highland Bank	N/A	N/A	<5%	10/27/2011	103,160
Marshall & Ilsley Bank	N/A	N/A	<5%	02/22/2023	98,420
Metropolitan NB NY CD	N/A	N/A	<5%	06/18/2010	99,805
R G Premier Bank	N/A	N/A	<5%	10/12/2010	99,375
Toyota Financial SGS Bank	N/A	N/A	<5%	06/18/2012	202,386
United Bank	N/A	N/A	<5%	06/21/2010	99,833
Washington Mutual	N/A	N/A	<5%	07/10/2013	99,881
Atlanta Business Bank	N/A	N/A	<5%	09/24/2010	98,064
GE Capital	N/A	N/A	<5%	06/13/2011	145,992
GE Money Bank	N/A	N/A	<5%	10/04/2010	98,234

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Negotiable certificates of deposit (Continued)					
Goldman Sachs Bank	N/A	N/A	<5%	10/01/2010	98,218
United Community Bank	N/A	N/A	<5%	09/30/2010	98,203
FSG Bank	N/A	N/A	<5%	09/29/2010	100,052
Sallie Mae Bank	N/A	N/A	<5%	12/17/2013	102,749
Southern First Bank	N/A	N/A	<5%	07/26/2010	100,785
Interinvest National Bank	N/A	N/A	<5%	12/27/2012	99,014
Ironstone Bank	N/A	N/A	<5%	12/28/2012	99,013
Parkside Financial Bank	N/A	N/A	<5%	12/28/2012	100,272
Total negotiable certificates of deposit					\$ 6,023,386
Total investments					\$ 42,936,111
Deposits - Primary Government					7,376,449
Deposits - Component Units					294,969
Investments - Component Units					136,276
Petty cash					2,591
Total Cash and Investments					\$ 50,746,396

N/A - Not Applicable

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

2. Receivables

Receivables as of December 31, 2009, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 860,895	\$ -
Special assessments	182,650	160,461
Due from other governments	7,241,966	-
Accounts	1,609,299	-
Interest	218,142	-
Total Governmental Activities	\$ 10,112,952	\$ 160,461

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Minimum Future Rents Receivable

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

Upon expiration of the lease on June 30, 2008, the USPS elected to renew the lease for a period of three years ending June 30, 2011. The annual rental fee remained unchanged.

Minimum future rents on the lease are:

<u>Year Ending December 31</u>	
2010	\$ 37,125
2011	<u>18,563</u>
Total	<u>\$ 55,688</u>

On July 17, 2007, the Cass County Board of Commissioners renewed a five-year lease agreement with the United States Department of Agriculture, Natural Resources Conservation Services (NRCS) for the rental of 575 square feet of building space at the Cass County Courthouse for an annual fee of \$6,066 per year, effective January 1, 2008.

Upon expiration of the lease on December 31, 2012, the NRCS does not have the option to renew the lease. The lease may also be terminated by either party with a 60-day written notice.

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

Minimum future rents on the lease are:

<u>Year Ending December 31</u>	
2010	\$ 6,066
2011	6,066
2012	<u>6,066</u>
Total	<u>\$ 18,198</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 has agreed to pay the County a base rent of \$400 per month, plus an additional 15 percent of the collection revenue earned from each additional tenant utilizing tower antennas and equipment. SBA currently pays the County \$859 per month in rental fees under the existing lease agreement.

Upon expiration of the lease in September 2012, SBA Towers II LLC has five additional renewal options for five-year terms each. For each renewal term, the monthly rent is increased by three percent.

Minimum future rents on the lease are:

<u>Year Ending December 31</u>	
2010	\$ 10,308
2011	10,308
2012	<u>7,302</u>
Total	<u>\$ 27,918</u>

**CASS COUNTY
WALKER, MINNESOTA**

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 December 31</u>	
2010	\$ 7,300
2011	7,592
2012	7,896
2013	8,211
2014	8,540
2015	<u>8,881</u>
Total	<u>\$ 48,420</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, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,219,088	\$ 60,730	\$ -	\$ 2,279,818
Construction in progress	6,409,216	4,202,660	3,689,720	6,922,156
Total capital assets not depreciated	<u>\$ 8,628,304</u>	<u>\$ 4,263,390</u>	<u>\$ 3,689,720</u>	<u>\$ 9,201,974</u>
Capital assets depreciated				
Buildings	\$ 20,220,465	\$ 147,561	\$ -	\$ 20,368,026
Machinery, furniture, and equipment	4,847,017	586,524	268,406	5,165,135
Infrastructure	92,563,610	6,865,712	-	99,429,322
Total capital assets depreciated	<u>\$ 117,631,092</u>	<u>\$ 7,599,797</u>	<u>\$ 268,406</u>	<u>\$ 124,962,483</u>
Less: accumulated depreciation for				
Buildings	\$ 6,905,485	\$ 390,489	\$ -	\$ 7,295,974
Machinery, furniture, and equipment	3,253,613	431,417	268,406	3,416,624
Infrastructure	21,931,514	1,956,402	-	23,887,916
Total accumulated depreciation	<u>\$ 32,090,612</u>	<u>\$ 2,778,308</u>	<u>\$ 268,406</u>	<u>\$ 34,600,514</u>
Total capital assets depreciated, net	<u>\$ 85,540,480</u>	<u>\$ 4,821,489</u>	<u>\$ -</u>	<u>\$ 90,361,969</u>
Capital Assets, Net	<u>\$ 94,168,784</u>	<u>\$ 9,084,879</u>	<u>\$ 3,689,720</u>	<u>\$ 99,563,943</u>

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

Governmental Activities	
General government	\$ 60,437
Public safety	158,229
Highways and streets, including depreciation of infrastructure assets	2,300,596
Health, human, and veterans services	49,430
Sanitation	35,464
Culture and recreation	1,812
Conservation of natural resources	172,340
Total Depreciation Expense - Governmental Activities	<u>\$ 2,778,308</u>

**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, 2009, 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	\$ 321,845	Forfeited tax apportionment
Road and Bridge	General	\$ 2,758	Reimbursement for services
	Health, Human, and Veterans Services	295	Reimbursement for services
	Forfeited Tax Sale	514	Reimbursement for services
	Other governmental	<u>27,390</u>	Reimbursement for services
Total due to Road and Bridge Fund		<u>\$ 30,957</u>	
Other governmental funds	Forfeited Tax Sale	<u>\$ 1,820</u>	Forfeited tax apportionment
Total Due To/From Other Funds		<u>\$ 354,622</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, 2009, consisted of the following:

Transfers to General Fund from Forfeited Tax Sale Fund	\$ 391,845	Forfeited tax sale distribution
Transfers to the Capital Projects Fund from General Fund	3,000,000	Funding for Ah-Gwah-Ching demolition project
Transfers to other governmental funds from Forfeited Tax Fund	<u>1,820</u>	Forfeited tax apportionment
Total Interfund Transfers	<u>\$ 3,393,665</u>	

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Advance From Other Agencies

In 2007, the Minnesota Legislature made available Targeted Case Management (TCM) state funds to Minnesota counties as a contingency reserve in the event of reductions in federal funding of the TCM program. During 2008, the Minnesota Department of Human Services (DHS) advanced \$109,017 of contingency funds to Cass County. After federal review of the TCM program, federal support was not reduced nor discontinued. As a result, the DHS is requiring counties who received TCM contingency funds to reimburse the DHS for the full amount received. Cass County will reimburse the DHS in 2010 and reports the amount received as an advance from other governments.

Under an agreement between the State of Minnesota and Aitkin, Cass, and Crow Wing Counties, the state, acting through the Department of Natural Resources awarded the recipients a maximum of \$290,000 to establish a Legislative-Citizen Commission on Minnesota Resources (LCCMR) to oversee a Land Exchange Revolving Fund. Authority to establish a LCCMR and the revolving fund was authorized under Minn. Stat. § 116P.05 and Minn. Laws 2006, ch. 243, Sect. 20, subd. 8. Under the agreement, Aitkin County is the fiscal agent. Upon approval by member counties, a county may use loan funds to purchase a desirable property. Other properties owned by the County will be put up for sale and the revolving fund reimbursed from the sale proceeds. At December 31, 2009, Cass County had received \$227,000 in LCCMR funds and reports this as an advance from other governments.

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 2,686,401	\$ 1,577,102	\$ 1,500,772	\$ 2,762,731	\$ 182,574
South Country Health Alliance membership assessments	664,631	-	664,631	-	-
Net other postemployment benefits	<u>2,270,490</u>	<u>2,895,503</u>	<u>1,043,135</u>	<u>4,122,858</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 5,621,522</u>	<u>\$ 4,472,605</u>	<u>\$ 3,208,538</u>	<u>\$ 6,885,589</u>	<u>\$ 182,574</u>

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. 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 2009:

Type of Property	Amount
Rental of office space and parking	\$ 12,000
Data processing, copiers, and office equipment	46,249
Radio towers and equipment	15,711
Total Rental Expense	\$ 73,960

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2009:

Year Ended	Amount
2010	\$ 69,047
2011	43,443
2012	25,096
2013	13,563
2014	9,267
2015	9,267
Total Future Minimum Lease Payments	\$ 169,683

**CASS COUNTY
WALKER, MINNESOTA**

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 Public 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.

Public 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. All 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 control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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 and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

**CASS COUNTY
WALKER, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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 all Public 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 Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public 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; 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.

**CASS COUNTY
WALKER, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans (Continued)

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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 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 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 754,519	\$ 735,498	\$ 669,091
Public Employees Police and Fire Fund	293,778	242,282	221,764
Public Employees Correctional Fund	69,561	75,227	77,930

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

**CASS COUNTY
WALKER, MINNESOTA**

3. Pension Plans (Continued)

B. Defined Contribution Plan

Three eligible elected officials of the 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.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 4,265	\$ 4,265
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**CASS COUNTY
WALKER, MINNESOTA**

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 a 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. 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, 2009, approximately 107 retirees were 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 2009, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

**CASS COUNTY
WALKER, MINNESOTA**

4. Postemployment Benefits

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

ARC	\$	2,929,686
Interest on net OPEB obligation		102,172
Adjustments to ARC		<u>(136,355)</u>
Annual OPEB cost	\$	2,895,503
Contributions during the year		<u>(1,043,135)</u>
Increase in net OPEB obligation	\$	1,852,368
Net OPEB obligation - beginning of year		<u>2,270,490</u>
Net OPEB obligation - end of year	\$	<u>4,122,858</u>

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 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 2,895,503	\$ 1,043,490	36.0 %	\$ 4,122,858

C. Funded Status and Funding Progress

The actuarial accrued liability for benefits as of January 1, 2009, is \$33.95 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 \$12.14 million. The ratio of the unfunded actuarially accrued liabilities to covered payroll is 279.6 percent.

**CASS COUNTY
WALKER, MINNESOTA**

4. Postemployment Benefits (Continued)

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.

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 that are 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, 2009, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.5 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 9.0 percent initially, reduced incrementally to an ultimate rate of 5.0 percent after 8 years. The unfunded actuarial accrued liability is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 28 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.

**CASS COUNTY
WALKER, MINNESOTA**

5. Postemployment Health Care Plans

MSRS Health Care Savings Plan (Continued)

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.

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 Employee's 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 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), formerly the Minnesota

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

Counties Insurance Trust, 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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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 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.

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

	Year Ended December 31	
	2008	2009
Unpaid claims, beginning of fiscal year	\$ 182,535	\$ 238,931
Incurred claims (including IBNRs)	3,488,933	3,405,522
Claims payments	(3,432,537)	(3,476,551)
Unpaid Claims, End of Fiscal Year	\$ 238,931	\$ 167,902

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.

In 2008, the County authorized the issuance of a \$52,000 General Obligation Utility Revenue Note to finance sanitary sewer improvements for the Pine River Area Sanitary District (District), a component unit of the County. The District has pledged that its net revenues will be sufficient to meet principal and interest payments as they become due. Should the District's net revenues not be sufficient to meet scheduled payments, the County has pledged that it will levy special assessments on benefited properties in an amount sufficient to meet debt service requirements.

**CASS COUNTY
WALKER, MINNESOTA**

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

C. Tax-Forfeited Land

The County manages approximately 253,639 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 seven or more than 15 members, with at least one member appointed by each participating county, as provided in the Center's bylaws. At present, there are 13 directors: Beltrami, Cass, Hubbard, Pennington, and Roseau Counties have two directors each; the other member counties have one director each.

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. No payments were required from Cass County during 2009. 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

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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.

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 shoreland areas within the counties.

The Mississippi Headwaters Board consists of eight members, one appointed from each participating county. Cass County maintains the accounting records of the Board. Funding is obtained through federal, state, local, and private sources.

Complete financial information can be obtained from:

Mississippi Headwaters Board
Cass County Courthouse
4th Street and Minnesota Avenue
Walker, Minnesota 56484

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Northeast Minnesota Regional Radio Board

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

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

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. Cass County contributed \$594 in funding in 2010.

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.

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 assets shall be divided among the member counties in the same proportion as their respective financial responsibilities.

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

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 \$8,066 to the Waste Management Group in 2009. 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.

Complete financial information can be obtained from:

Central Minnesota Emergency Medical Services Region
Administration Center
705 Courthouse Square
St. Cloud, Minnesota 56303-4701

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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 \$7,074 in 2009.

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties became members. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating counties' health care functions, referred to as county-based purchasing.

The purpose of the SCHA is to improve the social and health outcomes of its clients and all citizens of its member counties by better coordinating social service, public health and medical services, and promoting the achievement of public health goals. The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the member counties.

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

South Country Health Alliance (Continued)

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at December 31, 2009, was \$538,534; Cass County's share of the SCHA's net loss was \$269,321.

The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. Changes in equity are included in the government-wide statement of activities as health expenses. Cass County will terminate its membership with SCHA effective December 31, 2010.

Complete financial statements can be obtained from:

South Country Health Alliance
110 West Fremont Street
Owatonna, Minnesota 55060

Financial statements can also be obtained from its fiscal agent at:

630 Florence Avenue
P. O. Box 890
Owatonna, Minnesota 55060-0890

E. Jointly-Governed Organization

Cass County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organization 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.

**CASS COUNTY
WALKER, MINNESOTA**

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
WALKER, MINNESOTA**

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 HRA	Pine River Area Sanitary District
Government-wide statement of net assets		
Cash	\$ 65,399	\$ 76,094
Petty cash	-	300
Restricted assets		
Cash	-	153,176
Investments	136,276	-
Total Cash and Investments	\$ 201,675	\$ 229,570

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
WALKER, MINNESOTA**

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. Neither the HRA nor the District has a deposit policy for custodial credit risk. As of December 31, 2009, 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. § 118A.04, subd. 6;

**CASS COUNTY
WALKER, MINNESOTA**

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, 2009, 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, 2009, for each discretely presented component unit, including any applicable allowances for uncollectible accounts, are as follows:

	Cass County HRA	Pine River Area Sanitary District	Total Receivables	Amounts Not Scheduled for Collection During the Year
Special assessments	\$ -	\$ 9,903	\$ 9,903	\$ -
Accounts	6,350	15,709	22,059	-
Note	142,667	-	142,667	142,667
Total Component Units	\$ 149,017	\$ 25,612	\$ 174,629	\$ 142,667

c. Capital Assets

Component unit capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
Cass County HRA	\$ 25,753	\$ -	\$ -	\$ 25,753
Pine River Area Sanitary District	10,000	-	-	10,000
Total capital assets not depreciated	\$ 35,753	\$ -	\$ -	\$ 35,753
Capital assets depreciated				
Buildings and improvements				
Cass County HRA	\$ 750,748	\$ 50,667	\$ -	\$ 801,415
Pine River Area Sanitary District	2,364,802	52,451	-	2,417,253
Total buildings and improvements	\$ 3,115,550	\$ 103,118	\$ -	\$ 3,218,668
Water treatment facilities				
Pine River Area Sanitary District	\$ 4,038,297	\$ -	\$ -	\$ 4,038,297

**CASS COUNTY
WALKER, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

c. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Machinery, furniture, and equipment				
Cass County HRA	\$ 115,821	\$ -	\$ 10,624	\$ 105,197
Pine River Area Sanitary District	114,626	-	-	114,626
Total machinery, furniture, and equipment	\$ 230,447	\$ -	\$ 10,624	\$ 219,823
Total capital assets depreciated	\$ 7,384,294	\$ 103,118	\$ 10,624	\$ 7,476,788
Less: accumulated depreciation for				
Buildings and improvements				
Cass County HRA	\$ 378,935	\$ 24,433	\$ -	\$ 403,368
Pine River Area Sanitary District	2,283,779	20,237	-	2,304,016
Total buildings and improvements	\$ 2,662,714	\$ 44,670	\$ -	\$ 2,707,384
Water treatment facilities				
Pine River Area Sanitary District	\$ 1,836,094	\$ 141,517	\$ -	\$ 1,977,611
Machinery, furniture, and equipment				
Cass County HRA	\$ 89,184	\$ 6,030	\$ -	\$ 95,214
Pine River Area Sanitary District	90,877	9,008	-	99,885
Total machinery, furniture, and equipment	\$ 180,061	\$ 15,038	\$ -	\$ 195,099
Total accumulated depreciation	\$ 4,678,869	\$ 201,225	\$ -	\$ 4,880,094
Total capital assets depreciated, net	\$ 2,705,425	\$ (98,107)	\$ 10,624	\$ 2,596,694
Total Capital Assets, Net	\$ 2,741,178	\$ (98,107)	\$ 10,624	\$ 2,632,447

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

Cass County HRA	\$ 30,463
Pine River Area Sanitary District	<u>170,762</u>
Total Depreciation Expense	<u>\$ 201,225</u>

**CASS COUNTY
WALKER, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes (Continued)

2. Liabilities

The HRA entered into a loan agreement with the Minnesota Housing Finance Agency in connection with the publicly-owned transitional housing program. The loans are non-interest bearing and are due upon sale of the development property and other conditions of the program. Upon maturity, the loans are canceled, and loan repayments may be used for the revolving loan. There were no current changes to these loans.

Loan Date	Term	Balance December 31, 2009
February 25, 1992	20 years	\$ 34,205
October 20, 2008	5 years	7,616
Total		\$ 41,821

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 November 13, 2007, the District purchased a truck. The loan requires 60 monthly installments of \$358, including interest at 6.19 percent.

On October 1, 2008, the District entered into a General Obligation Utility Revenue Note purchase agreement with the bank of Zumbrota, Minnesota, and Cass County, Minnesota (borrower), to finance the cost of improvements to the sewer collection and treatment system. Under the agreement, the bank loaned \$52,000 to the borrower and the applicant. Repayment of the loan is scheduled to be repaid semi-annually on October 1 and April 1 of each year with interest of 3.5 percent.

**CASS COUNTY
WALKER, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Long-Term Debt (Continued)

Long-term debt outstanding at December 31, 2009, for the Pine River Area Sanitary District consists of the following:

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Remaining Commitment
1997A PFA G.O. Sewer Revenue Note	2019	\$ 74,247	1.13	\$ 1,366,190	\$ 748,683
1997B PFA G.O. Sewer Revenue Note	2020	94,191	-	1,883,810	989,000
Note payable to bank	2012	3,471	6.19	18,439	11,439
Sewer and Treatment System Revenue Note	2014	2,000	3.50	52,000	48,000
Total					<u>\$ 1,797,122</u>

Debt Service Requirements

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

Year Ending December 31	PFA Sewer Revenue Note	Bank Note	G.O. Revenue Utility Bond
2010	\$ 177,527	\$ 4,297	\$ 11,593
2011	177,527	4,297	11,243
2012	177,527	4,297	10,892
2013	177,527	-	18,630
2014	177,527	-	-
2015 - 2019	845,968	-	-
2020	47,095	-	-
Total	\$ 1,780,698	\$ 12,891	\$ 52,358
Less: interest	(43,015)	(1,452)	(4,358)
Total	<u>\$ 1,737,683</u>	<u>\$ 11,439</u>	<u>\$ 48,000</u>

**CASS COUNTY
WALKER, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Debt Service Requirements (Continued)

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.

Changes in Long-Term Liabilities

The following is a summary of the District's long-term debt transactions for the year ended December 31, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Pine River Area Sanitary District PFA G.O. Sewer Revenue Notes Payable	\$ 1,906,121	\$ -	\$ 168,438	\$ 1,737,683	\$ 177,527
Notes payable to bank	14,910	-	3,471	11,439	4,297
General Obligation Utility Note	52,000	-	4,000	48,000	11,593
	<u>52,000</u>	<u>-</u>	<u>4,000</u>	<u>48,000</u>	<u>11,593</u>
Total Long-Term Liabilities	<u>\$ 1,973,031</u>	<u>\$ -</u>	<u>\$ 175,909</u>	<u>\$ 1,797,122</u>	<u>\$ 193,417</u>

**CASS COUNTY
WALKER, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes (Continued)

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.

4. Prior Period Adjustment

On December 31, 2009, there was an adjustment made to net assets to reflect current year capital fund activities that were attributable to prior years.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CASS COUNTY
WALKER, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,429,949	\$ 9,429,949	\$ 8,993,590	\$ (436,359)
Special assessments	1,650,000	1,650,000	1,739,487	89,487
Licenses and permits	81,700	81,700	83,038	1,338
Intergovernmental	2,436,510	2,436,510	3,205,625	769,115
Charges for services	2,247,900	2,247,900	3,071,997	824,097
Fines and forfeits	4,200	4,200	6,979	2,779
Gifts and contributions	-	-	16	16
Investment earnings	1,300,000	1,300,000	1,095,535	(204,465)
Miscellaneous	215,925	215,925	409,825	193,900
Total Revenues	\$ 17,366,184	\$ 17,366,184	\$ 18,606,092	\$ 1,239,908
Expenditures				
Current				
General government				
Commissioners	\$ 281,502	\$ 294,502	\$ 312,420	\$ (17,918)
Courts	134,791	134,791	133,211	1,580
Law library	40,000	40,000	32,453	7,547
County administration	208,240	217,140	213,291	3,849
County auditor	1,201,229	1,201,229	1,166,490	34,739
County assessor	839,872	839,872	823,669	16,203
Attorney	891,542	891,542	876,497	15,045
Recorder	426,340	494,540	484,645	9,895
Planning and zoning	402,298	402,298	443,170	(40,872)
Buildings and plant	649,672	649,672	648,898	774
MIS	505,060	505,060	494,771	10,289
HHVS cost plan and reimbursement	5,100	5,100	5,100	-
Total general government	\$ 5,585,646	\$ 5,675,746	\$ 5,634,615	\$ 41,131
Public safety				
Sheriff	\$ 4,384,566	\$ 4,693,566	\$ 4,661,248	\$ 32,318
Boat and water safety	399,406	399,406	322,564	76,842
Emergency services	42,351	85,351	71,099	14,252
Coroner	98,000	98,000	88,047	9,953
Law enforcement center	2,489,877	2,489,877	2,485,154	4,723
Sentence to serve	76,760	76,760	61,227	15,533
Probation and parole	606,733	606,733	594,869	11,864
Longville ambulance subordinate service district	400,000	400,000	358,946	41,054
Total public safety	\$ 8,497,693	\$ 8,849,693	\$ 8,643,154	\$ 206,539

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

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 2,468,194	\$ 2,468,194	\$ 2,208,951	\$ 259,243
Culture and recreation				
Parks	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Conservation of natural resources				
Cooperative extension	\$ 69,000	\$ 69,000	\$ 68,051	\$ 949
Mississippi Headwaters Board	1,500	1,500	1,500	-
Soil and water conservation	6,250	6,250	2,250	4,000
Environmental services	157,062	288,562	240,435	48,127
Other conservation	16,350	16,350	16,350	-
Total conservation of natural resources	\$ 250,162	\$ 381,662	\$ 328,586	\$ 53,076
Economic development				
Administration	\$ 37,500	\$ 37,500	\$ 37,500	\$ -
Total Expenditures	\$ 16,854,195	\$ 17,427,795	\$ 16,867,806	\$ 559,989
Excess of Revenues Over (Under) Expenditures	\$ 511,989	\$ (61,611)	\$ 1,738,286	\$ 1,799,897
Other Financing Sources (Uses)				
Transfers in	\$ 330,000	\$ 392,000	\$ 391,845	\$ (155)
Transfers out	-	(3,025,000)	(3,000,000)	25,000
Total Other Financing Sources (Uses)	\$ 330,000	\$ (2,633,000)	\$ (2,608,155)	\$ 24,845
Change in Fund Balance	\$ 841,989	\$ (2,694,611)	\$ (869,869)	\$ 1,824,742
Fund Balance - January 1	25,748,718	25,748,718	25,748,718	-
Fund Balance - December 31	\$ 26,590,707	\$ 23,054,107	\$ 24,878,849	\$ 1,824,742

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,953,591	\$ 3,953,591	\$ 3,738,500	\$ (215,091)
Intergovernmental	5,759,400	5,759,400	6,129,591	370,191
Charges for services	505,000	505,000	435,859	(69,141)
Miscellaneous	7,000	7,000	14,473	7,473
Total Revenues	\$ 10,224,991	\$ 10,224,991	\$ 10,318,423	\$ 93,432
Expenditures				
Current				
Highways and streets				
Administration	\$ 730,884	\$ 730,884	\$ 699,195	\$ 31,689
Maintenance	3,135,403	3,135,403	3,319,267	(183,864)
Construction	4,620,000	4,620,000	3,564,662	1,055,338
Equipment maintenance and shop	1,563,295	1,563,295	1,179,704	383,591
Other	175,409	175,409	160,265	15,144
Total Expenditures	\$ 10,224,991	\$ 10,224,991	\$ 8,923,093	\$ 1,301,898
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 1,395,330	\$ 1,395,330
Fund Balance - January 1	4,195,534	4,195,534	4,195,534	-
Increase (decrease) in reserved for inventories	-	-	166,631	166,631
Fund Balance - December 31	\$ 4,195,534	\$ 4,195,534	\$ 5,757,495	\$ 1,561,961

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HEALTH, HUMAN, AND VETERANS SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,238,084	\$ 6,238,084	\$ 5,895,646	\$ (342,438)
Licenses and permits	7,130	7,130	5,580	(1,550)
Intergovernmental	6,225,666	6,225,666	6,796,683	571,017
Charges for services	1,117,550	1,117,550	1,103,650	(13,900)
Gifts and contributions	1,000	1,000	1,170	170
Miscellaneous	479,852	479,852	517,366	37,514
Total Revenues	\$ 14,069,282	\$ 14,069,282	\$ 14,320,095	\$ 250,813
Expenditures				
Current				
General government				
Veterans service officer	\$ 186,788	\$ 186,788	\$ 148,938	\$ 37,850
Human services				
Income maintenance	\$ 2,927,254	\$ 2,927,254	\$ 2,810,202	\$ 117,052
Social services	8,290,687	8,290,687	6,711,903	1,578,784
Children's initiative	234,100	250,600	237,907	12,693
Total human services	\$ 11,452,041	\$ 11,468,541	\$ 9,760,012	\$ 1,708,529
Health				
Public health	\$ 2,360,453	\$ 2,360,453	\$ 2,067,495	\$ 292,958
South Country Health Alliance	437,270	740,170	713,128	27,042
Total health	\$ 2,797,723	\$ 3,100,623	\$ 2,780,623	\$ 320,000
Total Expenditures	\$ 14,436,552	\$ 14,755,952	\$ 12,689,573	\$ 2,066,379
Excess of Revenues Over (Under) Expenditures	\$ (367,270)	\$ (686,670)	\$ 1,630,522	\$ 2,317,192
Fund Balance - January 1	7,531,368	7,531,368	7,531,368	-
Fund Balance - December 31	\$ 7,164,098	\$ 6,844,698	\$ 9,161,890	\$ 2,317,192

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 301,800	\$ 301,800	\$ 393,811	\$ 92,011
Miscellaneous	2,531,804	2,531,804	1,695,271	(836,533)
Total Revenues	\$ 2,833,604	\$ 2,833,604	\$ 2,089,082	\$ (744,522)
Expenditures				
Current				
Conservation of natural resources				
Reforestation	\$ 295,000	\$ 295,000	\$ 190,989	\$ 104,011
In-lieu	145,000	145,000	73,385	71,615
Roads	30,000	30,000	9,189	20,811
Trails	251,800	251,800	172,399	79,401
Land commissioner	2,111,804	2,111,804	664,305	1,447,499
Total Expenditures	\$ 2,833,604	\$ 2,833,604	\$ 1,110,267	\$ 1,723,337
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 978,815	\$ 978,815
Other Financing Sources (Uses)				
Transfers out	-	-	(393,665)	(393,665)
Change in Fund Balance	\$ -	\$ -	\$ 585,150	\$ 585,150
Fund Balance - January 1	3,210,062	3,210,062	3,210,062	-
Fund Balance - December 31	\$ 3,210,062	\$ 3,210,062	\$ 3,795,212	\$ 585,150

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 5

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	\$ -	\$ 35,971,965	\$ 35,971,965	0.0%	\$ 11,368,490	316.42%
January 1, 2009	-	33,948,649	33,948,649	0.0	12,141,633	279.60

**CASS COUNTY
WALKER, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Budgetary Information

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

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

By July of each year, all departments submit requests for appropriations to the County Auditor/Treasurer. The Budget Committee reviews and amends the departmental requests in order to develop a proposed budget and preliminary property tax levy. Before September 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.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, the following departments of the General Fund had expenditures that exceeded appropriations.

	Budget	Actual	Excess
Current			
General government			
Commissioners	\$ 294,502	\$ 312,420	\$ 17,918
Planning and zoning	402,298	443,170	40,872

**CASS COUNTY
WALKER, MINNESOTA**

3. Other Postemployment Benefits

Cass County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented in 2008, thus multi-year information for prior years is unavailable.

See Note 4 to the financial statements for more information.

SUPPLEMENTARY INFORMATION

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**CASS COUNTY
WALKER, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

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.

The Shingobee Special Revenue Fund is used to account for the provision of water and sewer services to residents of Shingobee Township and is a blended component unit of the County.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal, interest, and the related costs of long-term debt.

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**CASS COUNTY
WALKER, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 400,455	\$ 157,481	\$ 557,936
Undistributed cash in agency funds	1,893	116	2,009
Taxes receivable			
Prior	3,571	502	4,073
Accounts receivable	47	-	47
Due from other funds	1,820	-	1,820
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 407,786</u>	<u>\$ 158,099</u>	<u>\$ 565,885</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Due to other funds	\$ 27,390	\$ -	\$ 27,390
Deferred revenue - unavailable	3,338	494	3,832
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 30,728</u>	<u>\$ 494</u>	<u>\$ 31,222</u>
 Fund Balances			
Unreserved			
Designated for debt service	\$ -	\$ 157,605	\$ 157,605
Designated for cash flows	114,000	-	114,000
Undesignated	263,058	-	263,058
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ 377,058</u>	<u>\$ 157,605</u>	<u>\$ 534,663</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 407,786</u>	<u>\$ 158,099</u>	<u>\$ 565,885</u>

**CASS COUNTY
WALKER, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue	Debt Service	Total
Revenues			
Taxes	\$ 237,341	\$ 481	\$ 237,822
Intergovernmental	71,263	-	71,263
Charges for services	2,646	-	2,646
Investment earnings	859	-	859
Miscellaneous	17,500	-	17,500
	\$ 329,609	\$ 481	\$ 330,090
Expenditures			
Current			
Public safety	\$ 27,390	\$ -	\$ 27,390
Highways and streets	145,056	-	145,056
Sanitation	3,938	-	3,938
	\$ 176,384	\$ -	\$ 176,384
Excess of Revenues Over (Under) Expenditures	\$ 153,225	\$ 481	\$ 153,706
Other Financing Sources (Uses)			
Transfers in	1,820	-	1,820
	\$ 155,045	\$ 481	\$ 155,526
Net Change in Fund Balance			
Fund Balance - January 1	222,013	157,124	379,137
Fund Balance - December 31	\$ 377,058	\$ 157,605	\$ 534,663

**CASS COUNTY
WALKER, MINNESOTA**

Statement 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009**

	Unorganized Town	Shingobee	Total
 <u>Assets</u>			
Cash and pooled investments	\$ 359,276	\$ 41,179	\$ 400,455
Undistributed cash in agency funds	1,893	-	1,893
Taxes receivable			
Prior	3,571	-	3,571
Accounts receivable	-	47	47
Due from other funds	1,820	-	1,820
	\$ 366,560	\$ 41,226	\$ 407,786
 Total Assets	\$ 366,560	\$ 41,226	\$ 407,786
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Due to other funds	\$ 27,390	\$ -	\$ 27,390
Deferred revenue - unavailable	3,338	-	3,338
	\$ 30,728	\$ -	\$ 30,728
Total Liabilities	\$ 30,728	\$ -	\$ 30,728
 Fund Balances			
Unreserved			
Designated for cash flows	\$ 114,000	\$ -	\$ 114,000
Undesignated	221,832	41,226	263,058
	\$ 335,832	\$ 41,226	\$ 377,058
Total Fund Balances	\$ 335,832	\$ 41,226	\$ 377,058
 Total Liabilities and Fund Balances	\$ 366,560	\$ 41,226	\$ 407,786

**CASS COUNTY
WALKER, MINNESOTA**

Statement 4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Unorganized Town	Shingobee	Total
Revenues			
Taxes	\$ 237,341	\$ -	\$ 237,341
Intergovernmental	71,263	-	71,263
Charges for services	-	2,646	2,646
Investment earnings	-	859	859
Miscellaneous	17,500	-	17,500
	\$ 326,104	\$ 3,505	\$ 329,609
Expenditures			
Current			
Public safety	\$ 27,390	\$ -	\$ 27,390
Highways and streets	145,056	-	145,056
Sanitation	-	3,938	3,938
	\$ 172,446	\$ 3,938	\$ 176,384
Excess of Revenues Over (Under) Expenditures	\$ 153,658	\$ (433)	\$ 153,225
Other Financing Sources (Uses)			
Transfers in	1,820	-	1,820
	\$ 155,478	\$ (433)	\$ 155,045
Net Change in Fund Balance			
Fund Balance - January 1	180,354	41,659	222,013
Fund Balance - December 31	\$ 335,832	\$ 41,226	\$ 377,058

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
UNORGANIZED TOWN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 245,000	\$ 245,000	\$ 237,341	\$ (7,659)
Intergovernmental	40,000	40,000	71,263	31,263
Miscellaneous	-	-	17,500	17,500
Total Revenues	\$ 285,000	\$ 285,000	\$ 326,104	\$ 41,104
Expenditures				
Current				
Public safety				
Other public safety	\$ 35,000	\$ 35,000	\$ 27,390	\$ 7,610
Highways and streets				
Maintenance	250,000	250,000	145,056	104,944
Total Expenditures	\$ 285,000	\$ 285,000	\$ 172,446	\$ 112,554
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 153,658	\$ 153,658
Other Financing Sources (Uses)				
Transfers in	-	-	1,820	1,820
Change in Fund Balance	\$ -	\$ -	\$ 155,478	\$ 155,478
Fund Balance - January 1	180,354	180,354	180,354	-
Fund Balance - December 31	\$ 180,354	\$ 180,354	\$ 335,832	\$ 155,478

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 481	\$ 481
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 481	\$ 481
Fund Balance - January 1	<u>157,124</u>	<u>157,124</u>	<u>157,124</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 157,124</u>	<u>\$ 157,124</u>	<u>\$ 157,605</u>	<u>\$ 481</u>

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**

Statement 5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 384,240	\$ 47,105,547	\$ 47,080,395	\$ 409,392
<u>Liabilities</u>				
Due to other governments	\$ 300,699	\$ 46,974,871	\$ 46,932,115	\$ 343,455
Prepaid taxes	83,541	130,676	148,280	65,937
Total Liabilities	\$ 384,240	\$ 47,105,547	\$ 47,080,395	\$ 409,392
 <u>STATE OF MINNESOTA</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 155,305	\$ 9,075,352	\$ 9,062,706	\$ 167,951
<u>Liabilities</u>				
Due to other governments	\$ 155,305	\$ 9,075,352	\$ 9,062,706	\$ 167,951
 <u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 11,070,678	\$ 11,070,678	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 11,070,678	\$ 11,070,678	\$ -

**CASS COUNTY
WALKER, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 12,817,298	\$ 12,802,258	\$ 15,040
Accounts receivable	4,839	-	4,839	-
Total Assets	<u>\$ 4,839</u>	<u>\$ 12,817,298</u>	<u>\$ 12,807,097</u>	<u>\$ 15,040</u>
<u>Liabilities</u>				
Cash overdraft	\$ 4,839	\$ -	\$ 4,839	\$ -
Due to other governments	-	12,817,298	12,802,258	15,040
Total Liabilities	<u>\$ 4,839</u>	<u>\$ 12,817,298</u>	<u>\$ 12,807,097</u>	<u>\$ 15,040</u>
 <u>MINNESOTA COUNTIES INFORMATION SYSTEMS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 843,416	\$ 1,796,859	\$ 1,785,778	\$ 854,497
Petty cash and change funds	400	-	-	400
Total Assets	<u>\$ 843,816</u>	<u>\$ 1,796,859</u>	<u>\$ 1,785,778</u>	<u>\$ 854,897</u>
<u>Liabilities</u>				
Salaries payable	\$ 44,222	\$ 48,860	\$ 44,222	\$ 48,860
Due to other governments	799,594	1,747,999	1,741,556	806,037
Total Liabilities	<u>\$ 843,816</u>	<u>\$ 1,796,859</u>	<u>\$ 1,785,778</u>	<u>\$ 854,897</u>

**CASS COUNTY
WALKER, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MISSISSIPPI HEADWATERS BOARD</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 164,308	\$ 80,034	\$ 69,943	\$ 174,399
Petty cash and change funds	40	-	-	40
Total Assets	<u>\$ 164,348</u>	<u>\$ 80,034</u>	<u>\$ 69,943</u>	<u>\$ 174,439</u>
<u>Liabilities</u>				
Salaries payable	\$ 1,494	\$ 1,769	\$ 1,494	\$ 1,769
Due to other governments	162,854	78,265	68,449	172,670
Total Liabilities	<u>\$ 164,348</u>	<u>\$ 80,034</u>	<u>\$ 69,943</u>	<u>\$ 174,439</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,547,269	\$ 81,945,768	\$ 81,871,758	\$ 1,621,279
Petty cash and change funds	440	-	-	440
Accounts receivable	4,839	-	4,839	-
Total Assets	<u>\$ 1,552,548</u>	<u>\$ 81,945,768</u>	<u>\$ 81,876,597</u>	<u>\$ 1,621,719</u>
<u>Liabilities</u>				
Cash overdraft	\$ 4,839	\$ -	\$ 4,839	\$ -
Salaries payable	45,716	50,629	45,716	50,629
Due to other governments	1,418,452	81,764,463	81,677,762	1,505,153
Prepaid taxes	83,541	130,676	148,280	65,937
Total Liabilities	<u>\$ 1,552,548</u>	<u>\$ 81,945,768</u>	<u>\$ 81,876,597</u>	<u>\$ 1,621,719</u>

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OTHER SCHEDULE

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**CASS COUNTY
WALKER, MINNESOTA**

Schedule 8

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Funds
Shared Revenue	
State	
Highway users tax	\$ 4,192,139
County program aid	606,217
PERA rate reimbursement	51,886
Disparity reduction aid	7,408
Police aid	216,768
E-911	106,025
Market value credit aid	983,975
Casino aid/tribal tax agreement	99,080
	\$ 6,263,498
Reimbursement for Services	
Minnesota Department of Human Services	\$ 1,308,972
Payments	
Local	
Local contributions	\$ 68,149
Payments in lieu of taxes	1,029,721
	\$ 1,097,870
Grants	
State	
Minnesota Department of	
Administration	\$ 3,028,875
Commerce	5,365
Corrections	208,323
Crime Victim Services	54,179
Employment and Economic Development	136,000
Pollution Control	6,004
Public Safety	44,287
Trade and Economic Security	1,719,597
Transportation	112,000
Health	239,048
Natural Resources	382,213
Human Services	1,748,116
Veterans Affairs	2,790
Pollution Control Agency	77,569
Office of Environmental Assistance	70,568
	\$ 7,834,934

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 8
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Funds
	<hr/>
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 648,437
Commerce	33,740
Defense	669
Interior	289,215
Justice	65,502
Transportation	1,294,942
Health and Human Services	2,624,598
Homeland Security	41,367
	<hr/>
Total federal	\$ 4,998,470
	<hr/>
Total state and federal grants	\$ 12,833,404
	<hr/>
Total Intergovernmental Revenue	\$ 21,503,744
	<hr/> <hr/>

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**CASS COUNTY
WALKER, MINNESOTA**

Schedule 9

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Cass County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Cass County and are reported in the "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*." None were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Cass County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Cass County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grant for SNAP	CFDA #10.561
State Administrative Matching Grant for SNAP - ARRA	CFDA #10.561
Schools and Roads - Grants to States	CFDA #10.665
Payments in Lieu of Taxes (PILT)	CFDA #15.226
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563

Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Cass County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-7 Departmental Internal Accounting Controls

Due to the limited number of office personnel within the various County departments, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Although this is not unusual in small departmental situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control perspective.

We recommend that County management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are as management intended.

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.

06-1 Preparation of Financial Statements

Cass County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Currently, the County has its external auditor prepare the conversion adjustments needed to prepare the government-wide financial statements. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This arrangement is not unusual for an organization the size of Cass County. This decision was based on the availability of the County's staff and cost benefit of using our expertise rather than to prepare the financial statements internally. As a result of this condition, the County has implemented oversight procedures to compensate for this internal control weakness as it relates to the preparation of financial statements in accordance with GAAP.

We recommend that the County internally continually review and monitor the internal controls that have been established for the preparation of its annual financial statements in accordance with GAAP.

Client's Response:

The County will continue to rely on the Office of the State Auditor's (OSA) expertise in assisting the County with the preparation of its financial statements. The Chief Financial Officer will work with accounting staff to minimize the work performed by the OSA staff and act as the qualified individual who will review, understand and approve the County's financial statements. County management will continue to review and monitor internal controls as they relate to the preparation of the County's financial statements and review and approve the draft statements prior to completion of the audit process.

08-2 Computer Risk Management

The County has implemented internal controls to manage risks associated with its various information technologies (IT) systems. However, since risk management is an ongoing process, the County needs to continually assure itself that internal controls and related procedures are adequate, monitored, and regularly updated to safeguard the County's critical data and IT systems. An important aspect of risk management is the development and implementation of a formal business continuity plan. The County has not yet developed a formal business continuity plan to identify and manage risks associated with its IT environment.

Risk management begins with an assessment of the County's IT environment to identify those risks that could negatively influence County operations. Internal controls should be implemented and monitored to reduce the identified risks and ensure they are functioning as intended. Internal controls implemented should be documented in a well-maintained policies and procedures manual, which should be communicated to the County's staff. Staff adherence to these policies and procedures should be monitored. Because risk exposures to IT systems are ever changing, the County should perform periodic reassessments of risks to ensure existing internal controls are still effective. The development of a comprehensive business continuity plan can play an important part in the identification and management of an entity's identified risks.

Because of the rapidly changing nature of risk exposure in the IT environment, we recommend that County management perform periodic risk assessments and develop or update internal controls where considered necessary. As a part of this process, we also recommend that management develop a comprehensive business continuity plan.

Client's Response:

The Central Services Department will initiate a comprehensive Business Continuity Plan project through the Board of Commissioners to provide the necessary involvement of all Departments in development and implementation. The Central Services Department will provide leadership and coordination. As part of the project, risk assessments for every aspect of operations will be undertaken. Procedures, controls, and policies will reflect identified risks. This is likely to take 12 months or more to fully develop, prepare, implement, and test.

08-3 Time Reporting Procedures

During our review of payroll internal controls, we detected weaknesses in time reporting procedures where the County should consider developing a new policy.

In our sample of 40 transactions, two instances were detected in which no one was approving supervisors' time reports. During 2009, the County did not have a formal policy that requires any additional approval of department heads' time reports. Approval of all County employee time reports is a basic internal control certifying that work hours being reported and paid are legitimate.

We recommend County management develop written procedures that identify an approval process for department head time reports.

Client's Response:

The County developed a written procedure outlining the process that will require department heads and any other non-elected personnel to have their time sheets approved by a designated person within their departments. This procedure was approved by the County Board on January 5, 2010, and was implemented for 2010.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (08-1)

Several material audit adjustments to the County's General Fund and Road and Bridge Special Revenue Fund were identified.

Resolution

No material audit adjustments were identified in the current audit.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

08-4 Safekeeping of Investments

Minn. Stat. § 118A.06 requires that all investments be held in safekeeping with:

- a federal reserve bank;
- any bank authorized under the laws of the United States or any state to exercise corporate trust powers including, but not limited to, the bank from which the investment was purchased;
- a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; or
- a securities broker-dealer having its principal executive office in Minnesota licensed under Chapter 80A, or an affiliate of it, and regulated by the Securities and Exchange Commission.

At December 31, 2009, Wells Fargo Advisors and Wells Fargo Securities held securities on behalf of Cass County. Minnesota law in effect at this time only permitted brokers with a “principal executive office” in the State of Minnesota to hold public securities. Wells Fargo Advisors and Wells Fargo Securities do not have a principal executive office in the State of Minnesota.

The 2010 Legislature changed this requirement so that as of August 1, 2010, brokers can hold public investments to the extent they have insurance to protect their clients through the Securities Investors Protection Corporation (SIPC) or excess SIPC coverage. We recommend that all County securities only be held by entities that meet the criteria of Minn. Stat. § 118A.06. For brokers such as Wells Fargo Advisors and Wells Fargo Securities, the County must verify that the brokers have SIPC and excess SIPC sufficient to protect all County securities in their possession in order to be in compliance with Minn. Stat. § 118A.06 after August 1, 2010.

Client's Response:

Currently, all County investments are being held with qualifying safekeepers according to Minn. Stat. § 118A.06. The County will continue to work closely with the Minnesota Office of State Auditors and our brokers to insure compliance regarding sufficient SIPC and excess SIPC insurance coverage.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned, as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as corpus of a permanent fund)
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.



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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*

Board of County Commissioners
Cass County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the remaining aggregate fund information of Cass County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Cass County Housing and Redevelopment Authority (HRA) and the Pine River Area Sanitary District (District) discretely presented component units, as described in our report on Cass County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cass County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-7, 06-1, 08-2, and 08-3, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because that provision was not applicable.

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

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2010

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Cass County

Compliance

We have audited the compliance of Cass County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Cass County's basic financial statements include the operations of the Cass County Housing and Redevelopment Authority (HRA) component unit, which expended \$408,357 in federal awards during the year ended December 31, 2009, 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 HRA because it was audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Cass County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cass County as of and for the year ended December 31, 2009, and have issued our report thereon

dated September 28, 2010. We did not audit the financial statements of the Cass County HRA and the Pine River Area Sanitary District discretely presented component units. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on Cass County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**CASS COUNTY
WALKER, MINNESOTA**

Schedule 10

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 158,593
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	232,288
State Administrative Matching Grants for SNAP - ARRA	10.561	19,154
Direct Cooperative Forestry Assistance	10.664	5,126
Passed Through Minnesota Department of Minnesota Management & Budget Schools and Roads - Grants to States	10.665	<u>233,276</u>
Total U.S. Department of Agriculture		<u>\$ 648,437</u>
U.S. Department of Commerce		
Passed Through Itasca County Public Safety Interoperable Communications Grant Program	11.555	<u>\$ 33,740</u>
U.S. Department of Defense		
Passed Through Minnesota Department of Minnesota Management & Budget Flood Plain Management Services	12.104	<u>\$ 669</u>
U.S. Department of the Interior		
Direct Payments in Lieu of Taxes	15.226	<u>\$ 289,215</u>
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 1,197
Edward Byrne Memorial Justice Assistance Grant Program - ARRA	16.804	56,791
Passed Through Crow Wing County Juvenile Accountability Block Grants	16.523	<u>7,514</u>
Total U.S. Department of Justice		<u>\$ 65,502</u>

**CASS COUNTY
WALKER, MINNESOTA**

***Schedule 10
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,134,993
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	12,167
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	17,387
Total U.S. Department of Transportation		\$ 1,164,547
U.S. Department of Health and Human Services		
Direct		
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912	\$ 20,957
Passed Through Minnesota Department of Health Public Health Emergency Preparedness Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.069	37,406
Maternal and Child Health Services Block Grant to the States	93.283	23,845
	93.994	35,332
Passed Through Minnesota Department of Human Services Child Support Enforcement Cluster Child Support Enforcement	93.563	500,545
Child Support Enforcement - ARRA	93.563	43,734
Temporary Assistance for Needy Families	93.558	709,176
Refugee and Entrant Assistance - State-Administered Programs	93.566	588
Community-Based Child Abuse Prevention Grants	93.590	23,652
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	40,209
Child Welfare Services - State Grants	93.645	18,547
Foster Care Title IV-E Cluster Foster Care Title IV-E	93.658	226,915
Foster Care Title IV-E - ARRA	93.658	16,097
Social Services Block Grant	93.667	241,169
Chafee Foster Care Independence Program	93.674	1,034
Medical Assistance Program	93.778	682,633
Block Grants for Community Mental Health Services	93.958	2,759
Total U.S. Department of Health and Human Services		\$ 2,624,598

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 10
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 16,220
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	25,147
Total U.S. Department of Homeland Security		\$ 41,367
Total Federal Awards		\$ 4,868,075

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**CASS COUNTY
WALKER, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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 financial statements. The schedule does not include \$408,357 in federal awards expended by the Cass County Housing and Redevelopment Authority component unit, which has a separate audit performed by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cass County under programs of the federal government for the year ended December 31, 2009. 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, changes in net assets, or cash flows 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 grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,998,470
Grants received more than 60 days after year-end, deferred in 2009	
Highway Planning and Construction	124,825
Deferred in 2008, recognized as revenue in 2009	
Highway Planning and Construction	<u>(255,220)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u><u>\$ 4,868,075</u></u>

**CASS COUNTY
WALKER, MINNESOTA**

5. Subrecipients

Of the expenditures presented in the schedule, Cass County did not provide any federal awards to subrecipients.

6. American Recovery and Reinvestment Act

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