

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CASS COUNTY
WALKER, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2008

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, 2008



**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, 2008**

		<u>Term Expires</u>
Elected		
Commissioners		
District I	James Demgen	January 2011
District II	Robert Kangas	January 2011
District III	Jeff Peterson	January 2009
District IV	James Dowson	January 2011
District V	Virgil Foster	January 2009
Attorney	Christopher Strandlie	January 2011
Recorder	Kathryn Norby	January 2011
Sheriff	Randy Fisher	January 2011
Appointed		
Administrator	Robert Yochum	November 2009
Assessor	Steven Kuha	December 2008
Auditor/Treasurer	Sharon K. Anderson	Indefinite
Chief Financial Officer	Larry Wolfe	Indefinite
Health, Human and Veterans Services	Dorothy Opheim	Indefinite
Highway Engineer	Dave Enblom	May 2009
Land Commissioner	Norm Moody	Indefinite
Medical Examiner	Dr. Michael B. McGee	January 2009

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
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, 2008, 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, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, during the year ended December 31, 2008, the County adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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 November 6, 2009, 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

November 6, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CASS COUNTY
WALKER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(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, 2008. 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, 2008, by \$139,479,801 (net assets). Of this amount, \$31,915,779 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2008, Cass County's governmental funds reported combined ending fund balances of \$46,588,515, an increase of \$1,135,319 in comparison with 2007. Of this balance amount, \$1,934,748 was unreserved and undesignated by Cass County, and thus available for spending at the government's discretion.

Cass County, exclusive of its component units, had no debt during 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Cass County basic financial statements. Cass County's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund and component unit 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, 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, the 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 \$139,479,801 at the close of 2008. The largest portion of Cass County's net assets (67 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.

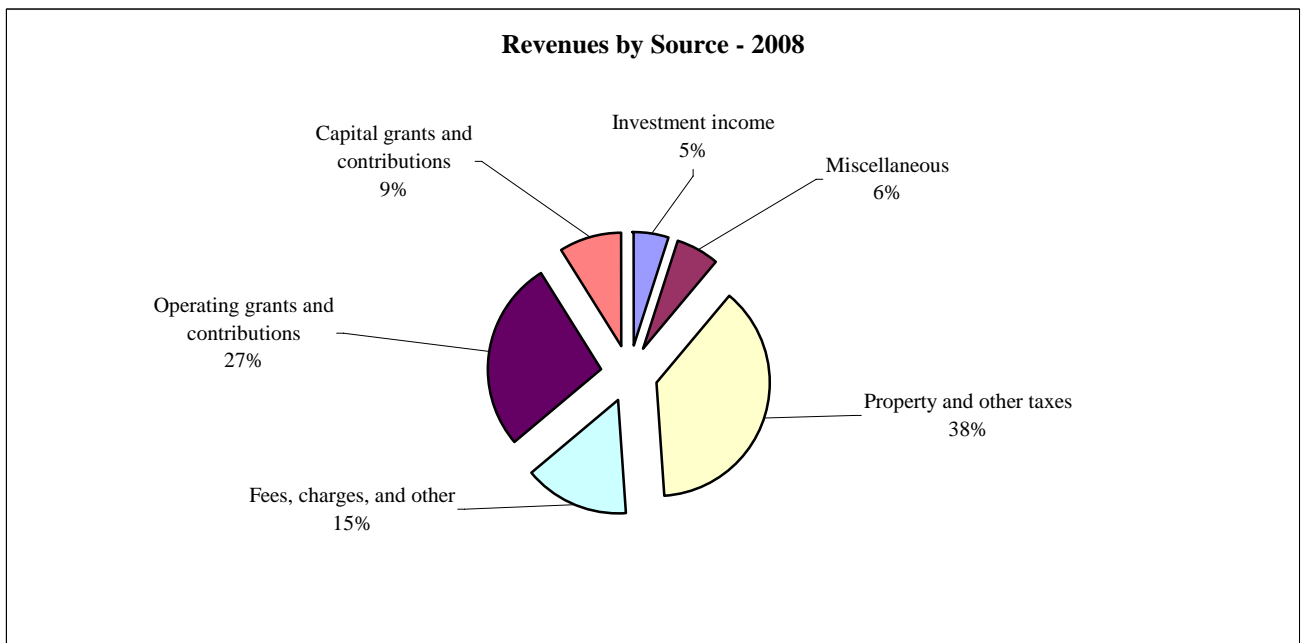
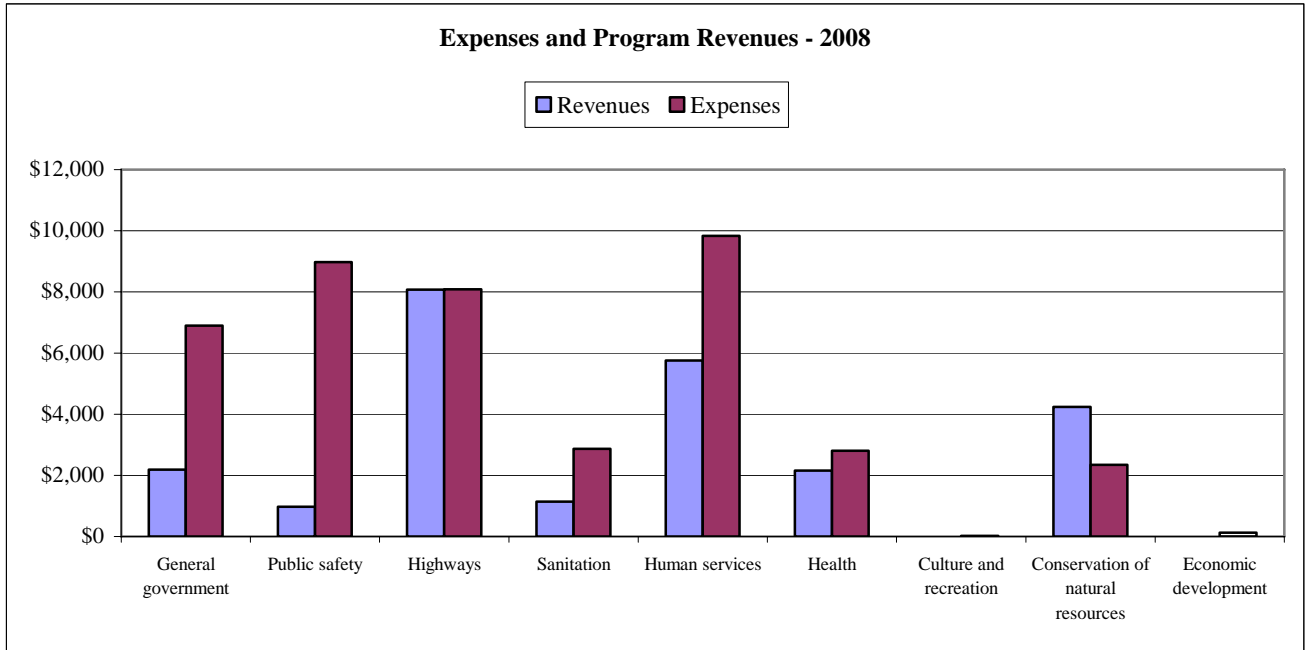
Net Assets (in thousands)		
Governmental Activities	2008	2007
Assets		
Current and other assets	\$ 54,431	\$ 53,708
Capital assets	94,169	87,886
Total Assets	\$ 148,600	\$ 141,594
Liabilities		
Long-term liabilities	\$ 3,498	\$ 3,699
Other liabilities	5,622	4,528
Total Liabilities	\$ 9,120	\$ 8,227

	2008	2007
Net Assets		
Invested in capital assets	\$ 94,169	\$ 87,886
Restricted	13,395	13,373
Unrestricted	31,916	32,108
Total Net Assets	\$ 139,480	\$ 133,367

The unrestricted net assets amount of \$31,915,779 as of December 31, 2008, may be used to meet the County's ongoing obligations to citizens and creditors.

**Changes in Net Assets
(in thousands)**

Governmental Activities	2008	2007
Revenues		
Program revenues		
Charges for services	\$ 7,384	\$ 9,393
Operating grants and contributions	12,830	11,172
Capital grants and contributions	4,332	4,612
General revenues		
Property taxes	18,272	16,885
Other	5,255	6,283
Total Revenues	\$ 48,073	\$ 48,345
Expenses		
General government	\$ 6,899	\$ 5,809
Public safety	8,970	7,727
Highways	8,089	5,881
Sanitation	2,867	2,327
Human services	9,836	9,746
Health	2,811	3,549
Culture and recreation	17	17
Conservation of natural resources	2,345	1,427
Economic development	126	35
Total Expenses	\$ 41,960	\$ 36,518
Increase in Net Assets	\$ 6,113	\$ 11,827
Net Assets - January 1	133,367	121,540
Net Assets - December 31	\$ 139,480	\$ 133,367



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 \$46,588,515, an increase of \$1,135,319 in comparison with the prior year. Unreserved and undesignated fund balance, \$1,934,748 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 \$7,237,311. 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. The General Fund's designated for cash flow fund balance represents 42.8 percent of total General Fund expenditures. In 2008, ending unreserved and undesignated fund balance in the General Fund decreased by \$4,954,481. The primary reason for this decrease was the increase in designated fund balance for future capital expenditures by County Board action.

The Road and Bridge Special Revenue Fund's designated for cash flow fund balance of \$3,756,541 at year-end represents 28.9 percent of the fund's annual expenditures. Unreserved and undesignated fund balance decreased \$822,873 during 2008, primarily due to expenditures exceeding revenues.

The Health, Human, and Veterans Services Special Revenue Fund's designated for cash flow fund balance of \$5,643,814 at year-end represents 43.8 percent of the fund's annual expenditures. Unreserved and undesignated fund balance increased \$1,166,453 during 2008, 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 \$1,742,460, primarily due to increased investment earnings, intergovernmental revenues and charges for services over budget.

Actual expenditures did not exceed budgeted expenditures for the period ending December 31, 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Cass County's capital assets for its governmental activities at December 31, 2008, totaled \$94,168,784 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net capital assets increased \$6,283,045, or 7.15 percent, from the previous year. The major capital asset event was \$6.6 million gross investment in infrastructure for 2008.

Governmental Capital Assets (Net of Depreciation)		
	2008	2007
Land	\$ 2,219,088	\$ 2,090,681
Infrastructure	70,632,096	65,820,736
Buildings	13,314,980	13,582,510
Machinery and equipment	1,593,404	1,731,737
Construction in progress	6,409,216	4,660,075
Total	<u>\$ 94,168,784</u>	<u>\$ 87,885,739</u>

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

Long-Term Debt

At the end of the current fiscal year, Cass County, exclusive of its component units, 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 2008, Cass County's legal debt limit was \$182,000,000.

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 2008 was 16.1 percent more than 2007. 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 to remain strong, which aids in the economic growth of the County.

By the end of 2008, Cass County approved its balanced 2009 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, 2008**

	Primary Government Governmental Activities	Discretely Presented Component Units
<u>Assets</u>		
Cash and pooled investments	\$ 41,483,317	\$ 268,310
Petty cash and change funds	2,591	-
Investments	4,156,061	-
Taxes receivable		
Prior - net	739,405	-
Special assessments receivable		
Prior - net	162,534	16,567
Accounts receivable - net	1,891,167	19,873
Accrued interest receivable	465,167	606
Due from other governments	2,374,774	-
Prepaid items	1,946,520	2,227
Inventories	401,541	-
Note receivable	-	148,647
Restricted assets		
Cash and pooled investments	-	151,107
Investment in joint venture	807,855	-
Capital assets		
Non-depreciable	8,628,304	35,753
Depreciable - net of accumulated depreciation	85,540,480	2,705,425
Total Assets	\$ 148,599,716	\$ 3,348,515
<u>Liabilities</u>		
Accounts payable	\$ 1,373,067	\$ 12,853
Salaries payable	783,684	8,251
Compensated absences payable - current	-	7,392
Contracts payable	252,857	-
Retainage payable	39,686	-
Due to other governments	679,406	-
Accrued interest payable	-	3,877
Unearned revenue	33,676	-
Customer deposits - current	-	4,918
Advance from other governments	336,017	-
Long-term liabilities		
Due within one year	576,761	175,811
Due in more than one year	5,044,761	1,844,160
Total Liabilities	\$ 9,119,915	\$ 2,057,262

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, 2008**

	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 94,168,784	\$ 772,506
Restricted for		
General government	389,767	-
Public safety	2,880,460	-
Highways and streets	1,254,737	-
Conservation of natural resources	8,327,512	-
Capital projects	-	106,687
Debt service	157,124	-
Other purposes	385,638	-
Unrestricted	<u>31,915,779</u>	<u>412,060</u>
Total Net Assets	<u>\$ 139,479,801</u>	<u>\$ 1,291,253</u>

**CASS COUNTY
WALKER, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 6,899,270	\$ 1,608,025
Public safety	8,969,697	323,009
Highways and streets	8,088,807	861,251
Sanitation	2,867,173	1,143,269
Human services	9,836,467	601,743
Health	2,810,507	995,758
Culture and recreation	16,812	-
Conservation of natural resources	2,345,455	1,850,813
Economic development	126,225	-
Total Primary Government	<u>\$ 41,960,413</u>	<u>\$ 7,383,868</u>
Component units		
Housing and Redevelopment Authority	\$ 557,473	\$ 111,612
Pine River Area Sanitary District	419,919	382,776
Total Component Units	<u>\$ 977,392</u>	<u>\$ 494,388</u>
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		
Net Assets - Ending		

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Units
\$ 576,701	\$ -	\$ (4,714,544)	
653,238	-	(7,993,450)	
4,578,816	2,635,089	(13,651)	
-	-	(1,723,904)	
5,159,156	-	(4,075,568)	
1,164,644	-	(650,105)	
-	-	(16,812)	
696,919	1,697,206	1,899,483	
-	-	(126,225)	
\$ 12,829,474	\$ 4,332,295	\$ (17,414,776)	
\$ 376,013	\$ -		\$ (69,848)
10,000	94,190		67,047
\$ 386,013	\$ 94,190		\$ (2,801)
		\$ 18,272,287	\$ -
		42,686	-
		25,751	-
		1,010,655	-
		1,708,815	-
		2,164,705	6,876
		230,448	-
		72,500	15,634
		\$ 23,527,847	\$ 22,510
		\$ 6,113,071	\$ 19,709
		133,366,730	1,271,544
		\$ 139,479,801	\$ 1,291,253

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CASS COUNTY
WALKER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 23,716,071	\$ 3,882,063
Petty cash and change funds	2,251	100
Undistributed cash in agency funds	203,898	58,483
Investments	-	-
Taxes receivable		
Prior	334,988	152,138
Special assessments		
Prior	162,534	-
Accounts receivable	146,086	-
Accrued interest receivable	440,838	-
Due from other funds	289,831	52,311
Due from other governments	51,800	1,345,457
Prepaid expense	1,946,520	-
Inventories	-	401,541
	<hr/>	<hr/>
Total Assets	<u>\$ 27,294,817</u>	<u>\$ 5,892,093</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 647,773	\$ 81,420
Salaries payable	381,181	113,930
Compensated absences - current	108,522	43,915
Contracts payable	-	252,857
Retainage payable	-	-
Due to other funds	6,277	-
Due to other governments	-	6,315
Deferred revenue - unavailable	389,056	1,198,122
Deferred revenue - unearned	13,290	-
Advance from other governments	-	-
	<hr/>	<hr/>
Total Liabilities	<u>\$ 1,546,099</u>	<u>\$ 1,696,559</u>

EXHIBIT 3

Health, Human, and Veterans Services	Forfeited Tax Sale	Environmental Trust	Other Governmental Funds	Total Governmental Funds
\$ 7,278,681	\$ 4,219,006	\$ 727,504	\$ 1,303,142	\$ 41,126,467
140	100	-	-	2,591
88,985	-	-	5,484	356,850
-	-	4,156,061	-	4,156,061
233,390	-	-	18,889	739,405
-	-	-	-	162,534
104,699	1,619,949	20,386	47	1,891,167
-	-	24,329	-	465,167
-	-	-	2	342,144
977,517	-	-	-	2,374,774
-	-	-	-	1,946,520
-	-	-	-	401,541
\$ 8,683,412	\$ 5,839,055	\$ 4,928,280	\$ 1,327,564	\$ 53,965,221
\$ 392,087	\$ 18,166	\$ 80	\$ 233,541	\$ 1,373,067
256,772	31,801	-	-	783,684
84,017	7,992	-	-	244,446
-	-	-	-	252,857
-	-	-	39,686	39,686
405	290,753	-	44,709	342,144
119,711	433,332	-	-	559,358
190,035	1,619,949	-	14,609	3,411,771
-	-	20,386	-	33,676
109,017	227,000	-	-	336,017
\$ 1,152,044	\$ 2,628,993	\$ 20,466	\$ 332,545	\$ 7,376,706

**CASS COUNTY
WALKER, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities and Fund Balances</u> (Continued)		
Fund Balances		
Reserved for		
Prepaid items	\$ 1,946,520	\$ -
Inventories	-	401,541
Missing heirs	31,153	-
Law library	51,723	-
Recorder's equipment	265,783	-
Recorder's compliance fund	66,052	-
Attorney's forfeiture	6,209	-
Enhanced 911	318,058	-
Federal projects	354,485	-
Forestry development	-	-
Environmental trust	-	-
Wetland activity	159,616	-
SSI/DAA fees	-	-
Birth/death certificates	-	-
Unreserved		
Designated for future expenditures	9,625,378	37,096
Designated for cash flows	7,237,311	3,756,541
Designated for uninsured claims	500,000	-
Designated for health insurance	2,526,549	-
Designated for income maintenance grants	-	-
Designated for OSHA grants	-	-
Designated for South Country Health Alliance	-	-
Designated for Longville Ambulance Subordinate Service District	100,722	-
Designated for petty cash funds	2,251	-
Designated for compensated absences	2,441,955	-
Designated for environmental grants	114,953	-
Undesignated	-	356
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
Capital projects fund	-	-
Total Fund Balances	\$ 25,748,718	\$ 4,195,534
Total Liabilities and Fund Balances	\$ 27,294,817	\$ 5,892,093

EXHIBIT 3
(Continued)

Health, Human, and Veterans Services	Forfeited Tax Sale	Environmental Trust	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,946,520
-	-	-	-	401,541
-	-	-	-	31,153
-	-	-	-	51,723
-	-	-	-	265,783
-	-	-	-	66,052
-	-	-	-	6,209
-	-	-	-	318,058
-	-	-	-	354,485
-	3,210,062	-	-	3,210,062
-	-	4,907,814	-	4,907,814
-	-	-	-	159,616
6,683	-	-	-	6,683
140	-	-	-	140
-	-	-	-	9,662,474
5,643,814	-	-	-	16,637,666
-	-	-	-	500,000
-	-	-	-	2,526,549
18,234	-	-	-	18,234
5,000	-	-	-	5,000
667,000	-	-	-	667,000
-	-	-	-	100,722
-	-	-	-	2,251
-	-	-	-	2,441,955
-	-	-	-	114,953
1,190,497	-	-	-	1,190,853
-	-	-	222,013	222,013
-	-	-	157,124	157,124
-	-	-	615,882	615,882
\$ 7,531,368	\$ 3,210,062	\$ 4,907,814	\$ 995,019	\$ 46,588,515
\$ 8,683,412	\$ 5,839,055	\$ 4,928,280	\$ 1,327,564	\$ 53,965,221

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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, 2008**

Fund balances - total governmental funds (Exhibit 3)	\$	46,588,515
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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.		94,168,784
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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, less amounts included in deferred revenue that will be paid to other governments when collected.

Deferred revenue - unavailable	\$ 3,411,771	
Due to other governments	<u>(120,048)</u>	3,291,723

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.		807,855
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

South Country Health Alliance membership assessment	\$ (664,631)	
Net OPEB liability	(2,270,490)	
Compensated absences	<u>(2,441,955)</u>	<u>(5,377,076)</u>

Net Assets of Governmental Activities (Exhibit 1)	\$	<u>139,479,801</u>
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**CASS COUNTY
WALKER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 8,443,805	\$ 3,740,850
Special assessments	1,694,935	-
Licenses and permits	92,082	-
Intergovernmental	3,410,657	7,468,151
Charges for services	2,960,240	861,251
Fines and forfeits	12,472	-
Gifts and contributions	-	-
Investment earnings	1,943,194	-
Miscellaneous	408,566	46,670
Total Revenues	\$ 18,965,951	\$ 12,116,922
Expenditures		
Current		
General government	\$ 5,922,113	\$ -
Public safety	8,266,011	-
Highways and streets	-	12,986,483
Sanitation	2,283,929	-
Human services	-	-
Health	-	-
Culture and recreation	15,000	-
Conservation of natural resources	305,207	-
Economic development	126,225	-
Capital outlay	-	-
Total Expenditures	\$ 16,918,485	\$ 12,986,483
Excess of Revenues Over (Under) Expenditures	\$ 2,047,466	\$ (869,561)
Other Financing Sources (Uses)		
Transfers in	\$ 2,518,690	\$ -
Transfers out	(1,500,000)	-
Total Other Financing Sources (Uses)	\$ 1,018,690	\$ -
Change in Fund Balance	\$ 3,066,156	\$ (869,561)
Fund Balance - January 1	22,682,562	5,066,945
Increase (decrease) in reserved for inventories	-	(1,850)
Fund Balance - December 31	\$ 25,748,718	\$ 4,195,534

EXHIBIT 5

Health, Human, and Veterans Services	Forfeited Tax Sale	Environmental Trust	Other Governmental Funds	Total Governmental Funds
\$ 5,681,838	\$ -	\$ -	\$ 450,117	\$ 18,316,610
-	-	-	-	1,694,935
7,200	-	-	-	99,282
6,551,651	354,716	-	91,019	17,876,194
1,086,183	-	-	2,598	4,910,272
-	-	-	-	12,472
464	-	-	-	464
-	-	220,149	1,362	2,164,705
504,118	1,575,384	-	-	2,534,738
\$ 13,831,454	\$ 1,930,100	\$ 220,149	\$ 545,096	\$ 47,609,672
\$ 176,105	\$ -	\$ -	\$ 222,403	\$ 6,320,621
-	-	-	26,061	8,292,072
-	-	-	148,652	13,135,135
-	-	-	1,270	2,285,199
9,658,466	-	-	-	9,658,466
3,036,314	-	-	-	3,036,314
-	-	-	-	15,000
-	1,695,254	-	-	2,000,461
-	-	-	-	126,225
-	-	112,338	1,490,672	1,603,010
\$ 12,870,885	\$ 1,695,254	\$ 112,338	\$ 1,889,058	\$ 46,472,503
\$ 960,569	\$ 234,846	\$ 107,811	\$ (1,343,962)	\$ 1,137,169
\$ -	\$ -	\$ -	\$ 1,500,002	\$ 4,018,692
-	(355,892)	-	(2,162,800)	(4,018,692)
\$ -	\$ (355,892)	\$ -	\$ (662,798)	\$ -
\$ 960,569	\$ (121,046)	\$ 107,811	\$ (2,006,760)	\$ 1,137,169
6,570,799	3,331,108	4,800,003	3,001,779	45,453,196
-	-	-	-	(1,850)
\$ 7,531,368	\$ 3,210,062	\$ 4,907,814	\$ 995,019	\$ 46,588,515

**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) **\$ 1,137,169**

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	\$ 3,411,771	
Less: timber sales	(120,048)	
January 1		
Deferred revenue - unavailable	(3,421,770)	
Less: timber sales	<u>593,859</u>	463,812

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	\$ 8,891,611	
Current year depreciation	<u>(2,608,566)</u>	6,283,045
Transactions to report investment in joint venture		
Increase in investment in joint venture		201,236

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	\$ (32,166)	
Change in other postemployment benefits	(2,270,490)	
Change in South Country Health Alliance assessments payable	332,315	
Change in inventories	<u>(1,850)</u>	<u>(1,972,191)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) **\$ 6,113,071**

FIDUCIARY FUNDS

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**CASS COUNTY
WALKER, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	<u>Agency</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,547,269
Petty cash and change funds	440
Accounts receivable	<u>4,839</u>
Total Assets	<u>\$ 1,552,548</u>
<u>Liabilities</u>	
Cash deficit	\$ 4,839
Salaries payable	45,716
Due to other governments	1,418,452
Prepaid taxes	<u>83,541</u>
Total Liabilities	<u>\$ 1,552,548</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, 2008**

	<u>Housing and Redevelopment Authority</u>	<u>Pine River Area Sanitary District</u>	<u>Total</u>
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 207,903	\$ 60,407	\$ 268,310
Special assessments - prior	-	16,567	16,567
Accounts receivable	777	19,096	19,873
Accrued interest receivable	606	-	606
Prepaid items	-	2,227	2,227
Total current assets	\$ 209,286	\$ 98,297	\$ 307,583
Restricted assets			
Cash and pooled investments	\$ -	\$ 151,107	\$ 151,107
Noncurrent assets			
Note receivable	\$ 148,647	\$ -	\$ 148,647
Capital assets			
Nondepreciable	25,753	10,000	35,753
Depreciable - net	398,450	2,306,975	2,705,425
Total noncurrent assets	\$ 572,850	\$ 2,316,975	\$ 2,889,825
Total Assets	\$ 782,136	\$ 2,566,379	\$ 3,348,515
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 7,749	\$ 5,104	\$ 12,853
Salaries payable	2,810	5,441	8,251
Compensated absences payable - current	2,293	5,099	7,392
Accrued interest payable	73	3,804	3,877
Customer deposits - current	4,918	-	4,918
Notes payable - current	1,902	173,909	175,811
Total current liabilities	\$ 19,745	\$ 193,357	\$ 213,102
Noncurrent liabilities			
Loans payable	\$ 34,205	\$ -	\$ 34,205
General obligation notes payable - long-term	8,098	1,797,122	1,805,220
Other noncurrent liabilities	4,735	-	4,735
Total noncurrent liabilities	\$ 47,038	\$ 1,797,122	\$ 1,844,160
Total Liabilities	\$ 66,783	\$ 1,990,479	\$ 2,057,262

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, 2008**

	Housing and Redevelopment Authority	Pine River Area Sanitary District	Total
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ 379,925	\$ 392,581	\$ 772,506
Restricted for capital projects	85,765	20,922	106,687
Unrestricted	<u>249,663</u>	<u>162,397</u>	<u>412,060</u>
Total Net Assets	<u>\$ 715,353</u>	<u>\$ 575,900</u>	<u>\$ 1,291,253</u>

**CASS COUNTY
WALKER, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Component Units		
Housing and Redevelopment Authority	\$ 557,473	\$ 111,612
Pine River Area Sanitary District	<u>419,919</u>	<u>382,776</u>
Total Component Units	<u><u>\$ 977,392</u></u>	<u><u>\$ 494,388</u></u>
General Revenues		
Investment income		
Gain on sale of capital assets		
Total general revenues		
Change in net assets		
Net Assets - Beginning - Restated		
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
\$ 376,013	\$ -	\$ (69,848)	\$ -	\$ (69,848)
10,000	94,190	-	67,047	67,047
\$ 386,013	\$ 94,190	\$ (69,848)	\$ 67,047	\$ (2,801)
		\$ 4,849	\$ 2,027	\$ 6,876
		15,634	-	15,634
		\$ 20,483	\$ 2,027	\$ 22,510
		\$ (49,365)	\$ 69,074	\$ 19,709
		764,718	506,826	1,271,544
		\$ 715,353	\$ 575,900	\$ 1,291,253

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**CASS COUNTY
WALKER, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

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, 2008. 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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**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 columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, 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 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.

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.

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

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, 2008, 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 2008 were \$1,943,194.

**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 (FIFO) 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:

Assets	Years
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 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 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	\$ 41,483,317
Petty cash and change funds	2,591
Investments	4,156,061
Discretely presented component units	
Cash and pooled investments	268,310
Restricted cash and pooled investments	151,107
Statement of fiduciary net assets	
Cash and pooled investments	1,542,430
Petty cash and change funds	440
Total Cash and Investments	
	<u>\$ 47,604,256</u>

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by 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, 2008, 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

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (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 to minimize investment custodial credit risk. Of the County's investments at December 31, 2008, \$2,100,000 was held by the counterparty, or by its trust department or agent, but not in the County's name.

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.

CASS COUNTY WALKER, MINNESOTA

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2008, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association Pool	AAA	Moody's/S&P		04/24/2015	\$ 400,250
Federal National Mortgage Association Pool	AAA	Moody's/S&P		01/16/2014	752,070
Federal National Mortgage Association Pool	AAA	Moody's/S&P		08/06/2015	651,729
Federal National Mortgage Association Pool	AAA	Moody's/S&P		07/08/2013	250,703
Federal National Mortgage Association Pool	AAA	Moody's/S&P		05/07/2015	1,000,120
Federal National Mortgage Association Pool	AAA	Moody's/S&P		12/12/2017	1,251,171
Federal National Mortgage Association Pool	AAA	Moody's/S&P		08/20/2020	502,500
Federal National Mortgage Association Pool	AAA	Moody's/S&P		06/10/2010	516,565
Federal National Mortgage Association Pool	AAA	Moody's/S&P		05/17/2022	302,532
Federal National Mortgage Association Pool	AAA	Moody's/S&P		08/25/2021	203,562
Federal National Mortgage Association Pool	AAA	Moody's/S&P		02/21/2023	501,246
Federal National Mortgage Association Pool	AAA	Moody's/S&P		11/09/2022	510,155
Federal National Mortgage Association Pool	AAA	Moody's/S&P		11/30/2022	355,359
Federal National Mortgage Association Pool	AAA	Moody's/S&P		06/30/2023	754,345
Federal National Mortgage Association Pool	AAA	Moody's/S&P		11/28/2017	503,750
Federal National Mortgage Association Pool	AAA	Moody's/S&P		02/28/2020	250,786
Total Federal National Mortgage Association Pool			22.9%		\$ 8,706,843
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		01/15/2018	\$ 1,001,150
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		01/25/2016	300,558
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		02/12/2016	1,051,397
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		11/26/2014	912,033
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		03/15/2018	452,268
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		12/18/2017	702,366
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		04/15/2018	503,345
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		08/18/2016	255,945
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		04/16/2018	400,440
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		01/26/2022	501,495
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		11/15/2022	500,150
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		08/25/2020	201,140
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		05/15/2018	126,095
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		07/08/2013	750,383
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		10/15/2013	507,825
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		12/19/2017	251,828
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		10/30/2013	501,612
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		12/15/2015	750,000
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		07/01/2013	1,018,450
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		07/02/2013	508,860
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		06/11/2012	505,429
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		06/30/2023	405,727
Federal Home Loan Mortgage Corporation Note	AAA	Moody's/S&P		12/05/2011	728,379
Total Federal Home Loan Mortgage Corporation Note			33.7%		\$ 12,836,875

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		02/08/2013	\$ 1,500,225
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/12/2012	506,405
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		01/23/2013	500,694
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		04/01/2015	500,032
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/26/2012	510,297
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/02/2012	528,485
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/29/2013	501,263
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		11/28/2022	502,190
Total Federal Home Loan Bank Bonds			13.3%		\$ 5,049,591
Federal Home Loan Bank Repurchase Agreements					
Federal Home Loan Bank					\$ 100,000
Federal Home Loan Bank					500,000
Federal Home Loan Bank					500,000
Federal Home Loan Bank					500,000
Federal Home Loan Bank					500,000
Total Federal Home Loan Bank Repurchase Agreements			5.5%		\$ 2,100,000
Investment pools/mutual funds					
Wells Fargo Money Market	N/A	N/A	<5%	N/A	\$ 6,874
Negotiable certificates of deposit					
Community Bank of Nevada	N/A	N/A	<5%	06/22/2009	\$ 99,341
Discover Bank	N/A	N/A	<5%	06/29/2009	98,257
Metropolitan National Bank	N/A	N/A	<5%	06/18/2010	100,408
United Bank & Trust	N/A	N/A	<5%	06/21/2010	100,421
Standard Bank	N/A	N/A	<5%	01/26/2011	93,252
American Express Bank	N/A	N/A	<5%	11/12/2010	96,683
American Express Bank	N/A	N/A	<5%	11/12/2009	96,927
Advanta Bank	N/A	N/A	<5%	02/22/2010	96,656
Amcore Bank	N/A	N/A	<5%	02/27/2009	96,306
Atlantic Southern Bank	N/A	N/A	<5%	03/30/2009	96,407
Bank India	N/A	N/A	<5%	07/08/2009	96,000
Bank North	N/A	N/A	<5%	02/20/2009	96,268
Bank North Michigan	N/A	N/A	<5%	10/28/2009	96,648
Banner Bank	N/A	N/A	<5%	05/07/2009	96,499
Beal Bank	N/A	N/A	<5%	06/17/2009	96,000
BMW Bank	N/A	N/A	<5%	12/01/2010	96,680
Branch Banking & Trust	N/A	N/A	<5%	10/22/2009	96,902
CB&T Bank	N/A	N/A	<5%	02/01/2010	98,982
CIT Bank	N/A	N/A	<5%	05/05/2010	96,861
Capital One National Association	N/A	N/A	<5%	03/01/2010	96,946
Capmark Bank	N/A	N/A	<5%	02/20/2009	96,268
Carolina First Bank	N/A	N/A	<5%	02/20/2009	96,261
Cenlar FSB	N/A	N/A	<5%	02/20/2009	96,264
Cole Taylor Bank	N/A	N/A	<5%	05/07/2009	96,499

CASS COUNTY WALKER, MINNESOTA

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit (Continued)					
Colonial Bank	N/A	N/A	<5%	04/15/2010	96,890
Columbus Bank & Trust	N/A	N/A	<5%	06/19/2009	96,548
Dallas City Bank	N/A	N/A	<5%	03/31/2009	96,418
Fidelity Bank	N/A	N/A	<5%	04/09/2009	96,434
First Bank	N/A	N/A	<5%	01/22/2009	95,160
First Banking Center	N/A	N/A	<5%	04/28/2009	96,473
First Merit Bank	N/A	N/A	<5%	05/22/2009	96,000
Florida Community Bank	N/A	N/A	<5%	10/15/2009	99,004
GE Capital Financial	N/A	N/A	<5%	03/25/2009	96,000
Goldman Sachs Bank	N/A	N/A	<5%	11/25/2009	96,000
Hammi Bank	N/A	N/A	<5%	06/04/2009	96,513
Heritage Bank	N/A	N/A	<5%	04/09/2009	96,000
Hinsdale Bank & Trust	N/A	N/A	<5%	05/07/2010	96,858
Huntington National Bank	N/A	N/A	<5%	04/09/2009	96,443
Infibank	N/A	N/A	<5%	05/21/2009	96,503
Irwin UN Bank & Trust	N/A	N/A	<5%	04/25/2011	97,984
Johnson Bank	N/A	N/A	<5%	04/11/2009	96,430
Lehman Brothers Commercial Bank	N/A	N/A	<5%	02/01/2010	96,962
M&I Bank	N/A	N/A	<5%	07/16/2010	96,686
Marlin Business Bank	N/A	N/A	<5%	06/23/2009	96,540
Merrick Bank	N/A	N/A	<5%	01/16/2009	96,000
Morgan Stanley Bank	N/A	N/A	<5%	10/08/2010	96,686
NBT Bank National Association	N/A	N/A	<5%	04/16/2010	96,834
National Bank	N/A	N/A	<5%	02/12/2009	96,232
National Bank Comm.	N/A	N/A	<5%	03/31/2009	96,425
National City Bank	N/A	N/A	<5%	04/16/2010	96,834
Nezbank SSB	N/A	N/A	<5%	06/09/2009	96,514
North American Savings Bank	N/A	N/A	<5%	06/26/2009	96,000
Orion Bank	N/A	N/A	<5%	03/12/2009	96,368
Preferred Bank	N/A	N/A	<5%	06/18/2009	96,531
Private Bank & Trust	N/A	N/A	<5%	01/16/2009	95,000
Provident Bank	N/A	N/A	<5%	01/16/2009	95,116
Riverside National Bank	N/A	N/A	<5%	07/09/2009	96,608
Sonabank National Association	N/A	N/A	<5%	03/31/2009	96,418
Southwest Bank	N/A	N/A	<5%	07/16/2010	96,686
Sovereign Bank FSB	N/A	N/A	<5%	02/20/2009	96,261
Sovereign Bank FSB	N/A	N/A	<5%	05/26/2010	96,806
State Bank India	N/A	N/A	<5%	10/16/2009	96,804
Sturdy Savings Bank	N/A	N/A	<5%	04/09/2009	96,434
Total Bank	N/A	N/A	<5%	05/08/2009	96,501
United Commercial Bank	N/A	N/A	<5%	04/16/2009	96,450
Wachovia Mtg. FSB	N/A	N/A	<5%	10/16/2009	96,838
Citizens Bank	N/A	N/A	<5%	10/28/2011	99,127
Doral Bank	N/A	N/A	<5%	12/16/2009	151,114
Eurobank	N/A	N/A	<5%	10/14/2010	101,056
Evabank	N/A	N/A	<5%	12/30/2013	98,342
GMAC Bank	N/A	N/A	<5%	04/16/2010	98,551
Highland Bank	N/A	N/A	<5%	10/27/2011	101,478
M&I Marshall & Ilsley Bank	N/A	N/A	<5%	02/22/2023	99,451

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit (Continued)					
Professional Business Bank	N/A	N/A	<5%	03/28/2013	99,159
RG Premier Bank	N/A	N/A	<5%	10/12/2010	98,995
Washington Mutual	N/A	N/A	<5%	07/10/2013	100,469
First Bank of Puerto Rico	N/A	N/A	<5%	09/21/2009	95,902
Colonial Bank	N/A	N/A	<5%	10/15/2009	144,000
NCB FSB	N/A	N/A	<5%	10/15/2009	240,000
Atlanta Business Bank	N/A	N/A	<5%	09/24/2010	96,596
Capital One Bank	N/A	N/A	<5%	02/27/2009	96,306
Comerica Bank	N/A	N/A	<5%	10/01/2009	96,805
GE Money Bank	N/A	N/A	<5%	10/04/2010	97,920
Goldman Sachs Bank	N/A	N/A	<5%	10/01/2010	96,688
Imperial Capital Bank	N/A	N/A	<5%	03/03/2010	96,945
United Community Banks, Inc.	N/A	N/A	<5%	09/30/2010	96,686
Intervest National Bank	N/A	N/A	<5%	12/27/2012	94,787
Ironstone Bank	N/A	N/A	<5%	12/28/2012	94,791
Parkway Bank & Trust	N/A	N/A	<5%	12/28/2012	97,429
Security Bank	N/A	N/A	<5%	07/27/2009	95,672
FSG Bank	N/A	N/A	<5%	09/29/2010	99,025
Southern First Bank	N/A	N/A	<5%	07/26/2010	100,075
Business Bank	N/A	N/A	<5%	12/24/2012	99,882
Sallie Mae Bank	N/A	N/A	<5%	12/17/2013	100,168
Total negotiable certificates of deposit					\$ 9,367,347
Total investments					\$ 38,067,530
Deposits - Primary Government					9,114,718
Deposits - Component Unit					270,485
Investments - Component Units					148,932
Petty cash					2,591
Total Cash and Investments					\$ 47,604,256

N/A - not applicable

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

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 739,405	\$ -
Special assessments	162,534	139,438
Due from other governments	2,374,774	-
Accounts	1,891,167	-
Interest	<u>465,167</u>	<u>-</u>
Total Governmental Activities	<u>\$ 5,633,047</u>	<u>\$ 139,438</u>

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.

**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>	
2009	\$ 37,125
2010	37,125
2011	<u>18,563</u>
Total	<u>\$ 92,813</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.

Minimum future rents on the lease are:

<u>Year Ending December 31</u>	
2009	\$ 6,066
2010	6,066
2011	6,066
2012	<u>6,066</u>
Total	<u>\$ 24,264</u>

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

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>	
2009	\$ 10,308
2010	10,308
2011	10,308
2012	<u>7,302</u>
Total	<u>\$ 38,226</u>

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.

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

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>	
2009	\$ 7,019
2010	7,300
2011	7,592
2012	7,896
2013	8,211
2014	8,540
2015	<u>8,881</u>
Total	<u>\$ 55,439</u>

4. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 2,090,681	\$ 128,407	\$ -	\$ 2,219,088
Construction in progress	<u>4,660,075</u>	<u>1,962,981</u>	<u>213,840</u>	<u>6,409,216</u>
Total capital assets not depreciated	<u>\$ 6,750,756</u>	<u>\$ 2,091,388</u>	<u>\$ 213,840</u>	<u>\$ 8,628,304</u>

**CASS COUNTY
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 20,119,970	\$ 229,253	\$ 128,758	\$ 20,220,465
Machinery, furniture, and equipment	4,885,394	265,096	303,473	4,847,017
Infrastructure	85,933,163	6,630,447	-	92,563,610
Total capital assets depreciated	\$ 110,938,527	\$ 7,124,796	\$ 432,231	\$ 117,631,092
Less: accumulated depreciation for				
Buildings	\$ 6,537,460	\$ 386,050	\$ 18,025	\$ 6,905,485
Machinery, furniture, and equipment	3,153,657	403,429	303,473	3,253,613
Infrastructure	20,112,427	1,819,087	-	21,931,514
Total accumulated depreciation	\$ 29,803,544	\$ 2,608,566	\$ 321,498	\$ 32,090,612
Total capital assets depreciated, net	\$ 81,134,983	\$ 4,516,230	\$ 110,733	\$ 85,540,480
Capital Assets, Net	\$ 87,885,739	\$ 6,607,618	\$ 324,573	\$ 94,168,784

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

Governmental Activities	
General government	\$ 53,899
Public safety	115,878
Highways and streets, including depreciation of infrastructure assets	2,175,353
Health, human, and veterans services	49,430
Sanitation	34,623
Culture and recreation	1,812
Conservation of natural resources	177,571
Total Depreciation Expense - Governmental Activities	\$ 2,608,566

**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, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Forfeited Tax Sale	\$ 288,890	Forfeited tax apportionment
	Other governmental	941	Reimburse election expense
Total due to General Fund		\$ 289,831	
Road and Bridge	General	\$ 6,277	Reimbursement for services
	Health, Human, and Veterans Services	405	Reimbursement for services
	Forfeited Tax Sale	1,861	Reimbursement for services
	Other governmental	43,768	Reimbursement for services
Total due to Road and Bridge Fund		\$ 52,311	
Other governmental funds	Forfeited Tax Sale	\$ 2	Forfeited tax apportionment
Total Due To/From Other Funds		\$ 342,144	

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, 2008, consisted of the following:

Transfers to General Fund from		
Capital Projects Fund	\$ 2,162,800	Prepaid jail construction costs
Forfeited Tax Sale Fund	355,890	Forfeited tax sale distribution
Total transfers to General Fund	\$ 2,518,690	
Transfers to the Capital Projects Fund from		
General Fund	1,500,000	Funding for Ah-Gwah-Ching demolition project
Transfers to other governmental funds from		
Forfeited Tax Fund	2	Forfeited tax apportionment
Total Interfund Transfers	\$ 4,018,692	

**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 2009 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, 2008, 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, 2008, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 2,674,437	\$ 1,569,835	\$ 1,557,871	\$ 2,686,401	\$ 244,446
South Country Health Alliance membership assessments	996,946	-	332,315	664,631	332,315
Net other postemployment benefits	-	2,270,490	-	2,270,490	-
Total Long-Term Liabilities	<u>\$ 3,671,383</u>	<u>\$ 3,840,325</u>	<u>\$ 1,890,186</u>	<u>\$ 5,621,522</u>	<u>\$ 576,761</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 2008:

<u>Type of Property</u>	<u>Amount</u>
Rental of office space and parking	\$ 12,000
Data processing, copiers, and office equipment	62,030
Radio towers and equipment	15,725
Total Rental Expense	<u>\$ 89,755</u>

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2008:

<u>Year Ended</u>	<u>Amount</u>
2009	\$ 79,841
2010	74,697
2011	40,303
2012	25,096
2013	13,563
2014	9,267
Total Future Minimum Lease Payments	<u>\$ 242,767</u>

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

**CASS COUNTY
WALKER, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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 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.

**CASS COUNTY
WALKER, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. 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 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**CASS COUNTY
WALKER, MINNESOTA**

3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 735,498	\$ 669,091	\$ 610,287
Public Employees Police and Fire Fund	242,282	221,764	183,073
Public Employees Correctional Fund	75,227	77,930	73,708

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

B. Defined Contribution Plan

Two eligible elected officials of the County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. 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.

**CASS COUNTY
WALKER, MINNESOTA**

3. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.0 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.

The contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,956	\$ 2,956
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

4. Postemployment Benefits

In 2008, Cass County implemented the requirements of a new accounting statement, Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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.

**CASS COUNTY
WALKER, MINNESOTA**

4. Postemployment Benefits

A. Plan Description and Funding Policy (Continued)

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, 2008, approximately 104 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 2008, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

ARC	\$ 3,309,089
Adjustments to ARC	<u>-</u>
Annual OPEB cost	\$ 3,309,089
Contributions during the year	<u>(1,038,599)</u>
Net OPEB obligation - end of year	<u>\$ 2,270,490</u>

**CASS COUNTY
WALKER, MINNESOTA**

4. Postemployment Benefits

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the excess OPEB contributions or net OPEB obligation for 2008 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 3,309,089	\$ 1,038,599	31.4 %	\$ 2,270,490

C. Fund Status and Funding Progress

The actuarial accrued liability for benefits as of January 1, 2008, is \$35.97 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 \$11.37 million. The ratio of the unfunded actuarially accrued liabilities to covered payroll is 316 percent.

D. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare 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, presented as required supplementary information following the notes to the financial statements, presents multiyear 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.

**CASS COUNTY
WALKER, MINNESOTA**

4. Postemployment Benefits

D. Actuarial Methods and Assumptions (Continued)

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County. The annual healthcare cost trend rate is 9.00 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after eight years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period.

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 the Laws of Minnesota 2001, ch. 352.98, and through an Internal Revenue Service (IRS) private letter ruling establishing the HCSP as a tax-exempt benefit as of July 29, 2002. The plan is open to any active public employees in Minnesota if they are covered under certain public service retirement plans.

Under the terms of the HCSP, employees are allowed to save money, tax-free, to use upon termination of employment to pay for eligible healthcare 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.

**CASS COUNTY
WALKER, MINNESOTA**

5. Postemployment Health Care Plans

MSRS Health Care Savings Plan (Continued)

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 Insurance Trust (MCIT) to cover both workers' compensation and property and casualty liabilities. The County self-insures for employee medical and short-term disability coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008 and \$430,000 per claim in 2009. 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.

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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.

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

	Year Ended December 31	
	2007	2008
Unpaid claims, beginning of fiscal year	\$ 716,403	\$ 182,535
Incurred claims (including IBNRs)	2,808,956	3,488,933
Claims payments	(3,342,824)	(3,432,537)
Unpaid Claims, End of Fiscal Year	<u>\$ 182,535</u>	<u>\$ 238,931</u>

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.

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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.

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.

C. Tax-Forfeited Land

The County manages approximately 253,478 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.

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwestern Minnesota Juvenile Center (Continued)

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

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. No payments were required from Cass County during 2008. Beltrami County, in an agent capacity, reports the cash transactions of the Center as an agency fund on its financial statements. Complete financial information can be obtained from:

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

Minnesota Counties Information Systems (MCIS)

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

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

Separate financial information can be obtained from:

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

**CASS COUNTY
WALKER, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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

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 nonrecyclable 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 2008. 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 \$5,890 in 2008.

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, 2008, was \$807,855; Cass County's share of the SCHA's net loss was \$677,859.

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.

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	\$ 58,971	\$ 60,107
Petty cash	-	300
Restricted assets		
Cash	-	151,107
Investments	148,932	-
Total Cash and Investments	<u>\$ 207,903</u>	<u>\$ 211,514</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the HRA and the District to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires all deposits be protected by 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, 2008, the HRA and the District were not exposed to any custodial credit risk.

(2) Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the HRA and the District:

- 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, 2008, 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, 2008, 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	\$ -	\$ 16,567	\$ 16,567	\$ -
Accounts	1,383	19,096	20,479	-
Note	148,647	-	148,647	148,647
Total Component Units	<u>\$ 150,030</u>	<u>\$ 35,663</u>	<u>\$ 185,693</u>	<u>\$ 148,647</u>

c. Capital Assets

Component unit capital asset activity for the year ended December 31, 2008, 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	<u>\$ 35,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,753</u>
Capital assets depreciated				
Buildings and improvements				
Cass County HRA	\$ 786,070	\$ 7,806	\$ 43,128	\$ 750,748
Pine River Area Sanitary District	2,336,427	28,375	-	2,364,802
Total buildings and improvements	<u>\$ 3,122,497</u>	<u>\$ 36,181</u>	<u>\$ 43,128</u>	<u>\$ 3,115,550</u>
Water treatment facilities				
Pine River Area Sanitary District	<u>\$ 4,038,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,038,297</u>

**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	\$ 108,716	\$ 7,105	\$ -	\$ 115,821
Pine River Area Sanitary District	106,547	8,079	-	114,626
Total machinery, furniture, and equipment	\$ 215,263	\$ 15,184	\$ -	\$ 230,447
Total capital assets depreciated	\$ 7,376,057	\$ 51,365	\$ 43,128	\$ 7,384,294
Less: accumulated depreciation for				
Buildings and improvements				
Cass County HRA	\$ 371,405	\$ 23,164	\$ 15,634	\$ 378,935
Pine River Area Sanitary District	2,272,852	10,927	-	2,283,779
Total buildings and improvements	\$ 2,644,257	\$ 34,091	\$ 15,634	\$ 2,662,714
Water treatment facilities				
Pine River Area Sanitary District	\$ 1,694,577	\$ 141,517	\$ -	\$ 1,836,094
Machinery, furniture, and equipment				
Cass County HRA	\$ 80,303	\$ 8,881	\$ -	\$ 89,184
Pine River Area Sanitary District	78,807	12,070	-	90,877
Total machinery, furniture, and equipment	\$ 159,110	\$ 20,951	\$ -	\$ 180,061
Total accumulated depreciation	\$ 4,497,944	\$ 196,559	\$ 15,634	\$ 4,678,869
Total capital assets depreciated, net	\$ 2,878,113	\$ (145,194)	\$ 27,494	\$ 2,705,425
Total Capital Assets, Net	\$ 2,913,866	\$ (145,194)	\$ 27,494	\$ 2,741,178

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

Cass County HRA	\$ 32,045
Pine River Area Sanitary District	164,514
Total Depreciation Expense	<u>\$ 196,559</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.

During 2008, the property referred to as the Grey House was sold to Cass County for \$37,000. Cass County paid \$37,000 directly to the Minnesota Housing Finance Agency in full satisfaction of the HRA's (2007) debt of \$43,128.

<u>Loan Date</u>	<u>Term</u>	<u>Balance December 31, 2008</u>
February 25, 1992	20 years	\$ 34,205
October 20, 2008	5 years	10,000
Total		<u>\$ 44,205</u>

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, 2008, 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	\$ 71,781	1.13	\$ 1,366,190	\$ 822,930
1997B PFA G.O. Sewer Revenue Note	2020	94,190	-	1,883,810	1,083,191
Note payable to bank	2012	358	6.19	18,439	14,910
Sewer and Treatment System Revenue Note	2014	4,000	3.50	52,000	52,000
Total					<u>\$ 1,973,031</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
2009	\$ 177,527	\$ 4,297	\$ 5,820
2010	177,527	4,297	11,593
2011	177,527	4,297	11,243
2012	177,527	4,297	10,892
2013 - 2017	887,637	-	18,630
2018 - 2020	360,485	-	-
Total	\$ 1,958,230	\$ 17,188	\$ 58,178
Less: interest	(52,109)	(2,278)	(6,178)
Total	<u>\$ 1,906,121</u>	<u>\$ 14,910</u>	<u>\$ 52,000</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, 2008.

	<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	\$ 2,073,727	\$ -	\$ 167,606	\$ 1,906,121	\$ 163,792
Notes payable to bank	18,439	-	3,529	14,910	4,297
General Obligation Utility Note	-	52,000	-	52,000	5,820
Total Long-Term Liabilities	<u>\$ 2,092,166</u>	<u>\$ 52,000</u>	<u>\$ 171,135</u>	<u>\$ 1,973,031</u>	<u>\$ 173,909</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.

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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, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 8,410,782	\$ 8,410,782	\$ 8,443,805	\$ 33,023
Special assessments	1,620,000	1,620,000	1,694,935	74,935
Licenses and permits	79,900	79,900	92,082	12,182
Intergovernmental	2,847,530	3,089,530	3,410,657	321,127
Charges for services	2,424,780	2,461,780	2,960,240	498,460
Fines and forfeits	4,500	4,500	12,472	7,972
Investment earnings	1,327,500	1,327,500	1,943,194	615,694
Miscellaneous	229,125	229,499	408,566	179,067
Total Revenues	\$ 16,944,117	\$ 17,223,491	\$ 18,965,951	\$ 1,742,460
Expenditures				
Current				
General government				
Commissioners	\$ 270,907	\$ 420,907	\$ 415,294	\$ 5,613
Courts	83,988	138,988	137,316	1,672
Law library	40,000	40,000	29,201	10,799
County administration	201,281	202,281	201,134	1,147
County auditor	1,276,698	1,313,698	1,298,074	15,624
County assessor	813,264	813,264	806,727	6,537
Attorney	898,630	898,630	889,031	9,599
Recorder	460,077	480,077	470,232	9,845
Planning and zoning	562,614	562,614	491,382	71,232
Buildings and plant	585,156	699,406	677,672	21,734
MIS	527,306	527,306	501,000	26,306
HHVS cost plan and reimbursement	6,000	6,000	5,050	950
Total general government	\$ 5,725,921	\$ 6,103,171	\$ 5,922,113	\$ 181,058
Public safety				
Sheriff	\$ 4,599,047	\$ 4,599,047	\$ 4,216,745	\$ 382,302
Boat and water safety	394,970	394,970	363,230	31,740
Emergency services	40,150	40,150	27,577	12,573
Coroner	98,000	116,000	113,848	2,152
Law enforcement center	2,565,353	2,565,353	2,525,279	40,074
Sentence to serve	77,689	83,689	78,596	5,093
Probation and parole	596,862	596,862	581,693	15,169
Longville ambulance subordinate service district	400,000	400,000	359,043	40,957
Total public safety	\$ 8,772,071	\$ 8,796,071	\$ 8,266,011	\$ 530,060

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 2,542,057	\$ 2,542,057	\$ 2,283,929	\$ 258,128
Culture and recreation				
Parks	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Conservation of natural resources				
Cooperative extension	\$ 65,900	\$ 65,900	\$ 60,321	\$ 5,579
Mississippi Headwaters Board	1,500	1,500	1,500	-
Soil and water conservation	6,400	6,400	6,000	400
Environmental services	113,998	238,998	237,386	1,612
Total conservation of natural resources	\$ 187,798	\$ 312,798	\$ 305,207	\$ 7,591
Economic development				
Administration	\$ 35,000	\$ 127,000	\$ 126,225	\$ 775
Total Expenditures	\$ 17,277,847	\$ 17,896,097	\$ 16,918,485	\$ 977,612
Excess of Revenues Over (Under)				
Expenditures	\$ (333,730)	\$ (672,606)	\$ 2,047,466	\$ 2,720,072
Other Financing Sources (Uses)				
Transfers in	\$ 327,000	\$ 2,489,800	\$ 2,518,690	\$ 28,890
Transfers out	-	(1,500,000)	(1,500,000)	-
Total Other Financing Sources (Uses)	\$ 327,000	\$ 989,800	\$ 1,018,690	\$ 28,890
Change in Fund Balance	\$ (6,730)	\$ 317,194	\$ 3,066,156	\$ 2,748,962
Fund Balance - January 1	22,682,562	22,682,562	22,682,562	-
Fund Balance - December 31	\$ 22,675,832	\$ 22,999,756	\$ 25,748,718	\$ 2,748,962

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,972,521	\$ 3,972,521	\$ 3,740,850	\$ (231,671)
Intergovernmental	5,685,261	5,685,261	7,468,151	1,782,890
Charges for services	549,000	549,000	861,251	312,251
Miscellaneous	-	-	46,670	46,670
Total Revenues	\$ 10,206,782	\$ 10,206,782	\$ 12,116,922	\$ 1,910,140
Expenditures				
Current				
Highways and streets				
Administration	\$ 704,981	\$ 717,481	\$ 716,815	\$ 666
Maintenance	3,183,193	3,183,193	1,925,296	1,257,897
Construction	4,610,000	8,810,000	8,788,134	21,866
Equipment maintenance and shop	1,435,501	1,435,501	1,399,036	36,465
Other	273,107	273,107	157,202	115,905
Total Expenditures	\$ 10,206,782	\$ 14,419,282	\$ 12,986,483	\$ 1,432,799
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (4,212,500)	\$ (869,561)	\$ 3,342,939
Fund Balance - January 1	5,066,945	5,066,945	5,066,945	-
Increase (decrease) in reserved for inventories	-	-	(1,850)	(1,850)
Fund Balance - December 31	\$ 5,066,945	\$ 854,445	\$ 4,195,534	\$ 3,341,089

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HEALTH, HUMAN, AND VETERANS SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 6,030,918	\$ 6,030,918	\$ 5,681,838	\$ (349,080)
Licenses and permits	8,200	8,200	7,200	(1,000)
Intergovernmental	6,197,790	6,197,790	6,551,651	353,861
Charges for services	1,201,920	1,201,920	1,086,183	(115,737)
Gifts and contributions	2,500	2,500	464	(2,036)
Miscellaneous	404,677	404,677	504,118	99,441
Total Revenues	\$ 13,846,005	\$ 13,846,005	\$ 13,831,454	\$ (14,551)
Expenditures				
Current				
General government				
Veterans service officer	\$ 176,995	\$ 176,995	\$ 176,105	\$ 890
Human services				
Income maintenance	\$ 2,731,292	\$ 2,773,292	\$ 2,750,755	\$ 22,537
Social services	8,092,383	8,092,383	6,637,067	1,455,316
Children's initiative	235,000	286,000	270,644	15,356
Total human services	\$ 11,058,675	\$ 11,151,675	\$ 9,658,466	\$ 1,493,209
Health				
Public health	\$ 2,379,475	\$ 2,379,475	\$ 2,150,758	\$ 228,717
South Country Health Alliance	494,390	1,373,390	885,556	487,834
Total health	\$ 2,873,865	\$ 3,752,865	\$ 3,036,314	\$ 716,551
Total Expenditures	\$ 14,109,535	\$ 15,081,535	\$ 12,870,885	\$ 2,210,650
Excess of Revenues Over (Under)				
Expenditures	\$ (263,530)	\$ (1,235,530)	\$ 960,569	\$ 2,196,099
Fund Balance - January 1	6,570,799	6,570,799	6,570,799	-
Fund Balance - December 31	\$ 6,307,269	\$ 5,335,269	\$ 7,531,368	\$ 2,196,099

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 301,800	\$ 301,800	\$ 354,716	\$ 52,916
Miscellaneous	2,531,000	2,531,000	1,575,384	(955,616)
Total Revenues	\$ 2,832,800	\$ 2,832,800	\$ 1,930,100	\$ (902,700)
Expenditures				
Current				
Conservation of natural resources				
Reforestation	\$ 295,000	\$ 411,000	\$ 332,556	\$ 78,444
In-lieu	145,000	145,000	71,251	73,749
Roads	30,000	30,000	19,570	10,430
Trails	251,800	302,800	286,316	16,484
Land commissioner	2,111,000	2,142,000	985,561	1,156,439
Total Expenditures	\$ 2,832,800	\$ 3,030,800	\$ 1,695,254	\$ 1,335,546
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (198,000)	\$ 234,846	\$ 432,846
Other Financing Sources (Uses)				
Transfers out	(1,081,737)	(1,081,737)	(355,892)	725,845
Change in Fund Balance	\$ (1,081,737)	\$ (1,279,737)	\$ (121,046)	\$ 1,158,691
Fund Balance - January 1	3,331,108	3,331,108	3,331,108	-
Fund Balance - December 31	\$ 2,249,371	\$ 2,051,371	\$ 3,210,062	\$ 1,158,691

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**CASS COUNTY
WALKER, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008**

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, 2008, none of the major funds had expenditures that exceeded appropriations.

**CASS COUNTY
WALKER, MINNESOTA**

3. Other Postemployment Benefits

In 2008, Cass County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero. Currently, only one year's worth of data is available. Future notes will provide additional trend analysis to meet the three-year funding status requirement as it becomes available.

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%

See Note 4 in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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.

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

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**CASS COUNTY
WALKER, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<u>Assets</u>				
Cash and pooled investments	\$ 263,579	\$ 156,889	\$ 882,674	\$ 1,303,142
Undistributed cash in agency funds	1,166	100	4,218	5,484
Taxes receivable				
Prior	4,648	764	13,477	18,889
Accounts receivable	47	-	-	47
Due from other funds	2	-	-	2
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 269,442</u>	<u>\$ 157,753</u>	<u>\$ 900,369</u>	<u>\$ 1,327,564</u>
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 233,541	\$ 233,541
Retainage payable	-	-	39,686	39,686
Due to other funds	44,709	-	-	44,709
Deferred revenue - unavailable	2,720	629	11,260	14,609
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 47,429</u>	<u>\$ 629</u>	<u>\$ 284,487</u>	<u>\$ 332,545</u>
 Fund Balances				
Unreserved				
Designated for debt service	\$ -	\$ 157,124	\$ -	\$ 157,124
Designated for cash flows	94,000	-	-	94,000
Undesignated	128,013	-	615,882	743,895
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ 222,013</u>	<u>\$ 157,124</u>	<u>\$ 615,882</u>	<u>\$ 995,019</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 269,442</u>	<u>\$ 157,753</u>	<u>\$ 900,369</u>	<u>\$ 1,327,564</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, 2008**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues				
Taxes	\$ 188,881	\$ 1,308	\$ 259,928	\$ 450,117
Intergovernmental	69,217	-	21,802	91,019
Charges for services	2,598	-	-	2,598
Investment earnings	1,362	-	-	1,362
	<u>1,362</u>	<u>-</u>	<u>-</u>	<u>1,362</u>
Total Revenues	<u>\$ 262,058</u>	<u>\$ 1,308</u>	<u>\$ 281,730</u>	<u>\$ 545,096</u>
Expenditures				
Current				
General government	\$ 941	\$ -	\$ 221,462	\$ 222,403
Public safety	26,061	-	-	26,061
Highways and streets	148,652	-	-	148,652
Sanitation	1,270	-	-	1,270
Capital outlay	<u>-</u>	<u>-</u>	<u>1,490,672</u>	<u>1,490,672</u>
Total Expenditures	<u>\$ 176,924</u>	<u>\$ -</u>	<u>\$ 1,712,134</u>	<u>\$ 1,889,058</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ 85,134</u>	<u>\$ 1,308</u>	<u>\$ (1,430,404)</u>	<u>\$ (1,343,962)</u>
Other Financing Sources (Uses)				
Transfers in	\$ 2	\$ -	\$ 1,500,000	\$ 1,500,002
Transfers out	<u>-</u>	<u>-</u>	<u>(2,162,800)</u>	<u>(2,162,800)</u>
Total Other Financing Sources (Uses)	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ (662,800)</u>	<u>\$ (662,798)</u>
Net Change in Fund Balance	<u>\$ 85,136</u>	<u>\$ 1,308</u>	<u>\$ (2,093,204)</u>	<u>\$ (2,006,760)</u>
Fund Balance - January 1	<u>136,877</u>	<u>155,816</u>	<u>2,709,086</u>	<u>3,001,779</u>
Fund Balance - December 31	<u><u>\$ 222,013</u></u>	<u><u>\$ 157,124</u></u>	<u><u>\$ 615,882</u></u>	<u><u>\$ 995,019</u></u>

**CASS COUNTY
WALKER, MINNESOTA**

Statement 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**

	<u>Unorganized Town</u>	<u>Shingobee</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 221,967	\$ 41,612	\$ 263,579
Undistributed cash in agency funds	1,166	-	1,166
Taxes receivable			
Prior	4,648	-	4,648
Accounts receivable	-	47	47
Due from other funds	2	-	2
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 227,783</u>	<u>\$ 41,659</u>	<u>\$ 269,442</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Due to other funds	\$ 44,709	\$ -	\$ 44,709
Deferred revenue - unavailable	2,720	-	2,720
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>\$ 47,429</u>	<u>\$ -</u>	<u>\$ 47,429</u>
Fund Balances			
Unreserved			
Designated for cash flows	\$ 94,000	\$ -	\$ 94,000
Undesignated	86,354	41,659	128,013
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>\$ 180,354</u>	<u>\$ 41,659</u>	<u>\$ 222,013</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 227,783</u>	<u>\$ 41,659</u>	<u>\$ 269,442</u>

**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, 2008**

	<u>Unorganized Town</u>	<u>Shingobee</u>	<u>Total</u>
Revenues			
Taxes	\$ 188,881	\$ -	\$ 188,881
Intergovernmental	69,217	-	69,217
Charges for services	-	2,598	2,598
Investment earnings	-	1,362	1,362
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 258,098</u>	<u>\$ 3,960</u>	<u>\$ 262,058</u>
Expenditures			
Current			
General government	\$ 941	\$ -	\$ 941
Public safety	26,061	-	26,061
Highways and streets	148,652	-	148,652
Sanitation	-	1,270	1,270
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 175,654</u>	<u>\$ 1,270</u>	<u>\$ 176,924</u>
Excess of Revenues Over (Under)			
Expenditures	<u>\$ 82,444</u>	<u>\$ 2,690</u>	<u>\$ 85,134</u>
Other Financing Sources (Uses)			
Transfers in	<u>2</u>	<u>-</u>	<u>2</u>
Net Change in Fund Balance	<u>\$ 82,446</u>	<u>\$ 2,690</u>	<u>\$ 85,136</u>
Fund Balance - January 1	<u>97,908</u>	<u>38,969</u>	<u>136,877</u>
Fund Balance - December 31	<u><u>\$ 180,354</u></u>	<u><u>\$ 41,659</u></u>	<u><u>\$ 222,013</u></u>

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
UNORGANIZED TOWN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 195,000	\$ 195,000	\$ 188,881	\$ (6,119)
Intergovernmental	40,000	40,000	69,217	29,217
Total Revenues	\$ 235,000	\$ 235,000	\$ 258,098	\$ 23,098
Expenditures				
Current				
General government				
Election	\$ -	\$ 1,000	\$ 941	\$ 59
Public safety				
Other public safety	35,000	35,000	26,061	8,939
Highways and streets				
Maintenance	200,000	200,000	148,652	51,348
Total Expenditures	\$ 235,000	\$ 236,000	\$ 175,654	\$ 60,346
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (1,000)	\$ 82,444	\$ 83,444
Other Financing Sources (Uses)				
Transfers in	-	-	2	2
Change in Fund Balance	\$ -	\$ (1,000)	\$ 82,446	\$ 83,446
Fund Balance - January 1	97,908	97,908	97,908	-
Fund Balance - December 31	\$ 97,908	\$ 96,908	\$ 180,354	\$ 83,446

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ 1,308	\$ 1,308
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 1,308	\$ 1,308
Fund Balance - January 1	155,816	155,816	155,816	-
Fund Balance - December 31	\$ 155,816	\$ 155,816	\$ 157,124	\$ 1,308

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, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 444,825	\$ 44,278,564	\$ 44,339,149	\$ 384,240
<u>Liabilities</u>				
Due to other governments	\$ 368,300	\$ 44,124,358	\$ 44,191,959	\$ 300,699
Prepaid taxes	76,525	154,206	147,190	83,541
Total Liabilities	\$ 444,825	\$ 44,278,564	\$ 44,339,149	\$ 384,240
<u>STATE OF MINNESOTA</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 155,933	\$ 8,962,404	\$ 8,963,032	\$ 155,305
<u>Liabilities</u>				
Due to other governments	\$ 155,933	\$ 8,962,404	\$ 8,963,032	\$ 155,305
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 301	\$ 9,968,915	\$ 9,969,216	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 301	\$ 9,968,915	\$ 9,969,216	\$ -

**CASS COUNTY
WALKER, MINNESOTA**

Statement 5
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,166	\$ 10,105,570	\$ 10,110,736	\$ -
Accounts receivable	-	4,839	-	4,839
Total Assets	<u>\$ 5,166</u>	<u>\$ 10,110,409</u>	<u>\$ 10,110,736</u>	<u>\$ 4,839</u>
<u>Liabilities</u>				
Cash overdraft	\$ -	\$ 4,839	\$ -	\$ 4,839
Due to other governments	5,166	10,105,570	10,110,736	-
Total Liabilities	<u>\$ 5,166</u>	<u>\$ 10,110,409</u>	<u>\$ 10,110,736</u>	<u>\$ 4,839</u>
<u>MINNESOTA COUNTIES</u>				
<u>INFORMATION SYSTEMS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 826,220	\$ 2,008,684	\$ 1,991,488	\$ 843,416
Petty cash and change funds	400	-	-	400
Total Assets	<u>\$ 826,620</u>	<u>\$ 2,008,684</u>	<u>\$ 1,991,488</u>	<u>\$ 843,816</u>
<u>Liabilities</u>				
Salaries payable	\$ 35,208	\$ 44,222	\$ 35,208	\$ 44,222
Due to other governments	791,412	1,964,462	1,956,280	799,594
Total Liabilities	<u>\$ 826,620</u>	<u>\$ 2,008,684</u>	<u>\$ 1,991,488</u>	<u>\$ 843,816</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, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>MISSISSIPPI HEADWATERS BOARD</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 143,230	\$ 77,884	\$ 56,806	\$ 164,308
Petty cash and change funds	40	-	-	40
Total Assets	<u>\$ 143,270</u>	<u>\$ 77,884</u>	<u>\$ 56,806</u>	<u>\$ 164,348</u>
<u>Liabilities</u>				
Salaries payable	\$ 1,253	\$ 1,494	\$ 1,253	\$ 1,494
Due to other governments	142,017	76,390	55,553	162,854
Total Liabilities	<u>\$ 143,270</u>	<u>\$ 77,884</u>	<u>\$ 56,806</u>	<u>\$ 164,348</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,575,675	\$ 75,402,021	\$ 75,430,427	\$ 1,547,269
Petty cash and change funds	440	-	-	440
Accounts receivable	-	4,839	-	4,839
Total Assets	<u>\$ 1,576,115</u>	<u>\$ 75,406,860</u>	<u>\$ 75,430,427</u>	<u>\$ 1,552,548</u>
<u>Liabilities</u>				
Cash overdraft	\$ -	\$ 4,839	\$ -	\$ 4,839
Salaries payable	36,461	45,716	36,461	45,716
Due to other governments	1,463,129	75,202,099	75,246,776	1,418,452
Prepaid taxes	76,525	154,206	147,190	83,541
Total Liabilities	<u>\$ 1,576,115</u>	<u>\$ 75,406,860</u>	<u>\$ 75,430,427</u>	<u>\$ 1,552,548</u>

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OTHER SCHEDULE

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**CASS COUNTY
WALKER, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Funds
<hr/>	
Shared Revenue	
State	
Highway users tax	\$ 4,286,784
County program aid	439,951
PERA rate reimbursement	51,886
Disparity reduction aid	7,407
Police aid	193,629
E-911	106,025
Market value credit aid	1,056,058
Market value credit - residential	84,920
	<hr/>
Total Shared Revenue	\$ 6,226,660
	<hr/>
Reimbursement for Services	
Minnesota Department of Human Services	\$ 1,034,699
	<hr/>
Payments	
Local	
Local contributions	\$ 68,593
Payments in lieu of taxes	1,010,655
	<hr/>
Total Payments	\$ 1,079,248
	<hr/>
Grants	
State	
Minnesota Department of Administration	\$ 146,567
Corrections	184,918
Crime Victim Services	45,781
Public Safety	83,763
Transportation	4,969
Health	202,688
Natural Resources	600,308
Human Services	1,989,395
Veterans Affairs	1,144
Pollution Control Agency	-
Office of Environmental Assistance	74,107
	<hr/>
Total State	\$ 3,333,640
	<hr/>

**CASS COUNTY
WALKER, MINNESOTA**

**Schedule 7
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 624,742
Interior	273,227
Justice	6,306
Transportation	2,653,904
Health and Human Services	2,507,085
Homeland Security	45,458
Housing and Urban Development	91,225
	<hr/>
Total Federal	\$ 6,201,947
	<hr/>
Total State and Federal Grants	\$ 9,535,587
	<hr/>
Total Intergovernmental Revenue	\$ 17,876,194
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**CASS COUNTY
WALKER, MINNESOTA**

Schedule 8

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Cass County.
- B. Significant 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:

Highway Planning and Construction	CFDA #20.205
Child Support Enforcement - Title IV-D	CFDA #93.563
Medical Assistance Program	CFDA #93.778
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Cass County was 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.

ITEMS ARISING THIS YEAR

08-1 **Audit Adjustments**

A control deficiency 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 misstatements of the financial statements on a timely basis. Statement on Auditing Standards 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified several material adjustments to the County's General Fund and the Road and Bridge Special Revenue Fund. An adjustment was made in the General Fund in an amount of \$1,946,520 to reserve a portion of undesignated fund balance for construction costs incurred related to the Crow Wing County Jail Annex carried as a prepaid balance to be amortized over a ten-year period. In addition, revenues totaling \$120,414 were reclassified to the correct federal and state grant programs that were considered material to the individual programs. In the Road and Bridge Special Revenue Fund, an audit adjustment of \$255,200 was made to defer recognition of federal highway construction revenue not available during the recognition period. Audit adjustments were also necessary to convert modified accrual financial statements to the accrual basis for the government-wide financial statements.

We recommend that County staff review the trial balances and journal entries in detail to ensure that all material audit adjustments have been made so that, in future audits, this information can be prepared by the County.

Client's Response:

The County will make every attempt to complete the necessary journal entries for the preparation of the Financial Statements. When time does not permit the County to make the adjustments, County management will review and approve any adjustments that are made by the independent auditors.

08-2 Computer Risk Management

The County has internal controls in place for its computer systems. However, the County has not developed a formal plan to identify and manage risks associated with its computer system.

Risk management begins with an assessment of the County's computer system to identify those risks that could negatively influence computer operations. Internal controls should be implemented to reduce the identified risks. 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 computer systems are ever changing, the County should include in its plan periodic reassessment of risk to ensure existing internal controls are still effective.

We recommend the County Board develop a plan to ensure that internal controls are in place to reduce the risk associated with the County's computer systems.

Client's Response:

The County will review all internal controls within the computer systems. Policies and Procedures will be documented and centralized and will address the concerns listed in the Audit Report. The County currently has monitoring devices to detect both inside and outside attacks, anomalies, and suspicious activities. When activities of this type are detected, alerts are sent to staff assigned to security. The State of Minnesota is also providing penetration testing of our systems on a monthly basis.

The County will be contacting Minnesota Counties Information Systems to acquire an updated Disaster Recovery Plan for the AS/400. We will also contact Minnesota Counties Insurance Trust for assistance in developing a Disaster Recovery/Business Continuity Plan for the entire computing environment. We expect that MCIT and other County-based organizations will have access to suitable templates to expedite the process.

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 new policy.

In our sample of 40 transactions, two instances were detected in which no one was approving supervisors' time reports. The County currently does not require any additional approval of department heads' time reports. In addition, three of the time reports reviewed lacked employee signatures indicating their verification of hours claimed. In each case, the employees were unavailable to complete their time report either because they were on vacation or had taken time off under the Family and Medical Leave Act (FMLA). Another person was directed to prepare the time report because of the employee's absence. The County does not have a formal policy directing time reporting procedures to be followed in situations where an employee is unavailable to complete a time report.

We recommend County management develop written procedures that identify an approval process for department head time reports and procedures to follow when an employee is unavailable to complete a time report.

Client's Response:

The County will develop 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. The County will also develop a procedure identifying the responsible person to sign an employee's time sheet in their absence due to illness or other leaves, as the payroll administrator for their department. These procedures will be implemented for 2010.

PREVIOUSLY REPORTED ITEMS RESOLVED

Disposal of Voided Checks (07-1)

Cass County did not have written procedures in place directing how voided checks should be properly handled and maintained.

Resolution

The County implemented a policy identifying procedures to be followed regarding voided checks.

Reconciliation of Inmate Trust Fund (07-2)

Cash in the inmate trust fund bank account did not reconcile to the general ledger balance maintained by the jailer.

Resolution

County management established reconciliation procedures that are conducted at every shift change.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

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 is 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.

Cass County has on hand at December 31, 2008, negotiable certificates of deposit totaling \$398,428 which were purchased through Edward Jones; government securities and certificates of deposit totaling \$5,342,303 purchased through Morgan Keegan; and government securities and certificates of deposit totaling \$5,798,486 purchased through Multi-Bank Securities. The Multi-Bank securities are being held by Ridge Clearing and Outsourcing Solutions. None of these firms are primary reporting dealers nor have their principal executive offices in Minnesota. The investments were purchased in book entry form and are tracked by the Depository Trust Corporation. However, for purposes of custody, the securities are “held” by the party who controls their movement, which in this case is the brokerage firm or its designee. Therefore, we do not believe that these investments are being safekept in accordance with Minn. Stat. § 118A.06.

We recommend the County’s Chief Deputy Treasurer comply with the requirements of Minn. Stat. § 118A.06. Investments can be held only by brokerage firms that are primary reporting dealers or have their principal offices in Minnesota. If investments are purchased through these dealers, they must be held at a bank rather than at the brokerage firm.

Client's Response:

The County will continue to work closely with the Minnesota Office of the State Auditor to determine qualified safekeeping entities and monitor where investments are held in order to comply with the requirements of Minn. Stat. § 118A.06.

PREVIOUSLY REPORTED ITEM RESOLVED

Collateral Assignments (07-3)

Collateral assignments reviewed did not contain the language required under Minn. Stat. § 118A.03, subd. 4.

Resolution

Collateral assignments reviewed recited the required language.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS RESOLVED

Inmate Trust Fund Account (07-4)

Depositing practices of inmate trust account cash at the County Jail should be reviewed by management and new procedures established.

Resolution

County management established new procedures requiring regular deposits.



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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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 6, 2009. 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 auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-7, 06-1, and 08-1 through 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cass County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

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 six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

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.

Cass County's written responses to the significant deficiencies and legal compliance finding 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

November 6, 2009

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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, 2008. 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 financial statements include the operations of the Cass County Housing and Redevelopment Authority (HRA) component unit, which expended \$376,013 in federal awards during the year ended December 31, 2008, 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, 2008.

Internal Control Over Compliance

The 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, 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 control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Cass County's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 6, 2009. 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 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 a 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 6, 2009

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**CASS COUNTY
WALKER, MINNESOTA**

Schedule 9

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 141,003	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamps Program	10.561	219,399	-
Direct Cooperative Forestry Assistance	10.664	13,500	-
Passed Through Minnesota Department of Finance National Forest Lands	10.665	<u>250,840</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>\$ 624,742</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Opportunity Community Development Block Grants - Small Cities	14.219	<u>\$ 91,225</u>	<u>\$ 91,225</u>
U.S. Department of the Interior			
Direct Federal Payments in Lieu of Taxes	15.226	<u>\$ 273,227</u>	<u>\$ -</u>
U.S. Department of Justice			
Direct Bulletproof Vest Partnership Program	16.607	\$ 3,638	\$ -
Passed Through Minnesota Department of Public Safety Juvenile Accountability Incentive Block Grant	16.523	<u>2,668</u>	<u>-</u>
Total U.S. Department of Justice		<u>\$ 6,306</u>	<u>\$ -</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 2,782,530	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	14,666	-
Minimum Penalties for Repeat Offenders for DWI	20.608	<u>24,461</u>	<u>-</u>
Total U.S. Department of Transportation		<u>\$ 2,821,657</u>	<u>\$ -</u>

**CASS COUNTY
WALKER, MINNESOTA**

**Schedule 9
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services			
Direct			
Rural Health Outreach Grant	93.912	\$ 118,463	\$ -
Passed Through Minnesota Department of Health			
Center for Disease Control and Prevention - Public Health			
Preparedness Grant	93.283	37,257	-
Maternal and Child Health	93.994	36,061	-
Passed Through Minnesota Department of Human Services			
Child Support Enforcement Title IV-D	93.563	523,171	-
Promoting Safe and Stable Families	93.556	26,770	-
Temporary Assistance for Needy Families (TANF)	93.558	596,403	-
Refugee and Entrant Assistance - State-Administered Programs	93.566	529	-
Community Child Abuse Prevention Grants	93.590	27,151	-
Child Care Cluster			
Child Care Development Block Grant	93.575	35,579	-
Child Care Mandatory and Matching Funds	93.596	8,189	-
Foster Care Title IV-E	93.658	193,616	-
Social Services Block Grant Title XX	93.667	241,237	-
Chafee Foster Care Independence Program	93.674	1,786	-
State Children's Insurance Program	93.767	585	-
Medical Assistance Program	93.778	648,940	-
Block Grants for Community Mental Health Services	93.958	11,348	-
Total U.S. Department of Health and Human Services		\$ 2,507,085	\$ -
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	\$ 36,454	\$ -
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grant	97.042	9,004	-
Total U.S. Department of Homeland Security		\$ 45,458	\$ -
Total Federal Awards		\$ 6,369,700	\$ 91,225

**CASS COUNTY
WALKER, MINNESOTA**

Schedule 9
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Cass County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule does not include \$376,013 in federal awards expended by the Cass County Housing and Redevelopment Authority component unit, which has a separate audit performed by other auditors.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Expenditures on this schedule differ from federal revenues reported due to certain expenditures reported when the revenues are not available for recognition using the modified accrual basis of accounting. In 2008, these timing differences resulted in an adjustment to deferred revenue of \$167,753 because the period of availability criteria had not been met under modified accrual accounting.
3. Pass-through grant numbers were provided if available.