

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

FOR THE YEAR ENDED DECEMBER 31, 2014

## **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, 2014**



**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, 2014**

		<u>Term Expires</u>
Elected		
Commissioners		
District I	Neal Gaalswyk	January 2015
District II	Robert Kangas	January 2017
District III	Jeff Peterson	January 2017
District IV	James Dowson	January 2015
District V	Dick Downham	January 2017
Attorney	Christopher Strandlie	January 2015
Recorder	Kathryn Norby	January 2015
Sheriff	Tom Burch	January 2015
Appointed		
Administrator	Robert Yochum	November 2017
Assessor	Mark Peterson	December 2016
Auditor/Treasurer	Sharon K. Anderson	Indefinite
Central Services Director	Tim Richardson	Indefinite
Chief Financial Officer	Larry Wolfe	Indefinite
Environmental Services Director	John Ringle	Indefinite
Health, Human and Veterans Services Director	Reno Wells	Indefinite
Highway Engineer	Dave Enblom	May 2017
Land Commissioner	Joshua Stevenson	Indefinite
Medical Examiner	Dr. Michael B. McGee	January 2015
Probation Director	James Schneider	Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Cass County  
Walker, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cass County, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cass County as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cass County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015, on our consideration of Cass County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cass County's internal control over financial reporting and compliance. It does not include the Cass County Housing and Redevelopment Authority or the Pine River Area Sanitary District, which were audited by an other auditor.

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 14, 2015

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

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**CASS COUNTY  
WALKER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2014  
(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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the basic financial statements that follow this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

The assets of Cass County exceeded its liabilities on December 31, 2014, by \$181,991,537 (net position). Of this amount, \$44,993,626 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2014, Cass County's governmental funds reported combined ending fund balances of \$68,923,566, an increase of \$7,634,628 in comparison with 2013. Of this balance amount, \$12,097,231 was unassigned by Cass County and thus available for spending at the government's discretion.

Cass County had no debt during 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the exhibits.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net position serves as a useful indicator of the County’s financial position. Cass County’s assets exceeded liabilities by \$181,991,537 at the close of 2014. The largest portion of Cass County’s net position (68 percent) reflects the County’s investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges). However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

Governmental Activities	Net Position (in Thousands)	
	2014	2013
Assets		
Current and other assets	\$ 75,946	\$ 69,768
Capital assets	123,720	121,340
Total Assets	\$ 199,666	\$ 191,108
Liabilities		
Long-term liabilities	\$ 14,343	\$ 13,124
Other liabilities	3,332	3,512
Total Liabilities	\$ 17,675	\$ 16,636

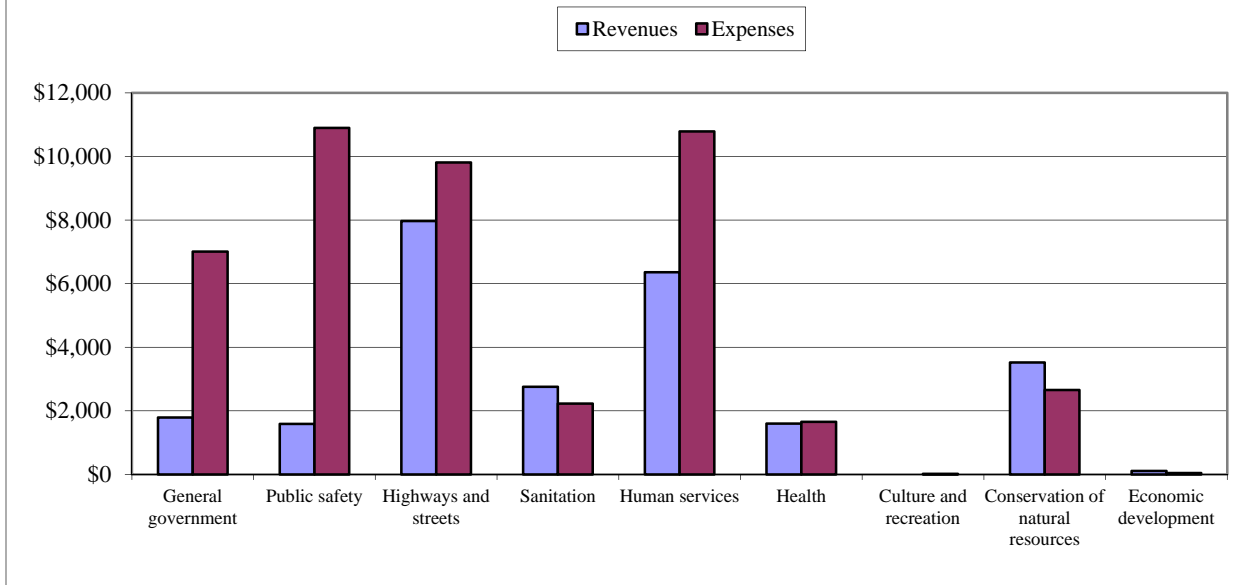
Governmental Activities	2014	2013
Net Position		
Net investment in capital assets	\$ 123,720	\$ 121,340
Restricted	13,278	13,737
Unrestricted	44,993	39,395
 Total Net Position	 \$ 181,991	 \$ 174,472

The unrestricted net position amount of \$44,993,626 as of December 31, 2014, may be used to meet the County's ongoing obligations to citizens and creditors.

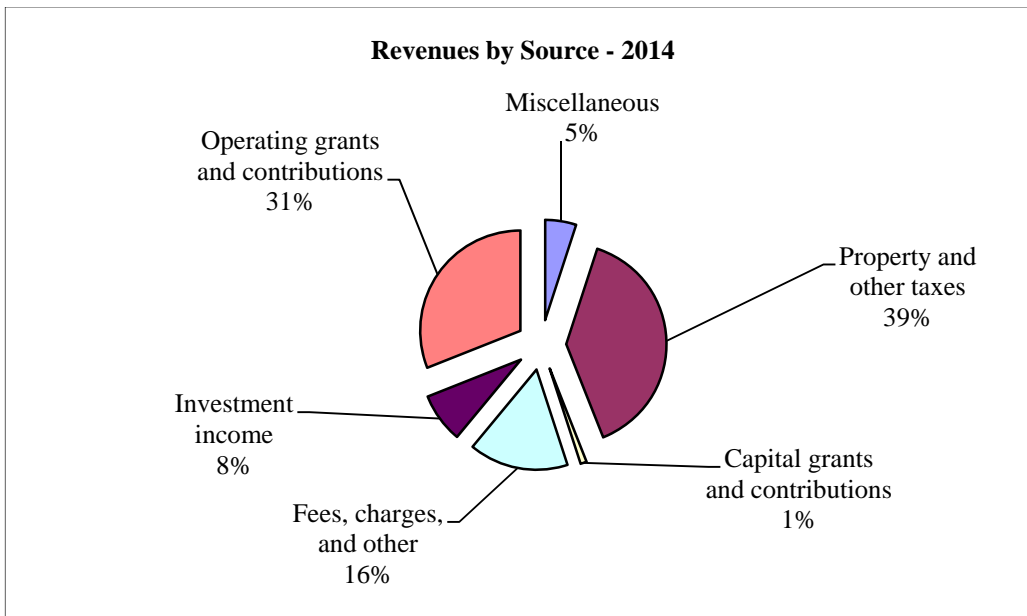
**Changes in Net Position  
(in Thousands)**

Governmental Activities	2014	2013
Revenues		
Program revenues		
Charges for services	\$ 8,507	\$ 7,940
Operating grants and contributions	16,500	14,866
Capital grants and contributions	685	2,214
General revenues		
Property taxes	20,225	20,149
Other	6,697	(148)
 Total Revenues	 \$ 52,614	 \$ 45,021
Expenses		
General government	\$ 7,008	\$ 6,413
Public safety	10,895	10,845
Highways and streets	9,810	9,611
Sanitation	2,225	2,483
Human services	10,787	9,830
Health	1,654	2,037
Culture and recreation	17	17
Conservation of natural resources	2,657	2,684
Economic development	42	38
 Total Expenses	 \$ 45,095	 \$ 43,958
 Increase in Net Position	 \$ 7,519	 \$ 1,063
 Net Position - January 1	 174,472	 173,409
 Net Position - December 31	 \$ 181,991	 \$ 174,472

### Expenses and Program Revenues - 2014



### Revenues by Source - 2014



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

**Governmental funds.** The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

Cass County's governmental funds reported a combined fund balance of \$68,923,566 in 2014, compared with \$61,288,938 in 2013, an increase of \$7,634,628. Fund balances that are classified as restricted are either nonspendable or restricted and have specific (usually external) constraints placed on their use. Fund balances that are classified as unrestricted are either committed, assigned, or unassigned fund balances. Committed and assigned fund balances are fund balances for which the County has identified a specific purpose. Unassigned fund balances do not have a specific use identified but generally support cash flows of the County.

Governmental funds reported restricted fund balance for 2014 of \$12,344,386, or 17.9 percent, of total fund balance. Restricted fund balance was classified as \$5,101,828 of nonspendable and \$7,242,558 of restricted. Unrestricted fund balance was \$56,579,180, or 82.1 percent, of total fund balance. Unrestricted fund balance was classified as \$10,400,000 of committed, \$34,081,949 of assigned, and \$12,097,231 of unassigned. Committed fund balances are approved by the County Board. For example, the Board has decided, by resolution, to set aside monies to fund the self-insurance program for employee and retiree health benefits. Assigned fund balances are amounts that are to be used for specific purposes but are neither restricted nor committed. Funds set aside for uninsured losses are an example of assigned fund balance. Unassigned fund balance is fund balance that has not been reported in any other classification and is only used in the General Fund unless there are deficit fund balances in other funds.

The General Fund is the chief operating fund of the County and is used to account for all financial resources except those accounted for in another fund. The unrestricted fund balance of the General Fund was \$21,478,821 in 2014, compared to \$17,073,766 in 2013. This increase was due, in part, to the fair market value adjustment of the County's portfolio in 2014. Unrestricted fund balance at the end of the year represented 91.8 percent of the General Fund's operating revenues and 111.1 percent of operating expenditures. The County's unassigned fund balance represents 51.7 percent of the General Fund's operating revenues and 62.6 percent of operating expenditures. The Office of the State Auditor recommends that counties maintain unrestricted fund balance in their General Fund of approximately 35.0 to 50.0 percent of operating revenues, or no less than five months of operating expenditures (41.7 percent).

The unrestricted fund balance of the Road and Bridge Special Revenue Fund was \$4,643,375 in 2014, compared to \$2,680,157 in 2013. This increase was due to additional revenue that exceeded expenditures during the year. Unrestricted fund balance at the end of the year represented 33.9 percent of the Road and Bridge Special Revenue Fund's operating revenues and 39.5 percent of operating expenditures.



The unrestricted-assigned fund balance of the Health, Human and Veterans Services Special Revenue Fund (HHVS) was \$10,607,585 in 2014, compared to \$14,336,006 in 2013. This decrease was due to a \$5,000,000 Board-authorized transfer to the Capital Projects Fund for future campus construction. Unrestricted-assigned fund balance at the end of the year represented 78.6 percent of the HHVS Fund's operating revenues and 86.9 percent of operating expenditures. In 2012, the County Board committed \$3,000,000 of the HHVS fund balance for out-of-home placement costs.

Total assigned fund balance in the Capital Projects Fund was \$16,239,258 in 2014, compared to \$11,747,998 in 2013. This fund balance is to be held for a future capital project such as a law enforcement-judicial center or highway shops.

Pursuant to Minnesota statute, the Forfeited Tax Sale Fund distributed \$1,376,217 in net proceeds to County funds, schools, cities, and towns in Cass County. The distribution was \$460,986 more than the 2013 distribution primarily because of an increase in land and timber sales for 2014.

### General Fund Budgetary Highlights

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

Actual revenues for 2014 were \$32,679 less than the final budget. Actual expenditures were less than budgeted expenditures by \$354,124 in 2014.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Cass County's capital assets for its governmental activities at December 31, 2014, totaled \$123,719,755 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net capital assets increased \$2,379,870, or 1.9 percent, from the previous year. The major capital asset event was the \$5.56 million completion of construction in progress projects in 2014.

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

	2014	2013
Land	\$ 5,026,947	\$ 4,979,093
Infrastructure	98,567,606	95,699,702
Buildings	12,707,948	12,852,044
Machinery, furniture, and equipment	5,188,358	5,743,332
Construction in progress	2,228,896	2,065,714
Total	<u>\$ 123,719,755</u>	<u>\$ 121,339,885</u>

(Unaudited)

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

### **Long-Term Debt**

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

Minnesota statutes limit the amount of debt a County may levy to three percent of its total market value. At the end of 2014, Cass County's legal debt limit was \$181,000,000.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

Cass County's tax base at the end of 2014 was 1.8 percent less than 2013. This was the fourth decline since 2002. Although the tax base declined, Cass County continues to have one of the lowest tax rates among neighboring counties. Demand for lakeshore and recreational land has continued, which aids in the economic growth of the County.

By the end of 2014, Cass County approved its balanced 2015 revenue and expenditure budgets.

### **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Units</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 64,901,591	\$ 118,977
Petty cash and change funds	2,591	-
Investments	4,082,122	-
Taxes receivable		
Prior - net	817,117	-
Special assessments receivable		
Prior - net	158,790	13,740
Accounts receivable - net	1,757,257	25,072
Accrued interest receivable	159,198	5
Due from other governments	3,090,525	-
Prepaid items	648,840	7,647
Inventories	328,288	-
Note receivable	-	110,389
Restricted assets		
Cash and pooled investments	-	340,443
Capital assets		
Non-depreciable	7,255,843	35,753
Depreciable - net of accumulated depreciation	116,463,912	1,818,466
<b>Total Assets</b>	<b>\$ 199,666,074</b>	<b>\$ 2,470,492</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 1,356,936	\$ 16,532
Salaries payable	1,240,814	9,946
Compensated absences payable - current	-	7,252
Contracts payable	14,490	-
Retainage payable	25,000	-
Due to other governments	682,118	-
Accrued interest payable	-	1,599
Unearned revenue	12,395	-
Payable from restricted assets		
Accounts payable	-	-
Customer deposits payable	-	4,520
Checks in excess of deposits	-	1,656
Other current liabilities	-	1,547
Long-term liabilities		
Due within one year	202,215	176,336
Due in more than one year	14,140,569	773,817
<b>Total Liabilities</b>	<b>\$ 17,674,537</b>	<b>\$ 993,205</b>

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

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**CASS COUNTY  
WALKER, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	<u>Primary Government Governmental Activities</u>	<u>Discretely Presented Component Units</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$ 123,719,755	\$ 934,625
Restricted for		
General government	587,516	-
Public safety	751,045	-
Highways and streets	1,256,413	-
Capital projects	-	46,763
Conservation of natural resources	10,345,546	-
Other purposes	337,636	-
Unrestricted	<u>44,993,626</u>	<u>495,899</u>
<b>Total Net Position</b>	<b><u>\$ 181,991,537</u></b>	<b><u>\$ 1,477,287</u></b>

**CASS COUNTY  
WALKER, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 7,008,117	\$ 1,364,633
Public safety	10,895,144	603,942
Highways and streets	9,809,962	1,057,521
Sanitation	2,224,692	2,757,978
Human services	10,787,055	289,332
Health	1,654,311	681,643
Culture and recreation	16,812	-
Conservation of natural resources	2,656,642	1,751,728
Economic development	42,500	-
	<b>\$ 45,095,235</b>	<b>\$ 8,506,777</b>
<b>Total Primary Government</b>		
<b>Component units</b>		
Housing and Redevelopment Authority	\$ 521,146	\$ 65,031
Pine River Area Sanitary District	551,879	533,943
	<b>\$ 1,073,025</b>	<b>\$ 598,974</b>
	<b>Total Component Units</b>	
<b>General Revenues</b>		
Property taxes		
Mortgage registry and deed tax		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Unrestricted investment earnings		
Miscellaneous		
Gain on sale of capital assets		
	<b>Total general revenues</b>	
<b>Change in net position</b>		
<b>Net Position - Beginning</b>		
<b>Net Position - Ending</b>		



**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Governmental Activities</b>	<b>Discretely Presented Component Units</b>
\$ 424,564	\$ -	\$ (5,218,920)	
986,037	-	(9,305,165)	
6,223,271	685,546	(1,843,624)	
-	-	533,286	
6,069,193	-	(4,428,530)	
918,916	-	(53,752)	
-	-	(16,812)	
1,770,140	-	865,226	
107,500	-	65,000	
<b>\$ 16,499,621</b>	<b>\$ 685,546</b>	<b>\$ (19,403,291)</b>	
\$ -	\$ 397,242		\$ (58,873)
-	94,190		76,254
<b>\$ -</b>	<b>\$ 491,432</b>		<b>\$ 17,381</b>
		\$ 20,224,847	\$ -
		37,421	-
		1,278,836	-
		1,154,896	-
		3,954,609	1,678
		257,196	-
		14,787	-
		<b>\$ 26,922,592</b>	<b>\$ 1,678</b>
		<b>\$ 7,519,301</b>	<b>\$ 19,059</b>
		<b>174,472,236</b>	<b>1,458,228</b>
		<b>\$ 181,991,537</b>	<b>\$ 1,477,287</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**CASS COUNTY  
WALKER, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health, Human and Veterans Services</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 23,145,919	\$ 4,319,355	\$ 13,339,546
Petty cash and change funds	2,251	100	140
Undistributed cash in agency funds	308,338	73,874	108,894
Investments	-	-	-
Taxes receivable			
Prior	412,519	159,700	236,590
Special assessments			
Prior	158,790	-	-
Accounts receivable - net	87,314	-	83,642
Accrued interest receivable	147,324	-	-
Due from other funds	291,758	51,731	35
Due from other governments	223,958	1,563,542	1,303,025
Prepaid items	648,840	-	-
Inventories	-	328,288	-
<b>Total Assets</b>	<b>\$ 25,427,011</b>	<b>\$ 6,496,590</b>	<b>\$ 15,071,872</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 464,095	\$ 123,856	\$ 682,569
Salaries payable	658,183	197,659	351,280
Compensated absences - current	110,808	31,069	57,002
Contracts payable	-	14,490	-
Retainage payable	-	25,000	-
Due to other funds	7,437	-	1,164
Due to other governments	151,338	-	96,962
Unearned revenue	12,395	-	-
<b>Total Liabilities</b>	<b>\$ 1,404,256</b>	<b>\$ 392,074</b>	<b>\$ 1,188,977</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			
Taxes	\$ 458,672	\$ 136,581	\$ 202,509
Grants	-	996,272	25,957
Other	23,986	-	46,844
<b>Total Deferred Inflows of Resources</b>	<b>\$ 482,658</b>	<b>\$ 1,132,853</b>	<b>\$ 275,310</b>

**EXHIBIT 3**

<u>Forfeited Tax Sale</u>	<u>Environmental Trust</u>	<u>Capital Projects</u>	<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
\$ 6,076,171	\$ 582,617	\$ 16,293,750	\$ 652,064	\$ 64,409,422
100	-	-	-	2,591
-	-	222	841	492,169
-	4,082,122	-	-	4,082,122
-	-	1,219	7,089	817,117
-	-	-	-	158,790
1,586,301	-	-	-	1,757,257
-	11,874	-	-	159,198
-	-	-	-	343,524
-	-	-	-	3,090,525
-	-	-	-	648,840
-	-	-	-	328,288
<u><b>\$ 7,662,572</b></u>	<u><b>\$ 4,676,613</b></u>	<u><b>\$ 16,295,191</b></u>	<u><b>\$ 659,994</b></u>	<u><b>\$ 76,289,843</b></u>
\$ 31,639	\$ -	\$ 54,777	\$ -	\$ 1,356,936
33,692	-	-	-	1,240,814
3,336	-	-	-	202,215
-	-	-	-	14,490
-	-	-	-	25,000
291,758	-	-	43,165	343,524
437,637	-	-	-	685,937
-	-	-	-	12,395
<u><b>\$ 798,062</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 54,777</b></u>	<u><b>\$ 43,165</b></u>	<u><b>\$ 3,881,311</b></u>
\$ -	\$ -	\$ 1,156	\$ 6,688	\$ 805,606
-	-	-	-	1,022,229
1,586,301	-	-	-	1,657,131
<u><b>\$ 1,586,301</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,156</b></u>	<u><b>\$ 6,688</b></u>	<u><b>\$ 3,484,966</b></u>

**CASS COUNTY  
WALKER, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health, Human and Veterans Services</u>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)</u></b>			
<b>Fund Balances</b>			
Nonspendable			
Inventories	\$ -	\$ 328,288	\$ -
Prepaid items	648,840	-	-
Environmental trust	-	-	-
Restricted for			
Aquatic invasive species	158,604	-	-
Forestry development	-	-	-
Law library	46,644	-	-
Recorder's technology equipment	479,779	-	-
Missing heirs	23,631	-	-
E-911	102,205	-	-
Recorder's compliance fund	52,241	-	-
Federal projects	312,005	-	-
Attorney's forfeiture	8,852	-	-
Wetland activity	226,475	-	-
Surveyor's bond	2,000	-	-
Environmental trust	-	-	-
Committed to			
Road and bridge projects	-	-	-
Out-of-home placements	-	-	3,000,000
ARMER radio project	100,000	-	-
Compensated absences	2,850,000	-	-
Health insurance	4,100,000	-	-
Assigned to			
Birth certificates	-	-	140
Capital projects	-	-	-
Road and bridge projects	-	4,594,000	-
Unorganized towns	-	-	-
Pit reclamation	-	33,533	-
Petrovend	-	15,842	-
Human services	-	-	10,569,268
Health insurance	551,028	-	-
Social services	-	-	6,683
Food support enhanced funds	-	-	31,494
Uninsured claims	1,300,000	-	-
Longville ambulance	352,649	-	-
Environmental grants	86,618	-	-
Shingobee Island	41,295	-	-
Unassigned	12,097,231	-	-
<b>Total Fund Balances</b>	<b>\$ 23,540,097</b>	<b>\$ 4,971,663</b>	<b>\$ 13,607,585</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 25,427,011</b>	<b>\$ 6,496,590</b>	<b>\$ 15,071,872</b>



**EXHIBIT 3**  
**(Continued)**

<b>Forfeited Tax Sale</b>	<b>Environmental Trust</b>	<b>Capital Projects</b>	<b>Nonmajor Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 328,288
-	-	-	-	648,840
-	4,124,700	-	-	4,124,700
-	-	-	-	158,604
5,278,209	-	-	-	5,278,209
-	-	-	-	46,644
-	-	-	-	479,779
-	-	-	-	23,631
-	-	-	-	102,205
-	-	-	-	52,241
-	-	-	-	312,005
-	-	-	-	8,852
-	-	-	-	226,475
-	-	-	-	2,000
-	551,913	-	-	551,913
-	-	-	350,000	350,000
-	-	-	-	3,000,000
-	-	-	-	100,000
-	-	-	-	2,850,000
-	-	-	-	4,100,000
-	-	-	-	140
-	-	16,239,258	-	16,239,258
-	-	-	-	4,594,000
-	-	-	260,141	260,141
-	-	-	-	33,533
-	-	-	-	15,842
-	-	-	-	10,569,268
-	-	-	-	551,028
-	-	-	-	6,683
-	-	-	-	31,494
-	-	-	-	1,300,000
-	-	-	-	352,649
-	-	-	-	86,618
-	-	-	-	41,295
-	-	-	-	12,097,231
<b>\$ 5,278,209</b>	<b>\$ 4,676,613</b>	<b>\$ 16,239,258</b>	<b>\$ 610,141</b>	<b>\$ 68,923,566</b>
<b>\$ 7,662,572</b>	<b>\$ 4,676,613</b>	<b>\$ 16,295,191</b>	<b>\$ 659,994</b>	<b>\$ 76,289,843</b>

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**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2014**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 68,923,566</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		123,719,755
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
Unavailable revenue reported as deferred inflows	\$ 3,484,966	
Unavailable revenue reported as due to other governments	<u>3,819</u>	3,488,785
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	\$ (2,807,343)	
Other postemployment benefits payable	<u>(11,333,226)</u>	<u>(14,140,569)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 181,991,537</u></b>

**CASS COUNTY  
WALKER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health, Human and Veterans Services</u>
<b>Revenues</b>			
Taxes	\$ 10,628,648	\$ 3,820,805	\$ 5,618,115
Special assessments	1,773,724	-	-
Licenses and permits	122,973	-	6,580
Intergovernmental	4,049,740	8,829,284	6,781,713
Charges for services	2,644,623	587,774	830,984
Fines and forfeits	7,467	-	-
Gifts and contributions	16,761	-	1,855
Investment earnings	3,641,966	-	-
Miscellaneous	489,831	458,201	242,175
<b>Total Revenues</b>	<b>\$ 23,375,733</b>	<b>\$ 13,696,064</b>	<b>\$ 13,481,422</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 6,568,601	\$ -	\$ 223,450
Public safety	10,207,107	-	-
Highways and streets	-	11,732,846	-
Sanitation	2,178,920	-	-
Human services	-	-	10,392,378
Health	-	-	1,587,851
Culture and recreation	15,000	-	-
Conservation of natural resources	310,969	-	-
Economic development	42,500	-	-
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>\$ 19,323,097</b>	<b>\$ 11,732,846</b>	<b>\$ 12,203,679</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 4,052,636</b>	<b>\$ 1,963,218</b>	<b>\$ 1,277,743</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 388,062	\$ -	\$ -
Transfers out	-	-	(5,006,304)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 388,062</b>	<b>\$ -</b>	<b>\$ (5,006,304)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 4,440,698</b>	<b>\$ 1,963,218</b>	<b>\$ (3,728,561)</b>
<b>Fund Balances - January 1</b>	<b>19,099,399</b>	<b>3,028,411</b>	<b>17,336,146</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(19,966)</b>	<b>-</b>
<b>Fund Balances - December 31</b>	<b>\$ 23,540,097</b>	<b>\$ 4,971,663</b>	<b>\$ 13,607,585</b>

**EXHIBIT 5**

<b>Forfeited Tax Sale</b>	<b>Environmental Trust</b>	<b>Capital Projects</b>	<b>Nonmajor Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 1,160	\$ 244,633	\$ 20,313,361
-	-	-	-	1,773,724
-	-	-	-	129,553
799,528	-	-	98,028	20,558,293
-	-	-	-	4,063,381
-	-	-	-	7,467
12,200	-	-	-	30,816
-	312,643	-	-	3,954,609
1,788,052	-	26,333	-	3,004,592
<b>\$ 2,599,780</b>	<b>\$ 312,643</b>	<b>\$ 27,493</b>	<b>\$ 342,661</b>	<b>\$ 53,835,796</b>
\$ -	\$ -	\$ -	\$ 1,745	\$ 6,793,796
-	-	-	31,448	10,238,555
-	-	-	242,420	11,975,266
-	-	-	-	2,178,920
-	-	-	-	10,392,378
-	-	-	-	1,587,851
-	-	-	-	15,000
1,836,720	273,014	-	-	2,420,703
-	-	-	-	42,500
-	-	536,233	-	536,233
<b>\$ 1,836,720</b>	<b>\$ 273,014</b>	<b>\$ 536,233</b>	<b>\$ 275,613</b>	<b>\$ 46,181,202</b>
<b>\$ 763,060</b>	<b>\$ 39,629</b>	<b>\$ (508,740)</b>	<b>\$ 67,048</b>	<b>\$ 7,654,594</b>
\$ -	\$ -	\$ 5,000,000	\$ -	\$ 5,388,062
(381,758)	-	-	-	(5,388,062)
<b>\$ (381,758)</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ -</b>	<b>\$ -</b>
\$ 381,302	\$ 39,629	\$ 4,491,260	\$ 67,048	\$ 7,654,594
4,896,907	4,636,984	11,747,998	543,093	61,288,938
-	-	-	-	(19,966)
<b>\$ 5,278,209</b>	<b>\$ 4,676,613</b>	<b>\$ 16,239,258</b>	<b>\$ 610,141</b>	<b>\$ 68,923,566</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 7,654,594**

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

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

Unavailable revenue - December 31	\$ 3,488,785	
Unavailable revenue - January 1	<u>(4,710,046)</u>	(1,221,261)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, the gain or loss on the disposal of capital assets is reported; in the governmental funds, proceeds from the sale increase financial resources. The difference is the net book value of assets sold.

Expenditures for general capital assets and infrastructure	\$ 6,218,208	
Current year depreciation	<u>(3,838,338)</u>	2,379,870

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	\$ (84,372)	
Change in other postemployment benefits	(1,189,564)	
Change in inventories	<u>(19,966)</u>	<u>(1,293,902)</u>

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 7,519,301**

**FIDUCIARY FUNDS**

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CASS COUNTY  
WALKER, MINNESOTA

EXHIBIT 7

FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2014

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,799,390
Petty cash and change funds	400
<b>Total Assets</b>	<b><u>\$ 1,799,790</u></b>
<b><u>Liabilities</u></b>	
Salaries payable	\$ 65,397
Due to other governments	1,636,078
Prepaid taxes	98,315
<b>Total Liabilities</b>	<b><u>\$ 1,799,790</u></b>

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**DISCRETELY PRESENTED COMPONENT UNITS**

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT 8*

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2014**

	<b>Housing and Redevelopment Authority</b>	<b>Pine River Area Sanitary District</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 65,601	\$ 53,376	\$ 118,977
Special assessments receivable - prior	-	13,740	13,740
Accounts receivable - net	7,925	17,147	25,072
Accrued interest receivable	5	-	5
Prepaid items	893	6,754	7,647
<b>Total current assets</b>	<b>\$ 74,424</b>	<b>\$ 91,017</b>	<b>\$ 165,441</b>
<b>Restricted assets</b>			
Cash and pooled investments	\$ 2,383	\$ 338,060	\$ 340,443
<b>Noncurrent assets</b>			
Note receivable	\$ 110,389	\$ -	\$ 110,389
Capital assets			
Nondepreciable	25,753	10,000	35,753
Depreciable - net	287,410	1,531,056	1,818,466
<b>Total noncurrent assets</b>	<b>\$ 423,552</b>	<b>\$ 1,541,056</b>	<b>\$ 1,964,608</b>
<b>Total Assets</b>	<b>\$ 500,359</b>	<b>\$ 1,970,133</b>	<b>\$ 2,470,492</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 8  
(Continued)**

**COMBINING STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2014**

	<b>Housing and Redevelopment Authority</b>	<b>Pine River Area Sanitary District</b>	<b>Total</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 6,354	\$ 10,178	\$ 16,532
Salaries payable	2,872	7,074	9,946
Compensated absences payable - current	728	6,524	7,252
Accrued interest payable	7	1,592	1,599
Notes payable - current	2,705	173,631	176,336
Customer deposits - current	4,520	-	4,520
Checks in excess of deposits	1,656	-	1,656
Other current liabilities	1,547	-	1,547
<b>Total current liabilities</b>	<b>\$ 20,389</b>	<b>\$ 198,999</b>	<b>\$ 219,388</b>
<b>Noncurrent liabilities</b>			
Notes payable - long-term	\$ 30,000	\$ 709,054	\$ 739,054
Loans payable	34,205	-	34,205
Compensated absences payable - long-term	558	-	558
<b>Total noncurrent liabilities</b>	<b>\$ 64,763</b>	<b>\$ 709,054</b>	<b>\$ 773,817</b>
<b>Total Liabilities</b>	<b>\$ 85,152</b>	<b>\$ 908,053</b>	<b>\$ 993,205</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 276,253	\$ 658,372	\$ 934,625
Restricted for capital projects	-	46,763	46,763
Unrestricted	138,954	356,945	495,899
<b>Total Net Position</b>	<b>\$ 415,207</b>	<b>\$ 1,062,080</b>	<b>\$ 1,477,287</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Expenses</b>	<b>Program Fees, Charges, Fines, and Other</b>
<b>Component Units</b>		
Housing and Redevelopment Authority	\$ 521,146	\$ 65,031
Pine River Area Sanitary District	551,879	533,943
	551,879	533,943
<b>Total Component Units</b>	<b>\$ 1,073,025</b>	<b>\$ 598,974</b>

**General Revenues and Other Items**

Investment income

**Change in net position**

**Net Position - Beginning**

**Net Position - Ending**

**EXHIBIT 9**

<u>Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Capital Grants and Contributions</u>	<u>Housing and Redevelopment Authority</u>	<u>Pine River Area Sanitary District</u>	<u>Total</u>
\$ 397,242	\$ (58,873)	\$ -	\$ (58,873)
94,190	-	76,254	76,254
<u>\$ 491,432</u>	<u>\$ (58,873)</u>	<u>\$ 76,254</u>	<u>\$ 17,381</u>
	201	1,477	1,678
	<u>\$ (58,672)</u>	<u>\$ 77,731</u>	<u>\$ 19,059</u>
	<u>473,879</u>	<u>984,349</u>	<u>1,458,228</u>
	<u>\$ 415,207</u>	<u>\$ 1,062,080</u>	<u>\$ 1,477,287</u>

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**CASS COUNTY  
WALKER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Cass County was established May 7, 1897, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Cass County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Units

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Cass County considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure-driven) grants, for which the period is 90 days. Property and other taxes, shared revenues, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Cash and Pooled Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, 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 2014 were \$3,641,966.

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. Investment in the pool is measured at amortized cost per share and approximates fair value. 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.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable.

4. Inventories and Prepaid Items

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

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Effective January 1, 2011, Cass County revised its capitalization threshold to \$50,000 for all subsequent capital acquisitions. The capitalization threshold for computer software, including internally generated software, is \$150,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

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

6. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured as a result of employee resignations and retirements.

7. Deferred Outflows/Inflows of Resources

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

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

8. Unearned Revenue

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

9. Long-Term Obligations

In the government-wide statement of net position, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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



**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

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

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board, the Chief Financial Officer, or the County Administrator who has been delegated that authority by Board resolution.

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

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

12. General Fund Minimum Fund Balance Policy

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

12. General Fund Minimum Fund Balance Policy (Continued)

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

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

13. Use of Estimates

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

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 64,901,591
Petty cash and change funds	2,591
Investments	4,082,122
Discretely presented component units	
Cash and pooled investments	118,977
Restricted cash and pooled investments	340,443
Statement of fiduciary net position	
Cash and pooled investments	1,799,390
Petty cash and change funds	400
	<hr/>
Total Cash and Investments	\$ 71,245,514

a. Deposits

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has a deposit policy for custodial credit risk and follows Minnesota statutes regarding pledged collateral. The market value of collateral must equal 110 percent of the deposits not covered by insurance or surety bonds. As of December 31, 2014, both the County's deposits and the deposits of its discretely presented component units were fully covered by insurance, surety bonds, and collateral, and were not exposed to custodial credit risk.

b. Investments

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

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, 2014, \$3,789,299 was subject to custodial credit risk.

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2014, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association Pool	Aaa/AA+	Moody's/S&P		05/22/2028	\$ 1,292,747
Federal National Mortgage Association Pool	Aaa/AA+	Moody's/S&P		08/23/2027	955,800
Federal National Mortgage Association Pool	Aaa/AA+	Moody's/S&P		12/30/2024	3,327,195
Total Federal National Mortgage Association Pools			8.5%		\$ 5,575,742
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P	<5%	06/24/2024	\$ 2,673,273
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		12/27/2024	\$ 997,710
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		07/30/2024	889,983
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		10/29/2027	481,285
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		12/20/2024	959,490
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		01/30/2023	483,085
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		04/28/2028	1,001,950
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		04/28/2023	972,030
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		05/22/2023	230,627
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		04/30/2024	500,735
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		11/26/2019	997,270
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		05/18/2022	1,134,728
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		11/28/2022	2,432,425
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		12/27/2022	491,760
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		01/17/2023	3,091,258
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		03/27/2023	497,500
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		03/27/2023	591,588
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		04/18/2023	1,099,945
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		05/08/2023	2,198,174
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		05/16/2023	2,418,621
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		05/22/2023	2,499,650
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		06/13/2023	981,020
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		05/08/2023	989,380
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		04/30/2024	750,495
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		05/28/2024	498,995

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		10/21/2019	750,278
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		10/09/2024	1,499,850
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		12/12/2022	1,908,151
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		07/25/2022	740,518
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		09/07/2022	1,482,683
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		12/30/2019	2,674,652
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		06/10/2019	1,000,144
Total Federal Home Loan Bank Bonds			56.7%		\$ 37,245,980
Total U.S. government agency securities					\$ 45,494,995
Federal Farm Credit Banks Funding Corporation Bonds					
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		12/16/2019	\$ 999,630
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		04/22/2020	998,230
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		01/29/2020	2,002,120
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		01/21/2020	875,683
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		03/23/2020	584,988
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		08/16/2021	486,239
Federal Farm Credit Banks Funding Corporation Bonds	Aaa/AA+	Moody's/S&P		02/20/2025	490,331
Total Federal Farm Credit Banks Funding Corporation Bonds			9.8%		\$ 6,437,221
Federal Home Loan Mortgage Corporation Repurchase Agreements					
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		08/02/2015	\$ 988,351
Federal Home Loan Mortgage Corporation Note	Aaa/AA+	Moody's/S&P		09/28/2015	492,001
Total Federal Home Loan Mortgage Corporation Repurchase Agreements			<5%		\$ 1,480,352
Federal Home Loan Bank Repurchase Agreements					
Federal Home Loan Bank	Aaa/AA+	Moody's/S&P	<5%	09/07/2015	\$ 498,165
Federal Farm Credit Bank Repurchase Agreements					
Federal Farm Credit Bank Funding Corporation Bonds	Aaa/AA+	Moody's/S&P	<5%	07/17/2016	\$ 998,365
Negotiable certificates of deposit					
American Express Centurion, UT	N/A	N/A	<5%	11/29/2019	\$ 96,975
BMW Bank of North America, UT	N/A	N/A	<5%	05/30/2019	146,684
BNC National Bank, AZ	N/A	N/A	<5%	08/08/2018	241,163
Citizens Alliance Bank	N/A	N/A	<5%	06/26/2020	246,468
Discover Bank, DE	N/A	N/A	<5%	05/29/2019	244,814
Enerbank USA, UT	N/A	N/A	<5%	11/26/2019	244,027
First American Bank, IL	N/A	N/A	<5%	08/24/2020	238,177
First Financial Bank, USA	N/A	N/A	<5%	09/21/2020	237,246
First Merchants Bank, IN	N/A	N/A	<5%	08/13/2020	244,243
Flushing Bank, NY	N/A	N/A	<5%	10/31/2019	246,520
GE Capital Retail	N/A	N/A	<5%	06/08/2020	244,651
Iberia Bank, LA	N/A	N/A	<5%	05/04/2020	244,923
Magna Bank, Memphis TN	N/A	N/A	<5%	08/05/2020	246,007
Midwest Bank Western IL, IL	N/A	N/A	<5%	10/15/2019	246,552



**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	
NBT Bank NA, NY	N/A	N/A	<5%	08/20/2019	244,105
Welch State Bank, OK	N/A	N/A	<5%	06/27/2018	244,015
American Express Bank FSB, UT	N/A	N/A	<5%	09/25/2019	241,805
Barclays Bank, DE	N/A	N/A	<5%	07/23/2019	243,929
Capital One Bank USA NA, VA	N/A	N/A	<5%	10/08/2019	243,341
Comenity Bank, DE	N/A	N/A	<5%	08/27/2019	198,670
Everbank, FL	N/A	N/A	<5%	10/30/2019	241,874
First Bank, IL	N/A	N/A	<5%	07/30/2019	239,396
Goldman Sachs, Bank, NY	N/A	N/A	<5%	06/06/2019	245,502
Privatebank & Trust Company, IL	N/A	N/A	<5%	07/22/2019	243,084
Sallie Mae Bank, UT	N/A	N/A	<5%	11/13/2018	149,411
State Bank of India, NY	N/A	N/A	<5%	10/17/2019	244,608
Third Federal S&L, OH	N/A	N/A	<5%	11/25/2019	244,034
Webster Five Cents Savings Bank, MA	N/A	N/A	<5%	12/17/2019	241,293
World's Foremost Bank, NE	N/A	N/A	<5%	08/13/2019	197,802
BMW Bank of North America, UT	N/A	N/A	<5%	11/12/2015	100,381
GE Money Bank	N/A	N/A	<5%	11/05/2015	101,163
Magna Bank, Memphis TN	N/A	N/A	<5%	07/20/2020	236,626
Synchrony Bank, UT	N/A	N/A	<5%	06/10/2019	145,280
CIT Bank, UT	N/A	N/A	<5%	05/08/2023	239,105
American Express Centurion, UT	N/A	N/A	<5%	06/20/2018	146,577
Isabella Bank	N/A	N/A	<5%	06/17/2020	235,733
Toyota Financial Savings, NV	N/A	N/A	<5%	12/21/2020	246,047
Total negotiable certificates of deposit					\$ 8,082,231
Investment pools/mutual funds					
MAGIC Fund	N/R	N/A	<5%	N/A	\$ 2,648,632
Total investments					\$ 65,639,961
Deposits - primary government					5,143,142
Deposits - component units					436,854
Investments - component units					22,266
Petty cash and change funds - primary government					2,991
Petty cash and change funds - component units					300
Total Cash and Investments					\$ 71,245,514

N/A - Not Applicable

N/R - Not Rated

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

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 817,117	\$ -
Special assessments	158,790	139,743
Accounts receivable	1,757,257	-
Accrued interest	159,198	-
Due from other governments	3,090,525	-
Total Governmental Activities	\$ 5,982,887	\$ 139,743

3. Minimum Future Rents Receivable

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

Minimum future rents on the lease are:

Year Ending December 31		
2015	\$	37,125
2016		37,125
Total	\$	74,250

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

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

Minimum future rents on the lease are:

Year Ending December 31		
2015	\$	14,388
2016		14,388
2017		10,192
Total	\$	38,968

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

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

Upon expiration of the lease on December 31, 2015, Global Towers has two additional renewal options for ten-year terms each. The same terms and conditions will be in effect during the renewal terms, except rent, which will be renegotiated each subsequent renewal term.

Minimum future rents on the lease are:

Year Ending December 31	
2015	\$ 8,881

4. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,979,093	\$ 47,854	\$ -	\$ 5,026,947
Construction in progress	2,065,714	5,726,821	5,563,639	2,228,896
Total capital assets not depreciated	\$ 7,044,807	\$ 5,774,675	\$ 5,563,639	\$ 7,255,843
Capital assets depreciated				
Buildings	\$ 21,886,176	\$ 342,934	\$ -	\$ 22,229,110
Machinery, furniture, and equipment	10,554,547	194,580	35,394	10,713,733
Infrastructure	128,872,815	5,469,658	-	134,342,473
Total capital assets depreciated	\$ 161,313,538	\$ 6,007,172	\$ 35,394	\$ 167,285,316

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 9,034,132	\$ 487,030	\$ -	\$ 9,521,162
Machinery, furniture, and equipment	4,811,215	749,554	35,394	5,525,375
Infrastructure	33,173,113	2,601,754	-	35,774,867
Total accumulated depreciation	\$ 47,018,460	\$ 3,838,338	\$ 35,394	\$ 50,821,404
Total capital assets depreciated, net	\$ 114,295,078	\$ 2,168,834	\$ -	\$ 116,463,912
Capital Assets, Net	\$ 121,339,885	\$ 7,943,509	\$ 5,563,639	\$ 123,719,755

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

Governmental Activities	
General government	\$ 165,398
Public safety	552,269
Highways and streets, including depreciation of infrastructure assets	2,845,091
Health, human and veterans services	49,430
Sanitation	36,699
Culture and recreation	1,812
Conservation of natural resources	187,639
Total Depreciation Expense - Governmental Activities	\$ 3,838,338

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Forfeited Tax Sale	\$ 291,758	Forfeited tax apportionment
Road and Bridge	General	\$ 7,402	Reimbursement for services
	Health, Human and	1,164	Reimbursement for services
	Veterans Services	43,165	Reimbursement for services
	Other governmental	43,165	
Total Due to Road and Bridge		\$ 51,731	

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Health, Human and Veterans Services	General	\$ 35	Reimbursement for services
Total Due To/From Other Funds		<u>\$ 343,524</u>	

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfers to General Fund from Forfeited Tax Sale Fund	\$ 381,758	Forfeited tax apportionment and indirect costs
Transfers to General Fund from Health, Human and Veterans Services Fund	6,304	Sheriff department fraud equipment
Transfers to Capital Projects Fund from Health, Human and Veterans Services Fund	<u>5,000,000</u>	Future campus capital expenditures
Total Interfund Transfers	<u>\$ 5,388,062</u>	

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 2,979,665	\$ 1,713,237	\$ 1,683,344	\$ 3,009,558	\$ 202,215

2. Lease Obligations

The County is committed under various operating leases for office space, parking, data processing, copiers, office equipment, and radio towers and equipment. The following is a summary of the operating lease expense for 2014:

Type of Property	Amount
Rental of office space and parking	\$ 15,250
Data processing, copiers, and office equipment	67,498
Radio towers and equipment	38,576
Total Rental Expense	\$ 121,324

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2014:

Year Ended	Amount
2015	\$ 111,704
2016	87,380
2017	45,748
2018	38,270
2019	34,386
Total Future Minimum Lease Payments	\$ 317,488

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The government has active construction projects as of December 31, 2014. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Highways and streets	\$ 2,372,313	\$ 1,521,358

3. Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

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



**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2014:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30
Public Employees Correctional Fund	8.75

**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Employees Retirement Fund	\$ 858,359	\$ 836,113	\$ 811,315
Public Employees Police and Fire Fund	416,549	361,477	340,199
Public Employees Correctional Fund	62,002	65,128	66,076

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,461	\$ 5,461
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

4. Other Postemployment Benefits (OPEB)

A. Plan Description and Funding Policy

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

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Other Postemployment Benefits (OPEB)

A. Plan Description and Funding Policy (Continued)

Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2014, there were approximately 125 retirees receiving health benefits from the County's health plan.

B. Annual OPEB Costs and Net OPEB Obligation

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

The following table shows the components of the County's annual OPEB cost for 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	2,744,859
Interest on net OPEB obligation		456,465
Adjustments to ARC		(639,730)
		_____
Annual OPEB cost (expense)	\$	2,561,594
Contributions made during the year		(1,372,031)
		_____
Increase in net OPEB obligation	\$	1,189,563
Net OPEB Obligation - Beginning of Year		10,143,663
		_____
Net OPEB Obligation - End of Year	\$	11,333,226

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Other Postemployment Benefits (OPEB)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the excess OPEB contributions or net OPEB obligation for 2012, 2013, and 2014, 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, 2012	\$ 2,653,593	\$ 1,246,727	47.0%	\$ 8,779,689
December 31, 2013	2,592,041	1,228,067	47.4	10,143,663
December 31, 2014	2,561,594	1,372,031	53.6	11,333,226

C. Funded Status and Funding Progress

The actuarial accrued liability for benefits as of January 1, 2013, the most recent actuarial valuation date, is \$32.27 million. The County currently has no assets that have been irrevocably deposited in a trust for future health benefits; thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) is \$13.42 million. The ratio of the unfunded actuarial accrued liabilities (UAAL) to covered payroll is 240.5 percent.

D. Actuarial Methods and Assumptions

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

**CASS COUNTY  
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4. Other Postemployment Benefits (OPEB)

D. Actuarial Methods and Assumptions (Continued)

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

In the January 1, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County. The annual health care cost trend rate is 7.50 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after six years. The unfunded actuarial accrued liability is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 24 years.

5. Postemployment Health Care Plans

MSRS Health Care Savings Plan

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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5. Postemployment Health Care Plans

MSRS Health Care Savings Plan (Continued)

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

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

6. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to cover both workers' compensation and property and casualty liabilities. The County self-insures for employee medical and short-term disability coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.



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WALKER, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

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

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

	Year Ended December 31	
	2014	2013
Unpaid claims, beginning of fiscal year	\$ 190,042	\$ 265,605
Incurred claims (including IBNRs)	4,255,101	4,737,107
Claims payments	(4,292,794)	(4,812,670)
Unpaid Claims, End of Fiscal Year	\$ 152,349	\$ 190,042

**CASS COUNTY  
WALKER, MINNESOTA**

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

B. Contingent Liabilities

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

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

C. Tax-Forfeited Land

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

D. Joint Ventures

Northwestern Minnesota Juvenile Center

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

**CASS COUNTY  
WALKER, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwestern Minnesota Juvenile Center (Continued)

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

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Cass County made \$395,075 in payments to the Northwestern Minnesota Juvenile Center in 2014. Beltrami County, in an agent capacity, reports the cash transactions of the Center as an agency fund on its financial statements. Complete financial information can be obtained from:

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

Minnesota Counties Information Systems (MCIS)

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Minnesota Counties Information Systems (MCIS) (Continued)

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

Separate financial information can be obtained from:

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

Mississippi Headwaters Board

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

The Mississippi Headwaters Board consists of eight members, one appointed from each participating county. Funding is obtained through federal, state, local, and private sources. Crow Wing County maintains the accounting records of the Board. Cass County provided \$1,500 to this organization during 2014.

Complete financial information can be obtained from:

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

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

**CASS COUNTY  
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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Northeast Minnesota Regional Radio Board

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

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

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. Cass County contributed no funding in 2014.

Separate financial information can be obtained from:

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

Northwest Minnesota Household Hazardous Waste Management Group

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

**CASS COUNTY  
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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

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

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Cass County paid an assessment of \$18,035 to the Waste Management Group in 2014. Clearwater County, in an agent capacity, reports the cash transactions of the Waste Management Group as an agency fund on its financial statements.

Separate financial information can be obtained from:

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

Central Minnesota Emergency Medical Services Region

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

**CASS COUNTY  
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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Medical Services Region (Continued)

Complete financial information can be obtained from:

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

Rural Fire Association

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

In the event of the withdrawal by any member, its investment shall be forfeited, except by a three-quarters vote of the entire Joint Powers Board. Any such investment may not be withdrawn until the end of the calendar year of withdrawal. Cass County paid the Cass Lake Volunteer Rural Fire Association \$10,268 in 2014.

Region Five Development Commission

The Region Five Development Commission was established in 1973 pursuant to the Minnesota Regional Development Act of 1969 Authorized under Minn. Stat. §§ 462.384 to 462.398. The Commission includes Cass, Crow Wing, Morrison, Todd, and Wadena Counties. The Region Five Development Commission is made up of 23 Commission members including elected officials from townships, cities, counties, school boards, tribal, and other public interest groups. Cass County is represented by one Commissioner. Control of the Commission is vested in a Board of Directors pursuant to Minn. Stat. § 462.388. The Commission has independent levy authority within each member County as a regional development commission, and has full authority to enter into contracts, hire, and disburse funds.

**CASS COUNTY  
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6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Region Five Development Commission (Continued)

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

Cass County levied \$83,780 for Region Five as a special taxing district, and remitted \$94,070 in current and delinquent taxes for the year ended December 31, 2014.

Separate financial information can be obtained from:

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

Kitchigami Regional Library

The Kitchigami Regional Library was formed pursuant to Minn. Stat. § 134.20. It was formed on January 1, 1992, and includes Beltrami, Cass, Crow Wing, Hubbard, and Wadena Counties, and nine separate cities. Control of the Library is vested in the Kitchigami Regional Library Board, which is composed of 19 members with three-year terms made up of the following: one member appointed by each City Council and two members appointed by each County Board consisting of one County Commissioner and one lay person. Cass County appropriated \$342,336 to the Library for the year ended December 31, 2014.

Separate financial information can be obtained from:

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



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

E. Jointly-Governed Organizations

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

Cass County/Leech Lake Reservation Children's Initiative Collaborative

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

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Cass County expended \$46,687 to the MCCC.

Region Two - Northeast Minnesota Homeland Security Emergency Management Organization

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

F. Subsequent Event

On July 12, 2015, a windstorm swept through Cass, Crow Wing, and Todd Counties inflicting significant damage to public infrastructure. The preliminary damage estimate for Cass County was expected to be in the range of \$450,000. The Cass County Board of Commissioners has requested the State of Minnesota to declare a disaster emergency. It is unknown at this time as to the amount, if any, of federal or state disaster funds that could be made available to Cass County.

**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entities

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

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

Measurement Focus and Basis of Accounting

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

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits

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

**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits (Continued)

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

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

	Cass County Housing and Redevelopment Authority	Pine River Area Sanitary District
Government-wide statement of net position		
Cash and pooled investments	\$ 65,601	\$ 53,376
Restricted assets		
Cash and pooled investments	2,383	338,060
Total Cash and Investments	\$ 67,984	\$ 391,436

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

**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the deposits of the HRA or the District may not be returned. Both the HRA and the District have deposit policies for custodial credit risk. As of December 31, 2014, the HRA and the District were not exposed to any custodial credit risk.

(2) Investments

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

- securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118.A.04, subd. 6;

**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(2) Investments (Continued)

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

As of and during the year ended December 31, 2014, 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, 2014, for each discretely presented component unit, including any applicable allowances for uncollectible accounts, are as follows:

	Cass County Housing and Redevelopment Authority	Pine River Area Sanitary District	Total Receivables	Amounts Not Scheduled for Collection During the Year
Special assessments	\$ -	\$ 13,740	\$ 13,740	\$ -
Accounts	7,925	17,147	25,072	-
Note	110,389	-	110,389	110,389
<b>Total Component Units</b>	<b>\$ 118,314</b>	<b>\$ 30,887</b>	<b>\$ 149,201</b>	<b>\$ 110,389</b>

c. Capital Assets

Component unit capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<b>Capital assets not depreciated</b>				
<b>Land</b>				
Cass County Housing and Redevelopment Authority (HRA)	\$ 25,753	\$ -	\$ -	\$ 25,753
Pine River Area Sanitary District	10,000	-	-	10,000
<b>Total capital assets not depreciated</b>	<b>\$ 35,753</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,753</b>
<b>Capital assets depreciated</b>				
<b>Buildings and improvements</b>				
Cass County HRA	\$ 817,001	\$ 4,606	\$ -	\$ 821,607
Pine River Area Sanitary District	2,261,313	-	-	2,261,313
<b>Total buildings and improvements</b>	<b>\$ 3,078,314</b>	<b>\$ 4,606</b>	<b>\$ -</b>	<b>\$ 3,082,920</b>
<b>Water treatment facilities</b>				
Pine River Area Sanitary District	\$ 4,387,408	\$ 32,881	\$ -	\$ 4,420,289

**CASS COUNTY  
WALKER, MINNESOTA**

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

c. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Machinery, furniture, and equipment				
Cass County HRA	\$ 113,222	\$ 620	\$ -	\$ 113,842
Pine River Area Sanitary District	103,984	16,472	-	120,456
Total machinery, furniture, and equipment	<u>\$ 217,206</u>	<u>\$ 17,092</u>	<u>\$ -</u>	<u>\$ 234,298</u>
Total capital assets depreciated	<u>\$ 7,682,928</u>	<u>\$ 54,579</u>	<u>\$ -</u>	<u>\$ 7,737,507</u>
Less: accumulated depreciation for				
Buildings and improvements				
Cass County HRA	\$ 511,629	\$ 27,462	\$ -	\$ 539,091
Pine River Area Sanitary District	2,440,420	44,490	-	2,484,910
Total buildings and improvements	<u>\$ 2,952,049</u>	<u>\$ 71,952</u>	<u>\$ -</u>	<u>\$ 3,024,001</u>
Water treatment facilities				
Pine River Area Sanitary District	<u>\$ 2,543,679</u>	<u>\$ 141,517</u>	<u>\$ -</u>	<u>\$ 2,685,196</u>
Machinery, furniture, and equipment				
Cass County HRA	\$ 103,622	\$ 5,326	\$ -	\$ 108,948
Pine River Area Sanitary District	96,868	4,028	-	100,896
Total machinery, furniture, and equipment	<u>\$ 200,490</u>	<u>\$ 9,354</u>	<u>\$ -</u>	<u>\$ 209,844</u>
Total accumulated depreciation	<u>\$ 5,696,218</u>	<u>\$ 222,823</u>	<u>\$ -</u>	<u>\$ 5,919,041</u>
Total capital assets depreciated, net	<u>\$ 1,986,710</u>	<u>\$ (168,244)</u>	<u>\$ -</u>	<u>\$ 1,818,466</u>
Total Capital Assets, Net	<u>\$ 2,022,463</u>	<u>\$ (168,244)</u>	<u>\$ -</u>	<u>\$ 1,854,219</u>

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

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

Cass County HRA	\$ 32,788
Pine River Area Sanitary District	<u>190,035</u>
Total Depreciation Expense	<u>\$ 222,823</u>

**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes (Continued)

2. Liabilities

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

Loan Date	Term	Balance December 31, 2014
February 20, 1992	20 years	\$ 34,205
October 20, 2008	5 years	1,067
September 1, 2010	5 years	1,638
December 16, 2014	2 years	30,000
Total		\$ 66,910
Less: current portion		(2,705)
Long-Term Portion		\$ 64,205

Debt Service Requirements

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

Year Ending December 31	Amount
2015	\$ 2,705
2016	30,000
Thereafter	34,205
Total	\$ 66,910



**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Long-Term Debt

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

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

Long-term debt outstanding at December 31, 2014, for the Pine River Area Sanitary District consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
1997A PFA G.O. Sewer Revenue Note	2019	\$ 78,550	1.13	\$ 1,366,160	\$ 364,637
1997B PFA G.O. Sewer Revenue Note	2020	94,190	-	1,883,810	518,048
Total					<u>\$ 882,685</u>

**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Debt Service Requirements

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

Year Ending December 31	PFA G.O. Sewer Revenue Note
2015	\$ 177,528
2016	177,527
2017	177,527
2018	177,527
2019	135,859
2020	47,095
Total	\$ 893,063
Less: interest	(10,378)
Total	\$ 882,685

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

The following is a summary of the District's long-term debt transactions for the year ended December 31, 2014.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Pine River Area Sanitary District PFA G.O. Sewer Revenue Notes Payable	\$ 1,055,425	\$ -	\$ 172,740	\$ 882,685	\$ 173,631

3. Net Position

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

- Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt attributable to the acquisition, construction and improvement of those assets. Debt related to unspent proceeds or other restricted cash and investments is excluded from this determination.
- Restricted for capital projects consists of assets that are restricted by external parties such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.
- All remaining net position is reported as unrestricted.

**CASS COUNTY  
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7. Component Unit Disclosures

B. Detailed Notes

3. Net Position (Continued)

As of December 31, 2014, unrestricted net position in the District's Statement of Net Position includes \$291,297 which was internally restricted by Board action. The Board believes these amounts are fairly presented as restricted assets as a result of their consistent formal action to restrict these funds to expenditures for capital activities. Adherence to this long-standing practice has established precedence and obligation. Had these amounts been excluded from unrestricted net position, unrestricted net position would have been presented as \$65,648. Funds restricted for capital activity include the bond fund, which is funded by contributions from operations during the year.

4. Risk Management

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 10,572,359	\$ 10,572,359	\$ 10,628,648	\$ 56,289
Special assessments	1,650,000	1,650,000	1,773,724	123,724
Licenses and permits	112,410	112,410	122,973	10,563
Intergovernmental	3,037,668	3,037,668	4,049,740	1,012,072
Charges for services	2,163,350	2,163,350	2,644,623	481,273
Fines and forfeits	7,500	7,500	7,467	(33)
Gifts and contributions	1,000	1,000	16,761	15,761
Investment earnings	774,000	774,000	3,641,966	2,867,966
Miscellaneous	5,090,125	5,090,125	489,831	(4,600,294)
<b>Total Revenues</b>	<b>\$ 23,408,412</b>	<b>\$ 23,408,412</b>	<b>\$ 23,375,733</b>	<b>\$ (32,679)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 303,472	\$ 501,472	\$ 493,163	\$ 8,309
Courts	119,648	119,648	106,109	13,539
Law library	30,000	31,000	30,884	116
County administration	235,708	235,708	233,849	1,859
County auditor	1,381,815	1,395,815	1,394,209	1,606
County assessor	865,340	865,340	848,754	16,586
Attorney	1,043,891	1,046,891	1,046,416	475
Recorder	465,784	465,784	461,768	4,016
Planning and zoning	381,452	406,452	396,878	9,574
Buildings and plant	740,954	1,010,954	991,699	19,255
MIS	590,003	590,003	559,772	30,231
HHVS cost plan and reimbursement	5,500	5,500	5,100	400
<b>Total general government</b>	<b>\$ 6,163,567</b>	<b>\$ 6,674,567</b>	<b>\$ 6,568,601</b>	<b>\$ 105,966</b>
<b>Public safety</b>				
Sheriff	\$ 5,445,823	\$ 5,681,823	\$ 5,666,778	\$ 15,045
Boat and water safety	461,606	461,606	362,031	99,575
Emergency services	185,546	267,546	251,287	16,259
Coroner	100,000	110,000	109,934	66
Law enforcement center	2,330,945	2,582,225	2,576,095	6,130
Sentence to serve	72,707	72,707	71,315	1,392
Probation and parole	747,606	750,606	748,870	1,736
Longville Ambulance Subordinate Service District	461,000	461,000	420,797	40,203
<b>Total public safety</b>	<b>\$ 9,805,233</b>	<b>\$ 10,387,513</b>	<b>\$ 10,207,107</b>	<b>\$ 180,406</b>

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

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Sanitation</b>				
Solid waste	\$ 2,161,789	\$ 2,201,789	\$ 2,178,920	\$ 22,869
<b>Culture and recreation</b>				
Parks	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 71,630	\$ 71,630	\$ 67,774	\$ 3,856
Mississippi Headwaters Board	18,500	18,500	18,500	-
Soil and water conservation	7,250	7,250	6,873	377
County ditch project #9	-	9,000	8,291	709
Environmental services	249,472	249,472	209,531	39,941
<b>Total conservation of natural resources</b>	<b>\$ 346,852</b>	<b>\$ 355,852</b>	<b>\$ 310,969</b>	<b>\$ 44,883</b>
<b>Economic development</b>				
Administration	\$ 42,500	\$ 42,500	\$ 42,500	\$ -
<b>Total Expenditures</b>	<b>\$ 18,534,941</b>	<b>\$ 19,677,221</b>	<b>\$ 19,323,097</b>	<b>\$ 354,124</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 4,873,471</b>	<b>\$ 3,731,191</b>	<b>\$ 4,052,636</b>	<b>\$ 321,445</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	350,000	260,000	388,062	128,062
<b>Net Change in Fund Balance</b>	<b>\$ 5,223,471</b>	<b>\$ 3,991,191</b>	<b>\$ 4,440,698</b>	<b>\$ 449,507</b>
<b>Fund Balance - January 1</b>	<b>19,099,399</b>	<b>19,099,399</b>	<b>19,099,399</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 24,322,870</b>	<b>\$ 23,090,590</b>	<b>\$ 23,540,097</b>	<b>\$ 449,507</b>



**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,830,606	\$ 3,830,606	\$ 3,820,805	\$ (9,801)
Intergovernmental	5,662,249	5,662,249	8,829,284	3,167,035
Charges for services	520,000	520,000	587,774	67,774
Miscellaneous	22,000	22,000	458,201	436,201
<b>Total Revenues</b>	<b><u>\$ 10,034,855</u></b>	<b><u>\$ 10,034,855</u></b>	<b><u>\$ 13,696,064</u></b>	<b><u>\$ 3,661,209</u></b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 724,875	\$ 724,875	\$ 722,358	\$ 2,517
Maintenance	3,540,097	4,831,097	4,811,679	19,418
Construction	4,005,000	4,705,000	4,554,696	150,304
Equipment maintenance and shop	1,691,680	1,691,680	1,543,309	148,371
Other	73,203	101,503	100,804	699
<b>Total Expenditures</b>	<b><u>\$ 10,034,855</u></b>	<b><u>\$ 12,054,155</u></b>	<b><u>\$ 11,732,846</u></b>	<b><u>\$ 321,309</u></b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (2,019,300)</b>	<b>\$ 1,963,218</b>	<b>\$ 3,982,518</b>
<b>Fund Balance - January 1</b>	<b>3,028,411</b>	<b>3,028,411</b>	<b>3,028,411</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(19,966)</b>	<b>(19,966)</b>
<b>Fund Balance - December 31</b>	<b><u>\$ 3,028,411</u></b>	<b><u>\$ 1,009,111</u></b>	<b><u>\$ 4,971,663</u></b>	<b><u>\$ 3,962,552</u></b>

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH, HUMAN, AND VETERANS SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,630,312	\$ 5,630,312	\$ 5,618,115	\$ (12,197)
Licenses and permits	6,200	6,200	6,580	380
Intergovernmental	6,435,132	6,435,132	6,781,713	346,581
Charges for services	829,131	829,131	830,984	1,853
Gifts and contributions	1,000	1,000	1,855	855
Miscellaneous	261,900	261,900	242,175	(19,725)
<b>Total Revenues</b>	<b>\$ 13,163,675</b>	<b>\$ 13,163,675</b>	<b>\$ 13,481,422</b>	<b>\$ 317,747</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Veterans service officer	\$ 215,375	\$ 215,375	\$ 223,450	\$ (8,075)
<b>Human services</b>				
Income maintenance	\$ 3,753,720	\$ 3,753,720	\$ 3,567,276	\$ 186,444
Social services	7,241,945	7,241,945	6,672,637	569,308
Children's initiative	225,000	225,000	152,465	72,535
<b>Total human services</b>	<b>\$ 11,220,665</b>	<b>\$ 11,220,665</b>	<b>\$ 10,392,378</b>	<b>\$ 828,287</b>
<b>Health</b>				
Public health	\$ 1,816,305	\$ 1,816,305	\$ 1,587,851	\$ 228,454
<b>Total Expenditures</b>	<b>\$ 13,252,345</b>	<b>\$ 13,252,345</b>	<b>\$ 12,203,679</b>	<b>\$ 1,048,666</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (88,670)	\$ (88,670)	\$ 1,277,743	\$ 1,366,413
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	(5,000,000)	(5,006,304)	(6,304)
<b>Net Change in Fund Balance</b>	<b>\$ (88,670)</b>	<b>\$ (5,088,670)</b>	<b>\$ (3,728,561)</b>	<b>\$ 1,360,109</b>
<b>Fund Balance - January 1</b>	<b>17,336,146</b>	<b>17,336,146</b>	<b>17,336,146</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 17,247,476</b>	<b>\$ 12,247,476</b>	<b>\$ 13,607,585</b>	<b>\$ 1,360,109</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
FORFEITED TAX SALE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 800,800	\$ 800,800	\$ 799,528	\$ (1,272)
Gifts and contributions	-	-	12,200	12,200
Miscellaneous	2,172,000	2,172,000	1,788,052	(383,948)
<b>Total Revenues</b>	<b>\$ 2,972,800</b>	<b>\$ 2,972,800</b>	<b>\$ 2,599,780</b>	<b>\$ (373,020)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Reforestation	\$ 675,000	\$ 825,000	\$ 793,125	\$ 31,875
In-lieu	130,000	130,000	72,491	57,509
Roads	30,000	30,000	-	30,000
Trails	239,000	259,000	253,316	5,684
Land commissioner	1,898,800	1,898,800	717,788	1,181,012
<b>Total Expenditures</b>	<b>\$ 2,972,800</b>	<b>\$ 3,142,800</b>	<b>\$ 1,836,720</b>	<b>\$ 1,306,080</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ (170,000)	\$ 763,060	\$ 933,060
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(381,758)	(381,758)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (170,000)</b>	<b>\$ 381,302</b>	<b>\$ 551,302</b>
<b>Fund Balance - January 1</b>	<b>4,896,907</b>	<b>4,896,907</b>	<b>4,896,907</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,896,907</b>	<b>\$ 4,726,907</b>	<b>\$ 5,278,209</b>	<b>\$ 551,302</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT A-5**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2014**

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, 2009	\$ -	\$ 33,948,649	\$ 33,948,649	0.0%	\$ 12,141,633	279.60%
January 1, 2011	-	32,800,116	32,800,116	0.0	11,636,994	281.86
January 1, 2013	-	32,268,806	32,268,806	0.0	13,418,510	240.50

**CASS COUNTY  
WALKER, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Budgetary Information

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

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

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

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level, except for the General Fund, which is at the department level.

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**SUPPLEMENTARY INFORMATION**

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**CASS COUNTY  
WALKER, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUND**

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

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**CASS COUNTY  
WALKER, MINNESOTA**

***EXHIBIT B-1***

**BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND  
DECEMBER 31, 2014**

	<u><b>Unorganized Town Special Revenue</b></u>
<u><b>Assets</b></u>	
Cash and pooled investments	\$ 652,064
Undistributed cash in agency funds	841
Taxes receivable	
Prior	7,089
<b>Total Assets</b>	<b>\$ 659,994</b>
<u><b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b></u>	
<b>Liabilities</b>	
Due to other funds	\$ 43,165
<b>Deferred Inflows of Resources</b>	
Unavailable revenue - taxes	\$ 6,688
<b>Fund Balances</b>	
Committed to	
Road and bridge projects	\$ 350,000
Assigned to	
Unorganized towns	260,141
<b>Total Fund Balances</b>	<b>\$ 610,141</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 659,994</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT B-2*

**BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED TOWN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 245,000	\$ 245,000	\$ 244,633	\$ (367)
Intergovernmental	45,000	45,000	98,028	53,028
<b>Total Revenues</b>	<b>\$ 290,000</b>	<b>\$ 290,000</b>	<b>\$ 342,661</b>	<b>\$ 52,661</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Elections	\$ 2,000	\$ 2,000	\$ 1,745	\$ 255
<b>Public safety</b>				
Other public safety	35,000	35,000	31,448	3,552
<b>Highways and streets</b>				
Maintenance	253,000	253,000	242,420	10,580
<b>Total Expenditures</b>	<b>\$ 290,000</b>	<b>\$ 290,000</b>	<b>\$ 275,613</b>	<b>\$ 14,387</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 67,048	\$ 67,048
<b>Fund Balance - January 1</b>	<b>543,093</b>	<b>543,093</b>	<b>543,093</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 543,093</b>	<b>\$ 543,093</b>	<b>\$ 610,141</b>	<b>\$ 67,048</b>

**FIDUCIARY FUNDS**

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**CASS COUNTY  
WALKER, MINNESOTA**

**AGENCY FUNDS**

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

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**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>445,001</u>	\$ <u>53,579,350</u>	\$ <u>53,413,428</u>	\$ <u>610,923</u>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 376,593	\$ 53,421,112	\$ 53,285,097	\$ 512,608
Prepaid taxes	<u>68,408</u>	<u>158,238</u>	<u>128,331</u>	<u>98,315</u>
<b>Total Liabilities</b>	<b>\$ <u>445,001</u></b>	<b>\$ <u>53,579,350</u></b>	<b>\$ <u>53,413,428</u></b>	<b>\$ <u>610,923</u></b>
<b><u>STATE OF MINNESOTA</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>134,376</u>	\$ <u>10,868,954</u>	\$ <u>10,830,465</u>	\$ <u>172,865</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 134,376</u>	<u>\$ 10,868,954</u>	<u>\$ 10,830,465</u>	<u>\$ 172,865</u>
<b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ <u>-</u>	\$ <u>172,367</u>	\$ <u>172,092</u>	\$ <u>275</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ -</u>	<u>\$ 172,367</u>	<u>\$ 172,092</u>	<u>\$ 275</u>

**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 9,747	\$ 685,154	\$ 684,975	\$ 9,926
<b><u>Liabilities</u></b>				
Due to other governments	\$ 9,747	\$ 685,154	\$ 684,975	\$ 9,926
 <b><u>MINNESOTA COUNTIES INFORMATION SYSTEMS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 707,609	\$ 1,869,186	\$ 1,571,394	\$ 1,005,401
Petty cash and change funds	400	-	-	400
<b>Total Assets</b>	<b>\$ 708,009</b>	<b>\$ 1,869,186</b>	<b>\$ 1,571,394</b>	<b>\$ 1,005,801</b>
<b><u>Liabilities</u></b>				
Salaries payable	\$ 69,791	\$ 65,397	\$ 69,791	\$ 65,397
Due to other governments	638,218	1,803,789	1,501,603	940,404
<b>Total Liabilities</b>	<b>\$ 708,009</b>	<b>\$ 1,869,186</b>	<b>\$ 1,571,394</b>	<b>\$ 1,005,801</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT C-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,296,733	\$ 67,175,011	\$ 66,672,354	\$ 1,799,390
Petty cash and change funds	400	-	-	400
<b>Total Assets</b>	<b>\$ 1,297,133</b>	<b>\$ 67,175,011</b>	<b>\$ 66,672,354</b>	<b>\$ 1,799,790</b>
<b><u>Liabilities</u></b>				
Salaries payable	\$ 69,791	\$ 65,397	\$ 69,791	\$ 65,397
Due to other governments	1,158,934	66,951,376	66,474,232	1,636,078
Prepaid taxes	68,408	158,238	128,331	98,315
<b>Total Liabilities</b>	<b>\$ 1,297,133</b>	<b>\$ 67,175,011</b>	<b>\$ 66,672,354</b>	<b>\$ 1,799,790</b>

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## **OTHER SCHEDULES**

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**CASS COUNTY  
WALKER, MINNESOTA**

***EXHIBIT D-1***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Shared Revenue**

**State**

Highway users tax	\$	6,845,395
County program aid		815,069
PERA rate reimbursement		52,234
Disparity reduction aid		7,495
Police aid		294,995
E-911		113,877
Market value credit		108,862
Aquatic invasive species		225,863
Casino aid/tribal tax agreement		171,225
		171,225

**Total shared revenue** **\$ 8,635,015**

**Reimbursement for Services**

Minnesota Department of Human Services **\$ 1,113,031**

**Payments**

**Local**

Local contribution	\$	310,744
Payments in lieu of taxes		1,278,836
		1,278,836

**Total payments** **\$ 1,589,580**

**Grants**

**State**

Minnesota Department of/Agency		
Corrections	\$	184,691
Crime Victims Services		43,971
Public Safety		43,151
Health		291,707
Natural Resources		731,609
Pollution Control		27,198
Human Services		1,954,812
Employment and Economic Development		107,500
Revenue		3,529
Transportation		144,448
Veterans Affairs		21,392
Office of Environmental Assistance		78,510
Lessard-Sams Outdoor Heritage Council		563,000
		563,000

**Total state** **\$ 4,195,518**

**CASS COUNTY  
WALKER, MINNESOTA**

***EXHIBIT D-1  
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**Grants (Continued)**

**Federal**

Department of	
Agriculture	\$ 1,042,198
Interior	487,167
Justice	1,887
Transportation	614,742
Education	2,289
Health and Human Services	2,769,467
Homeland Security	107,399

**Total federal** **\$ 5,025,149**

**Total state and federal grants** **\$ 9,220,667**

**Total Intergovernmental Revenue** **\$ 20,558,293**



**CASS COUNTY  
WALKER, MINNESOTA**

*EXHIBIT D-2*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Pass-Through Grant Numbers</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Direct			
Cooperative Forestry Assistance		10.664	\$ 9,821
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children		10.557	178,813
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		10.561	335,550
Passed Through Minnesota Department of Management & Budget			
Schools and Roads - Grants to States		10.665	<u>143,014</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>\$ 667,198</u></b>
<b>U.S. Department of the Interior</b>			
Direct			
Payments in Lieu of Taxes		15.226	<b><u>\$ 487,167</u></b>
<b>U.S. Department of Justice</b>			
Direct			
Bulletproof Vest Partnership Program		16.607	<b><u>\$ 1,887</u></b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction		20.205	\$ 449,396
Passed Through Minnesota Department of Public Safety			
State and Community Highway Safety		20.600	19,481
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$127,019)	9200-2994	20.608	23,637
National Priority Safety Programs		20.616	2,816
Passed Through Minnesota Trial Courts			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$127,019)		20.608	<u>103,382</u>
<b>Total U.S. Department of Transportation</b>			<b><u>\$ 598,712</u></b>

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Pass-Through Grant Numbers</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Education</b>			
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families		84.181	<b>\$ 2,289</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Health Public Health Emergency Preparedness		93.069	\$ 19,963
Universal Newborn Hearing Screening		93.251	550
Immunization Cooperative Agreements		93.268	3,300
Centers for Disease Control and Prevention - Investigations and Technical Assistance		93.283	525
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		93.505	80,038
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$476,926)		93.558	58,447
Maternal and Child Health Services Block Grant to the States		93.994	30,489
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families		93.556	9,159
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$476,926)		93.558	418,479
Child Support Enforcement		93.563	658,240
Refugee and Entrant Assistance - State-Administered Programs		93.566	1,741
Child Care and Development Block Grant		93.575	14,378
Stephanie Tubbs Jones Child Welfare Services Program		93.645	6,036
Foster Care - Title IV-E		93.658	300,566
Social Services Block Grant		93.667	213,282
Children's Health Insurance Program		93.767	242
Medical Assistance Program		93.778	913,037
Passed Through Minnesota Secretary of State Voting Access for Individuals with Disabilities - Grants to States		93.617	350
Passed Through Todd/Morrison/Wadena Community Health Board PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - Financed Solely by Prevention and Public Health Funds		93.531	<b>40,645</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 2,769,467</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT D-2  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Pass-Through Grant Numbers</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance		97.012	\$ 36,877
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	2013-EMPG-00197	97.042	<u>70,522</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>\$ 107,399</u></b>
<b>Total Federal Awards</b>			<b><u>\$ 4,634,119</u></b>

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**CASS COUNTY  
WALKER, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Cass County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule does not include \$384,524 in federal awards expended by the Cass County Housing and Redevelopment Authority component unit, which had a separate audit performed by an other auditor.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cass County under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Cass County, it is not intended to and does not present the financial position or changes in net position of Cass County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,025,149
Federal Procurement Contract	
Forest Road Cooperative Agreement	(375,000)
Deferred in 2013, recognized as revenue in 2014	
Highway Planning and Construction	<u>(16,030)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 4,634,119</u>

**CASS COUNTY  
WALKER, MINNESOTA**

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5. Subrecipients

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2014.



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**CASS COUNTY  
WALKER, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

The major programs are:

Highway Planning and Construction	CFDA #20.205
Temporary Assistance for Needy Families	CFDA #93.558
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

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

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-007

#### Department Internal Accounting Controls

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

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

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

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

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

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

Client's Response:

*The County will continue to emphasize the need for Department Heads to segregate accounting functions whenever possible and to closely supervise those areas where proper segregation of duties cannot be achieved. The County has a procedure in place to review and test internal controls and will continue to monitor the effectiveness of the controls that currently exist.*

Finding 2011-001

Audit Adjustments

**Criteria:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis.

**Condition:** During our audit, we proposed an audit adjustment that resulted in a change to the Road and Bridge Special Revenue Fund. The adjustment was reviewed and approved by appropriate County staff and is reflected in the financial statements.

**Context:** The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. This adjustment was found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** An audit adjustment was necessary in the Road and Bridge Special Revenue Fund to decrease miscellaneous revenue by \$604,448 and increase intergovernmental revenue by \$150,000 for a State Highways and Trails grant; \$310,000 for a Minnesota Department of Natural Resources grant; and \$144,448 for grants from the Minnesota Department of Transportation.

**Cause:** The misclassification was due to client error.

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

Client's Response:

*The County Road and Bridge Accountant will seek assistance from identified staff at other Counties when preparing the Road and Bridge trial balance when reporting questions arise. The Accountant will also seek assistance from the Office of the State Auditor staff and the County Chief Financial Officer in the review and completion of the trial balance.*

*As part of the County's year end process, the Chief Financial Officer and the Chief Deputy Treasurer will assist the Road and Bridge Accountant to insure that all revenue is properly classified and reported. Additional review will be conducted during the trial balance preparation. By adding depth to the review process, it is the County's goal to avoid any future material adjustments by the Auditor.*

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

#### ITEM ARISING THIS YEAR

Finding 2014-001

#### Eligibility Testing

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

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

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

- In one instance, asset verification was not completed. It is unknown if this information would have caused the participant to be ineligible.
- In one instance, health insurance available through the participant's employer was not reviewed for cost effectiveness. It is unknown if the employer's plan would have been cost effective.
- In one instance, the participant was deemed eligible for benefits. Further review showed that the participant had exceeded the program's asset limit and was not eligible for benefits.

- In one instance, a participant due for renewal did not return the renewal form to the County. The participant was deemed to be eligible using guidance issued by the Minnesota Department of Human Services which did not apply to individuals whose eligibility is determined using non-MAGI-based methodology.

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

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

**Effect:** Missing information increases the risk that participants will receive benefits when they are not eligible.

**Cause:** Case information entered into MAXIS was not all verified, state guidelines included in the Health Care Program Manual for the calculation of participant assets or cost effectiveness of health insurance were not followed, and supervisory review did not detect the errors.

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

Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

*Melanie S. Wolfe, Director of Business Management*

Corrective Action Planned:

1. *Review specific audit findings with the assigned case worker. (Completed 7/09/15.)*
2. *Review each of the following at unit staff meeting.*
  - a. *Audit findings for CY 2014 Medical Assistance (MA) Program.*
  - b. *MA Asset Verification requirements and verification checklist.*
  - c. *MA Excluded Assets.*
  - d. *Cost Effective Health Insurance determination steps.*
  - e. *MA renewal MAGI methodology versus Legacy System methodology.*
  - f. *MAXIS help in HC/ELIG.*
3. *Require eligibility workers to complete on line training refresher courses quarterly beginning October 1, 2015, and ongoing. Topic to be determined by Supervisor. Supervisor will track worker completion of course.*
4. *New eligibility worker staff is not authorized to approve eligibility without supervisor or experienced worker case review, until such time as the supervisor determines the new eligibility worker is sufficiently trained. Eligibility review will be done according to DHS Case Review forms by program.*
5. *Ongoing supervisor and/or peer reviews will be completed monthly according to DHS Case Review forms. Review results will be shared with assigned eligibility worker.*
6. *Supervisors will maintain documentation of case reviews.*

Anticipated Completion Date:

*October 31, 2015*

PREVIOUSLY REPORTED ITEM RESOLVED

**Cash Management (CFDA No. 93.558) (2013-001)**

Requests for program reimbursements under Temporary Assistance for Needy Families were made before vendor claims were paid by the County contrary to OMB Circular A-133 cash management procedures.

**Resolution**

Vendor claims reviewed were paid before requests for reimbursement were submitted to the grantor agency.

#### IV. OTHER ITEM FOR CONSIDERATION

##### GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Cass County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.

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REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Cass County  
Walker, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 14, 2015. Our report includes a reference to an other auditor who audited the financial statements of the Cass County Housing and Redevelopment Authority and the Pine River Area Sanitary District, the discretely presented component units, as described in our report on Cass County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-007 and 2011-001, that we consider to be significant deficiencies

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

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

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

### **Other Matters**

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

### **Cass County's Response to Findings**

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

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 14, 2015

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

### Independent Auditor's Report

Board of County Commissioners  
Cass County  
Walker, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Cass County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. Cass County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Cass County's basic financial statements include the operations of the Cass County Housing and Redevelopment Authority component unit, which expended \$384,524 in federal awards during the year ended December 31, 2014, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Cass County Housing and Redevelopment Authority because it was audited by an other auditor.

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

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

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

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

standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cass County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Cass County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

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

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

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

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

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

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 14, 2015