STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

CASS COUNTY
WALKER, MINNESOTA

FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011

Audit Practice Division
Office of the State Auditor
State of Minnesota

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CASS COUNTY
WALKER, MINNESOTA

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Introductory Section

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CASS COUNTY
WALKER, MINNESOTA

ORGANIZATION
AS OF DECEMBER 31, 2011

		Term Expires
Elected		
Commissioners		
District I	Neal Gaalswyk	January 2013
District II	Robert Kangas	January 2013
District III	Jeff Peterson	January 2013
District IV	James Dowson	January 2015
District V	Dick Downham	January 2013
Attorney	Christopher Strandlie	January 2015
Recorder	Kathryn Norby	January 2015
Sheriff	Tom Burch	January 2015
Appointed		
Administrator	Robert Yochum	November 2013
Assessor	Mark Peterson	December 2012
Auditor/Treasurer	Sharon K. Anderson	Indefinite
Central Services Director	Tim Richardson	Indefinite
Chief Financial Officer	Larry Wolfe	Indefinite
Environmental Services Director	John Ringle	Indefinite
Health, Human, and Veterans Services	Reno Wells	Indefinite
Highway Engineer	Dave Enblom	May 2013
Land Commissioner	Joshua Stevenson	Indefinite
Medical Examiner	Dr. Michael B. McGee	January 2012
Probation Director	James Schneider	Indefinite

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Cass County

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cass County, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Cass County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cass County Housing and Redevelopment Authority (HRA) and the Pine River Area Sanitary District (District), the discretely presented component units. Those statements were audited by another 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditor provide a reasonable basis for our 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cass County's basic financial statements as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, 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. This 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Cass County Housing and Redevelopment Authority or the Pine River Area Sanitary District, which were audited by another auditor.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 27, 2012

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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CASS COUNTY
WALKER, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(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, 2011. 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, 2011, by $168,589,604 (net assets). Of this amount, $41,659,008 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2011, Cass County's governmental funds reported combined ending fund balances of $60,044,422, an increase of $1,390,769 in comparison with 2010. Of this balance amount, $7,481,792 was unassigned by Cass County, and thus available for spending at the government's discretion.

Cass County had no debt during 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Cass County adopts an annual appropriated budget for its General Fund; Road and Bridge Special Revenue Fund; Health, Human, and Veterans Services Special Revenue Fund; and Forfeited Tax Sale Special Revenue Fund. A budgetary comparison 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, Minnesota Counties Information Systems, and Mississippi Headwaters Board.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of the County's financial position. Cass County's assets exceeded liabilities by $168,589,604 at the close of 2011. The largest portion of Cass County's net assets (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.

Net Assets
(in Thousands)

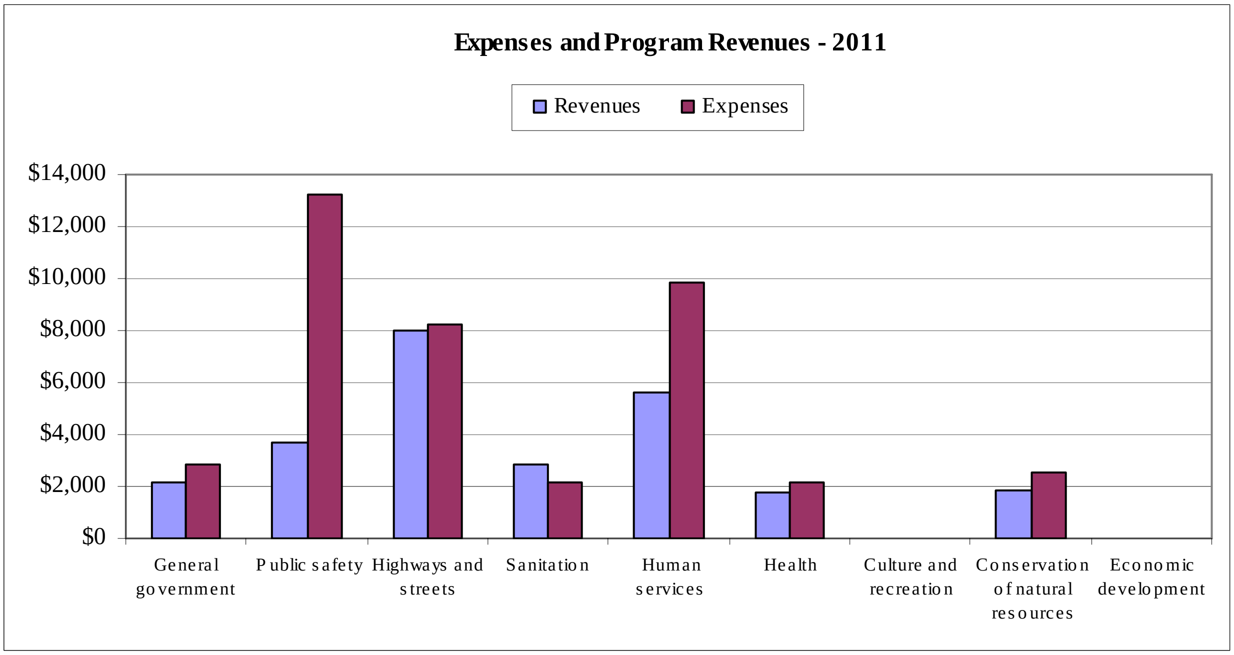
Governmental Activities	2011	2010
Assets		
Current and other assets	$ 69,278	$ 66,705
Capital assets	114,249	105,497
Total Assets	$ 183,527	$ 172,202
Liabilities		
Long-term liabilities	$ 4,790	$ 3,409
Other liabilities	10,148	8,776
Total Liabilities	$ 14,938	$ 12,185

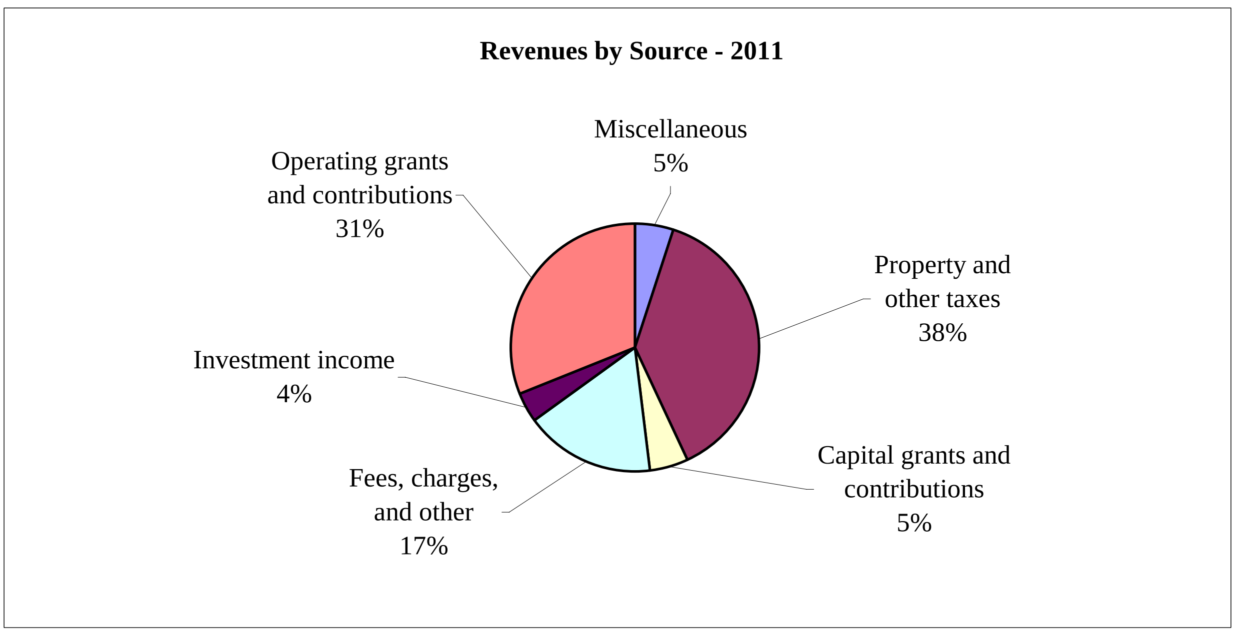
	2011		2010	
Net Assets				
Invested in capital assets	$	114,249	$	105,497
Restricted		12,681		18,982
Unrestricted		41,659		35,538
Total Net Assets	$	168,589	$	160,017

The unrestricted net assets amount of $41,659,008 as of December 31, 2011, may be used to meet the County's ongoing obligations to citizens and creditors.

Changes in Net Assets
(in Thousands)

Governmental Activities	2011		2010	
Revenues				
Program revenues				
Charges for services	$	8,365	$	7,083
Operating grants and contributions		15,244		12,890
Capital grants and contributions		2,278		4,192
General revenues				
Property taxes		19,217		19,180
Other		4,505		6,986
Total Revenues	$	49,609	$	50,331
Expenses				
General government	$	2,837	$	4,001
Public safety		13,247		9,692
Highways		8,216		11,783
Sanitation		2,137		2,160
Human services		9,865		10,136
Health		2,153		1,877
Culture and recreation		17		9
Conservation of natural resources		2,527		1,425
Economic development		38		17
Total Expenses	$	41,037	$	41,100
Increase in Net Assets	$	8,572	$	9,231
Net Assets - January 1		160,017		150,786
Net Assets - December 31	$	168,589	$	160,017





FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

Cass County's governmental funds reported combined fund balance of $60,044,422 at December 31, 2011, compared with $58,653,653 at December 31, 2010, an increase of $1,390,769. 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 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 at December 31, 2011, of $12,529,672, or 20.9 percent of total fund balance. Restricted fund balance was $6,012,884 nonspendable and $6,516,788 restricted. Unrestricted fund balance was $47,514,750, or 79.1 percent of total fund balance. Unrestricted fund balance was $12,050,000 committed, $27,982,958 assigned, and $7,481,792 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 or committed. Funds set aside for uninsured losses are an example of assigned fund balance. Unassigned fund balance is fund balance that has not been reported in any other classification and is only used in the General Fund unless there are deficit fund balances in other funds.

The General Fund is the chief operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The unrestricted fund balance of the General Fund was $18,023,607 at December 31, 2011, compared to $23,869,174 at December 31, 2010. This reduction was due largely to a $6,000,000 transfer from the General Fund to the Capital Projects Fund. Unrestricted fund balance at the end of the year represented 86.2 percent of the General Fund's operating revenues and 84.3 percent of operating expenditures. The unassigned fund balance represents 35.8 percent of the General Fund's operating revenues and 35.0 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 $4,277,143 at December 31, 2011, compared to $4,966,054 at December 31, 2010. This reduction was due to additional construction projects undertaken during the year. Unrestricted fund balance at the end of the year represented 34.4 percent of the Road and Bridge Special Revenue Fund's operating revenues and 32.6 percent of operating expenditures.

The unrestricted-assigned fund balance of the Health, Human, and Veteran Service Special Revenue Fund (HHVS) was $10,064,444 at December 31, 2011, compared to $11,199,445 at December 31, 2010. This reduction was largely due to lower revenues to support HHVS programs and services. Unrestricted-assigned fund balance at the end of the year represented 74.3 percent of the HHVS Fund's operating revenues and 86.2 percent of operating expenditures. In 2011, the County Board also committed $3,000,000 of the HHVS fund balance for out-of-home placement costs.

In 2011, the Capital Projects Fund received a transfer of $6,000,000 from the General Fund to be held for a future capital project such as a law enforcement and judicial center. Total assigned fund balance in the Capital Projects Fund was $11,439,264 at December 31, 2011, compared to $5,638,681 at December 31, 2010.

Pursuant to Minnesota statute, the Forfeited Tax Sale Fund distributed $1,021,682 in net proceeds to county funds, schools, cities, and towns in Cass County. The distribution was $180,000 less than the 2010 distribution primarily because of a decrease in timber sales for 2011.

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.

In 2011, the County began a $4,000,000 Allied Radio Matrix for Emergency Response (ARMER) project which will upgrade the County's emergency radio system network to meet the Federal deadline of January 2013. This project required a budget amendment of $3,850,000. Funding for this project came from grants and committed fund balance.

Actual revenues for 2011 were $2,833,591 more than the final budget. Intergovernmental revenues represented $1,892,430 of the budget variance. Actual expenditures exceeded revenues by $482,734 in 2011, prior to any transfers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Cass County's capital assets for its governmental activities at December 31, 2011, totaled $114,249,047 (net of accumulated deprecation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net capital assets increased $8,752,049, or 8.3 percent, from the previous year. The major capital asset event was a $9.3 million gross investment in infrastructure for 2011.

Governmental Capital Assets
(Net of Depreciation)

	2011	2010
Land	$ 4,966,853	$ 4,910,356
Infrastructure	88,729,320	81,693,911
Buildings	12,919,220	12,993,715
Machinery, furniture, and equipment	1,612,219	1,774,323
Construction in progress	6,021,435	4,124,693
Total	$ 114,249,047	$ 105,496,998

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 2011, Cass County's legal debt limit was $199,000,000.

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 2011 was 3.0 percent less than 2010. This was the first 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 2011, Cass County approved its balanced 2012 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government Governmental Activities	Discretely Presented Component Units
Assets		
Cash and pooled investments	$ 55,574,374	$ 141,537
Petty cash and change funds	2,591	-
Investments	4,165,770	-
Taxes receivable		
Prior - net	971,253	-
Special assessments receivable		
Prior - net	179,945	20,425
Accounts receivable - net	2,078,682	26,265
Accrued interest receivable	220,864	115
Long-term receivable from SCHA - current	214,408	-
Due from other governments	3,338,937	-
Prepaid items	1,297,680	3,424
Inventories	590,504	-
Note receivable	-	129,783
Long-term receivable from SCHA	643,227	-
Restricted assets		
Cash and pooled investments	-	373,806
Capital assets		
Non-depreciable	10,988,288	35,753
Depreciable - net of accumulated depreciation	103,260,759	2,305,271
Total Assets	**$ 183,527,282**	**$ 3,036,379**
Liabilities		
Accounts payable	$ 2,925,833	$ 37,566
Salaries payable	933,776	10,656
Compensated absences payable - current	-	7,659
Contracts payable	116,464	-
Retainage payable	32,400	-
Due to other governments	762,318	-
Accrued interest payable	-	2,958
Unearned revenue	18,932	-
Customer deposits payable	-	3,601
Other current liabilities	-	859
Long-term liabilities		
Due within one year	183,353	189,179
Due in more than one year	9,964,602	1,337,003
Total Liabilities	**$ 14,937,678**	**$ 1,589,481**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government Governmental Activities	Discretely Presented Component Units
Net Assets		
Invested in capital assets - net of related debt	$ 114,249,047	$ 892,740
Restricted for		
General government	528,123	-
Public safety	1,489,315	-
Highways and streets	706,063	-
Conservation of natural resources	9,603,700	124,140
Other purposes	354,348	-
Unrestricted	41,659,008	430,018
Total Net Assets	**$ 168,589,604**	**$ 1,446,898**

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

CASS COUNTY
WALKER, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 2,837,281	$ 1,456,282
Public safety	13,247,268	545,353
Highways and streets	8,216,265	613,710
Sanitation	2,136,438	2,748,039
Human services	9,864,755	701,974
Health	2,153,096	834,705
Culture and recreation	16,812	-
Conservation of natural resources	2,527,390	1,465,192
Economic development	37,500	-
Interest	-	-
Total Primary Government	**$ 41,036,805**	**$ 8,365,255**
Component unit		
Housing and Redevelopment Authority	$ 579,214	$ 72,558
Pine River Area Sanitary District	472,619	448,526
Total Component Units	**$ 1,051,833**	**$ 521,084**

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

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

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

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	**Capital Grants and Contributions**	**Primary Government Governmental Activities**	**Discretely Presented Component Unit**
$ 680,261	$ -	$ (700,738)	
3,112,938	-	(9,588,977)	
5,074,316	2,277,955	(250,284)	
70,120	-	681,721	
4,949,966	-	(4,212,815)	
971,046	-	(347,345)	
-	-	(16,812)	
385,413	-	(676,785)	
-	-	(37,500)	
-	-	-	
$ 15,244,060	**$ 2,277,955**	**$ (15,149,535)**	
$ -	$ 488,936		$ (17,720)
-	94,190		70,097
$ -	**$ 583,126**		**$ 52,377**
		$ 19,216,735	$ -
		35,856	-
		28,659	-
		873,954	-
		1,168,348	-
		1,873,870	3,313
		453,023	-
		71,200	-
		$ 23,721,645	**$ 3,313**
		$ 8,572,110	**$ 55,690**
		160,017,494	**1,391,208**
		$ 168,589,604	**$ 1,446,898**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Road and Bridge	Health, Human, and Veterans Services
Assets			
Cash and pooled investments	$ 20,439,154	$ 3,700,891	$ 12,721,738
Petty cash and change funds	2,251	100	140
Undistributed cash in agency funds	247,824	59,459	87,987
Investments	-	-	-
Taxes receivable			
Prior	470,260	192,765	293,873
Special assessments			
Prior	179,945	-	-
Accounts receivable	205,870	-	115,763
Long-term receivable from SCHA - current	-	-	214,408
Accrued interest receivable	198,359	-	-
Due from other funds	306,675	59,657	14,374
Due from other governments	1,063,854	1,294,104	980,979
Prepaid expense	1,297,680	-	-
Inventories	-	590,504	-
Total current assets	**$ 24,411,872**	**$ 5,897,480**	**$ 14,429,262**
Long-term receivable from SCHA	-	-	643,227
Total Assets	**$ 24,411,872**	**$ 5,897,480**	**$ 15,072,489**
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 2,384,902	$ 42,498	$ 438,853
Salaries payable	490,189	126,439	260,711
Compensated absences - current	88,173	31,061	60,353
Contracts payable	-	116,464	-
Retainage payable	-	32,400	-
Due to other funds	18,952	-	1,222
Due to other governments	-	8,277	57,928
Deferred revenue - unavailable	842,656	672,694	1,182,828
Deferred revenue - unearned	12,922	-	6,010
Total Liabilities	**$ 3,837,794**	**$ 1,029,833**	**$ 2,007,905**

Forfeited Tax Sale	Environmental Trust	Capital Projects	Nonmajor Funds	Total Governmental Funds
$ 5,423,918	$ 835,723	$ 11,295,993	$ 758,704	$ 55,176,121
100	-	-	-	2,591
-	-	334	2,649	398,253
-	4,165,770	-	-	4,165,770
-	-	7,814	6,541	971,253
-	-	-	-	179,945
1,614,616	-	142,433	-	2,078,682
-	-	-	-	214,408
-	22,505	-	-	220,864
-	160,000	-	2,328	543,034
-	-	-	-	3,338,937
-	-	-	-	1,297,680
-	-	-	-	590,504
$ 7,038,634	**$ 5,183,998**	**$ 11,446,574**	**$ 770,222**	**$ 69,178,042**
-	-	-	-	643,227
$ 7,038,634	**$ 5,183,998**	**$ 11,446,574**	**$ 770,222**	**$ 69,821,269**
$ 59,580	$ -	$ -	$ -	$ 2,925,833
56,437	-	-	-	933,776
3,766	-	-	-	183,353
-	-	-	-	116,464
-	-	-	-	32,400
469,188	-	-	53,672	543,034
457,429	173,059	-	-	696,693
1,614,616	-	7,310	6,258	4,326,362
-	-	-	-	18,932
$ 2,661,016	**$ 173,059**	**$ 7,310**	**$ 59,930**	**$ 9,776,847**

CASS COUNTY
WALKER, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Road and Bridge	Health, Human, and Veterans Services
Fund Balances			
Nonspendable			
Inventories	$ -	$ 590,504	$ -
Prepaid items	1,297,680	-	-
Environmental trust	-	-	-
Restricted for			
Forestry development	-	-	-
Law library	43,835	-	-
Recorder's technology equipment	450,412	-	-
Recorder's compliance fund	33,328	-	-
E-911	191,635	-	-
Missing heirs	23,183	-	-
Federal projects	331,165	-	-
Attorney's forfeiture	548	-	-
Wetland activity	178,685	-	-
Birth certificates	-	-	140
Environmental trust	-	-	-
Committed to			
Road and bridge projects	-	-	-
Out-of-home placements	-	-	3,000,000
ARMER radio project	2,000,000	-	-
Compensated absences	2,700,000	-	-
Health insurance	4,000,000	-	-
Assigned to			
Capital projects	-	-	-
Road and bridge	-	4,225,250	-
Unorganized towns	-	-	-
Debt service	-	-	-
Pit reclamation	-	24,915	-
Petrovend	-	26,978	-
Human services	-	-	10,032,250
Health insurance	431,868	-	-
Drug and alcohol addiction fees	-	-	6,683
Food support enhanced funds	-	-	25,511
Uninsured claims	1,000,000	-	-
Longville Ambulance	219,082	-	-
Environmental grants	146,014	-	-
Shingobee Island	44,851	-	-
Unassigned	7,481,792	-	-
Total Fund Balances	**$ 20,574,078**	**$ 4,867,647**	**$ 13,064,584**
Total Liabilities and Fund Balances	**$ 24,411,872**	**$ 5,897,480**	**$ 15,072,489**

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

EXHIBIT 3
(Continued)

Forfeited Tax Sale	Environmental Trust	Capital Projects	Nonmajor Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 590,504
-	-	-	-	1,297,680
-	4,124,700	-	-	4,124,700
4,377,618	-	-	-	4,377,618
-	-	-	-	43,835
-	-	-	-	450,412
-	-	-	-	33,328
-	-	-	-	191,635
-	-	-	-	23,183
-	-	-	-	331,165
-	-	-	-	548
-	-	-	-	178,685
-	-	-	-	140
-	886,239	-	-	886,239
-	-	-	350,000	350,000
-	-	-	-	3,000,000
-	-	-	-	2,000,000
-	-	-	-	2,700,000
-	-	-	-	4,000,000
-	-	11,439,264	-	11,439,264
-	-	-	-	4,225,250
-	-	-	202,361	202,361
-	-	-	157,931	157,931
-	-	-	-	24,915
-	-	-	-	26,978
-	-	-	-	10,032,250
-	-	-	-	431,868
-	-	-	-	6,683
-	-	-	-	25,511
-	-	-	-	1,000,000
-	-	-	-	219,082
-	-	-	-	146,014
-	-	-	-	44,851
-	-	-	-	7,481,792
$ 4,377,618	**$ 5,010,939**	**$ 11,439,264**	**$ 710,292**	**$ 60,044,422**
$ 7,038,634	**$ 5,183,998**	**$ 11,446,574**	**$ 770,222**	**$ 69,821,269**

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CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

Fund balances - total governmental funds (Exhibit 3)		**$ 60,044,422**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		114,249,047
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. This adjustment is deferred revenue - unavailable, plus amounts included in deferred revenue that will be paid to other governments when collected.		
Deferred revenue - unavailable	$ 4,326,362	
Due to other governments	(65,625)	4,260,737
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	$ (2,591,779)	
Net other postemployment benefits payable	(7,372,823)	(9,964,602)
Net Assets of Governmental Activities (Exhibit 1)		**$ 168,589,604**

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

CASS COUNTY
WALKER, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Road and Bridge	Health, Human, and Veterans Services
Revenues			
Taxes	$ 9,750,384	$ 3,744,099	$ 5,514,538
Special assessments	1,750,656	-	-
Licenses and permits	106,078	-	7,235
Intergovernmental	4,282,889	8,013,666	6,298,002
Charges for services	2,611,835	558,865	985,548
Fines and forfeits	13,184	-	-
Gifts and contributions	14,558	-	718
Investment earnings	1,650,628	-	24,815
Miscellaneous	729,422	126,045	700,274
Total Revenues	**$ 20,909,634**	**$ 12,442,675**	**$ 13,531,130**
Expenditures			
Current			
General government	$ 6,119,764	$ -	$ 201,363
Public safety	12,708,102	-	-
Highways and streets	-	13,131,586	-
Sanitation	2,084,921	-	-
Human services	-	-	9,417,225
Health	-	-	2,047,543
Culture and recreation	15,000	-	-
Conservation of natural resources	427,081	-	-
Economic development	37,500	-	-
Capital outlay	-	-	-
Total Expenditures	**$ 21,392,368**	**$ 13,131,586**	**$ 11,666,131**
Excess of Revenues Over (Under) Expenditures	**$ (482,734)**	**$ (688,911)**	**$ 1,864,999**
Other Financing Sources (Uses)			
Transfers in	$ 439,744	$ -	$ -
Transfers out	(6,000,000)	-	-
Total Other Financing Sources (Uses)	**$ (5,560,256)**	**$ -**	**$ -**
Net Change in Fund Balances	**$ (6,042,990)**	**$ (688,911)**	**$ 1,864,999**
Fund Balances - January 1	**26,617,068**	**5,419,337**	**11,199,585**
Increase (decrease) in inventories	**-**	**137,221**	**-**
Fund Balances - December 31	**$ 20,574,078**	**$ 4,867,647**	**$ 13,064,584**

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

EXHIBIT 5

Forfeited Tax Sale	Environmental Trust	Capital Projects	Non-Major Funds	Total Governmental Fund
$ -	$ -	$ 5,398	$ 236,611	$ 19,251,030
-	-	-	-	1,750,656
-	-	-	-	113,313
999,577	-	-	82,881	19,677,015
-	-	-	-	4,156,248
-	-	-	-	13,184
350	-	-	-	15,626
-	198,427	-	-	1,873,870
1,329,562	-	-	-	2,885,303
$ 2,329,489	**$ 198,427**	**$ 5,398**	**$ 319,492**	**$ 49,736,245**
$ -	$ -	$ -	$ -	$ 6,321,127
-	-	-	27,890	12,735,992
-	-	-	165,488	13,297,074
-	-	-	-	2,084,921
-	-	-	-	9,417,225
-	-	-	-	2,047,543
-	-	-	-	15,000
1,708,278	186,141	-	-	2,321,500
-	-	-	-	37,500
-	-	204,815	-	204,815
$ 1,708,278	**$ 186,141**	**$ 204,815**	**$ 193,378**	**$ 48,482,697**
$ 621,211	**$ 12,286**	**$ (199,417)**	**$ 126,114**	**$ 1,253,548**
$ -	$ -	$ 6,000,000	$ 2,328	$ 6,442,072
(398,833)	-	-	(43,239)	(6,442,072)
$ (398,833)	**$ -**	**$ 6,000,000**	**$ (40,911)**	**$ -**
$ 222,378	**12,286**	**5,800,583**	**$ 85,203**	**$ 1,253,548**
4,155,240	**4,998,653**	**5,638,681**	**625,089**	**58,653,653**
-	**-**	**-**	**-**	**137,221**
$ 4,377,618	**$ 5,010,939**	**$ 11,439,264**	**$ 710,292**	**$ 60,044,422**

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, 2011

Net change in fund balances - total governmental funds (Exhibit 5)		**$ 1,253,548**
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 revenue deferred as unavailable.		
December 31		
Deferred revenue - unavailable	$ 4,326,362	
Less: timber sales	(65,625)	
January 1		
Deferred revenue - unavailable	(3,371,060)	
Plus: timber sales	55,036	944,713
In the funds, return of capital from a joint venture results in an increase in fund balance without a corresponding increase in revenues in the Statement of Activities. Thus, the amount of capital returned is not reported on the Statement of Activities.		(1,072,043)
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	$ 11,860,319	
Current year depreciation	(3,108,270)	8,752,049
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	$ 55,707	
Change in other postemployment benefits	(1,499,085)	
Change in inventories	137,221	(1,306,157)
Change in Net Assets of Governmental Activities (Exhibit 2)		**$ 8,572,110**

FIDUCIARY FUNDS

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EXHIBIT 7

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2011

		Agency
Assets		
Cash and pooled investments	$	1,409,761
Petty cash and change funds		440
Total Assets	**$**	**1,410,201**
Liabilities		
Accounts payable	$	54,528
Due to other governments		1,301,765
Taxes collected in advance		53,908
Total Liabilities	**$**	**1,410,201**

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DISCRETELY PRESENTED COMPONENT UNITS

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT 8

COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2011

	Housing and Redevelopment Authority	Pine River Sanitary Sewer District	Total
Assets			
Current assets			
Cash and pooled investments	$ 69,667	$ 71,870	$ 141,537
Special assessments receivable - prior	-	20,425	20,425
Accounts receivable - net	15,147	11,118	26,265
Accrued interest receivable	115	-	115
Prepaid items	-	3,424	3,424
Total current assets	**$ 84,929**	**$ 106,837**	**$ 191,766**
Restricted assets			
Cash and pooled investments	**$ 90,045**	**$ 283,761**	**$ 373,806**
Noncurrent assets			
Note receivable	$ 129,783	$ -	$ 129,783
Capital assets			
Nondepreciable	25,753	10,000	35,753
Depreciable - net	376,699	1,928,572	2,305,271
Total noncurrent assets	**$ 532,235**	**$ 1,938,572**	**$ 2,470,807**
Total Assets	**$ 707,209**	**$ 2,329,170**	**$ 3,036,379**

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

EXHIBIT 8
(Continued)

COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2011

	Housing and Redevelopment Authority	Pine River Sanitary Sewer District	Total
Liabilities			
Current liabilities			
Accounts payable	$ 4,914	$ 32,652	$ 37,566
Salaries payable	2,524	8,132	10,656
Compensated absences payable - current	3,421	4,238	7,659
Accrued interest payable	60	2,898	2,958
Notes payable - current	4,189	184,990	189,179
Customer deposits - current	3,601	-	3,601
Other current liabilities	859	-	859
Total current liabilities	**$ 19,568**	**$ 232,910**	**$ 252,478**
Noncurrent liabilities			
Notes payable - long-term	$ 8,345	1,293,499	1,301,844
Loans payable	34,205	-	34,205
Other noncurrent liabilities	954	-	954
Total noncurrent liabilities	**$ 43,504**	**$ 1,293,499**	**$ 1,337,003**
Total Liabilities	**$ 63,072**	**$ 1,526,409**	**$ 1,589,481**
Net Assets			
Invested in capital assets - net of related debt	$ 355,713	$ 537,027	$ 892,740
Restricted for capital projects	90,045	34,095	124,140
Unrestricted	198,379	231,639	430,018
Total Net Assets	**$ 644,137**	**$ 802,761**	**$ 1,446,898**

CASS COUNTY
WALKER, MINNESOTA

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Expenses	Program Fees, Charges, Fines, and Other
Component Units		
Housing and Redevelopment Authority	$ 579,214	$ 72,558
Pine River Sanitary District	472,619	448,526
Total Component Units	**$ 1,051,833**	**$ 521,084**

General Revenues and Other Items
Investment income

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 9

Revenues	Net (Expense) Revenue and Changes in Net Assets		
Capital Grants and Contributions	Housing and Redevelopment Authority	Pine River Area Sanitary District	Total
$ 488,936	$ (17,720)	$ -	$ (17,720)
94,190	-	70,097	70,097
$ 583,126	**$ (17,720)**	**$ 70,097**	**$ 52,377**
	1,282	2,031	3,313
	$ (16,438)	**$ 72,128**	**$ 55,690**
	660,575	**730,633**	**1,391,208**
	$ 644,137	**$ 802,761**	**$ 1,446,898**

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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, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

Blended component units are legally separate organizations so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Cass County had one blended component unit, the Shingobee Island Water and Sewer Commission Special Revenue Fund. The component unit was closed to the General Fund effective January 1, 2011.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

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

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 is a financial burden.	Cass County HRA Backus, Minnesota 56435
Pine River Area Sanitary District (District) provides services pursuant to Minn. Stat. § 116A.24.	County appoints members, and the District is a financial burden.	Pine River Area Sanitary District P. O. Box 354 Pine River, Minnesota 56474

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

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

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

      2. Fund Financial Statements

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

         The County reports the following major governmental funds:

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Road and Bridge Special Revenue Fund is used to account for 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.

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

Additionally, the County reports the following fund types:

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

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

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Pooled Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, 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 2011 were $1,650,628.

1. Summary of Significant Accounting Policies

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

      2. Deposits and Investments

         Cass County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool. Information relating to the MAGIC Fund can be obtained from Client Services Group, Minnesota Association of Governments Investing for Counties c/o PFM Asset Management LLC, P. O. Box 11760, Harrisburg, Pennsylvania 17108-11760.

      3. Receivables and Payables

         Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

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

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

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

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

5. Capital Assets

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

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

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

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

1. Summary of Significant Accounting Policies

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

6. Compensated Absences

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

7. Deferred Revenue

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

8. Long-Term Obligations

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

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

1. Summary of Significant Accounting Policies

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

9. Fund Equity

In 2011, the County implemented the requirements of Statement No. 54 of the Governmental Accounting Standards Board, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement requires retroactive restatement of fund balance for the reclassifications made to conform to this statement. Total fund balance did not change. Fund balance is now classified as:

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.

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

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

1. Summary of Significant Accounting Policies

   D. Assets, Liabilities, and Net Assets or Equity

      9. Fund Equity (Continued)

Unassigned - the residual classification for the General Fund and 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.

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 - 50 percent of the General Fund current budgeted operating expenditures. In addition to working capital needs, this accommodates emergency contingency concerns.

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

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

1. Summary of Significant Accounting Policies

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

10. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets		
Governmental activities		
Cash and pooled investments	$	55,574,374
Petty cash and change funds		2,591
Investments		4,165,770
Discretely presented component units		
Cash and pooled investments		141,537
Restricted cash and pooled investments		373,806
Statement of fiduciary net assets		
Cash and pooled investments		1,409,761
Petty cash and change funds		440
Total Cash and Investments	$	61,668,279

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has a deposit policy for custodial credit risk and follows Minnesota statutes regarding pledged collateral. The market value of collateral must equal 110 percent of the deposits not covered by insurance or surety bonds. As of December 31, 2011, 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.

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments (Continued)

         b. Investments

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

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

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

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has a policy to minimize investment custodial credit risk. Of the County's investments at December 31, 2011, $11,936,294 was subject to custodial credit risk.

Concentration of Credit Risk

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2011, and information relating to potential investment risks:

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
U.S. Government agency securities					
Federal National Mortgage Association Pool	AAA/AA+	Moody's/S&P		10/29/2018	$ 1,000,935
Federal National Mortgage Association Pool	AAA/AA+	Moody's/S&P		09/16/2020	871,955
Federal National Mortgage Association Pool	AAA/AA+	Moody's/S&P		10/28/2020	3,249,285
Federal National Mortgage Association Pool	AAA/AA+	Moody's/S&P		04/12/2021	628,269
Federal National Mortgage Association Pool	AAA/AA+	Moody's/S&P		08/17/2021	1,000,100
Federal National Mortgage Association Pool	AAA/AA+	Moody's/S&P		08/24/2021	975,146
Federal National Mortgage Association Pool	AAA/AA+	Moody's/S&P		10/27/2021	754,043
Federal National Mortgage Association Pool	AAA/AA+	Moody's/S&P		11/23/2022	999,352
Total Federal National Mortgage Association Pool			18.6%		$ 9,479,085
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		10/05/2018	$ 1,000,670
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		12/27/2019	900,225
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		07/13/2021	2,505,325
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		07/27/2021	2,250,630
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		09/30/2021	1,800,666
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		10/25/2021	1,002,086
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		10/26/2021	1,005,763
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		11/09/2021	2,002,020
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		11/09/2021	1,504,965
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		11/23/2021	1,502,220
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		11/23/2021	875,849
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		12/01/2021	558,625
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		12/13/2021	1,004,370
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		12/29/2021	500,645
Federal Home Loan Mortgage Corporation Note	AAA/AA+	Moody's/S&P		12/29/2022	753,485
Total Federal Home Loan Mortgage Corporation			37.6%		$ 19,167,544
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		06/20/2014	$ 1,003,510
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		07/17/2017	513,807
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		11/25/2019	751,672
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		10/28/2020	1,001,388
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		10/29/2020	1,001,370
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		10/29/2020	1,999,580
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		11/18/2020	1,024,360
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		09/09/2021	1,000,190
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		09/09/2021	2,000,860
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		10/12/2021	1,794,332
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		10/27/2021	1,000,070
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		11/23/2021	750,105
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		08/26/2025	501,980
Federal Home Loan Bank Bonds	AAA/AA+	Moody's/S&P		11/25/2026	997,300
Total Federal Home Loan Bank			30.1%		$ 15,340,524

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Federal Home Loan Bank Repurchase Agreements					
Federal Home Loan Bank	AAA/AA+	Moody's/S&P		10/02/2012	$ 1,072,670
Federal Home Loan Bank	AAA/AA+	Moody's/S&P		10/16/2012	1,007,711
Federal Home Loan Bank	AAA/AA+	Moody's/S&P		05/26/2013	107,267
Total Federal Home Loan Bank Repurchase Agreements			<5%		$ 2,187,648
Federal National Mortgage Association Repurchase Agreements					
Federal National Mortgage Association	AAA/AA+	Moody's/S&P		03/03/2012	$ 521,255
Federal National Mortgage Association	AAA/AA+	Moody's/S&P		07/16/2012	509,827
Total Federal National Mortgage Association Repurchase Agreements			<5%		$ 1,031,082
Federal Home Loan Mortgage Corporation Repurchase Agreements					
Federal Home Loan Mortgage Corporation	AAA/AA+	Moody's/S&P		06/19/2012	$ 502,780
Federal Home Loan Mortgage Corporation	AAA/AA+	Moody's/S&P		12/10/2012	1,003,968
Total Federal Home Loan Mortgage Corporation Repurchase Agreements			<5%		$ 1,506,748
Investment pools/mutual funds					
Wells Fargo Government Money Market Fund		Moody's/S&P	<5%		$ 74,975
Negotiable certificates of deposit					
Bank of Baroda	N/A	N/A	<5%	03/30/2012	$ 249,000
BMW Bank of North America	N/A	N/A	<5%	06/18/2012	150,780
CIT Bank Interest Bearing Cert	N/A	N/A	<5%	06/18/2012	150,678
Toyota Financial Savings Bank	N/A	N/A	<5%	06/18/2012	202,255
Intervest National Bank	N/A	N/A	<5%	12/27/2012	98,603
Ironstone BK Ft. Meyers FL	N/A	N/A	<5%	12/28/2012	98,612
Parkway Bank and Trust	N/A	N/A	<5%	12/28/2012	98,658
American Express Bank	N/A	N/A	<5%	06/10/2013	154,117
American Express Centurion	N/A	N/A	<5%	06/10/2013	154,116
Capmark BK Interest Bearing	N/A	N/A	<5%	06/10/2013	253,761
JP Morgan Chase and Company	N/A	N/A	<5%	07/10/2013	102,415
Sallie Mae BK Murray Utah	N/A	N/A	<5%	12/17/2013	105,431
EVABank Interest Bearing Cert	N/A	N/A	<5%	12/30/2013	104,743
GE Money Bank Interest Bearing	N/A	N/A	<5%	11/05/2015	100,663
BMW Bank Utah	N/A	N/A	<5%	11/12/2015	99,278
Total negotiable certificates of deposit					$ 2,123,110

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Total investments					$ 50,910,716
Deposits - Primary Government					10,239,189
Deposits - Component Units					393,012
Investments - Component Units					122,331
Petty cash and change funds					3,031
Total Cash and Investments					$ 61,668,279

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

2. Receivables

Receivables as of December 31, 2011, 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	$ 971,253	$ -
Special assessments	179,945	158,892
Accounts receivable	2,078,682	-
Accrued interest	220,864	-
Due from other governments	3,338,937	-
Total Governmental Activities	$ 6,789,681	$ 158,892
Long-Term Receivable from SCHA	$ 857,635	$ 643,227

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Minimum Future Rents Receivable

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

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

Minimum future rents on the lease are:

Year Ending December 31	
2012	$ 37,125
2013	37,125
2014	37,125
2015	37,125
2016	37,125
Total	$ 185,625

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

2. Detailed Notes on All Funds

A. Assets

3. Minimum Future Rents Receivable (Continued)

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

Minimum future rents on the lease are:

Year Ending December 31	
2012	$ 6,066

In July 2007, SBA Towers II LLC, (SBA) assumed ownership of a communications tower from Midwest Real Estate Properties, LLC. The tower occupies 5,625 square feet of County land, including 14,440 square feet of easement. Upon assuming tower ownership, an existing land lease agreement with Cass County was transferred to SBA. SBA has agreed to pay the County a base rent of $400 per month, plus an additional 15 percent of the collection revenue earned from each additional tenant utilizing tower antennas and equipment. SBA currently pays the County $1,151 per month in rental fees under the existing lease agreement.

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

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		
2012	$	9,784

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		
2012	$	7,896
2013		8,211
2014		8,540
2015		8,881
Total	$	33,528

2. Detailed Notes on All Funds

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 4,910,356	$ 56,497	$ -	$ 4,966,853
Construction in progress	4,124,693	11,235,362	9,338,620	6,021,435
Total capital assets not depreciated	$ 9,035,049	$ 11,291,859	$ 9,338,620	$ 10,988,288
Capital assets depreciated				
Buildings	$ 20,692,545	$ 351,815	$ -	$ 21,044,360
Machinery, furniture, and equipment	5,412,014	216,645	170,786	5,457,873
Infrastructure	107,703,715	9,338,620	-	117,042,335
Total capital assets depreciated	$ 133,808,274	$ 9,907,080	$ 170,786	$ 143,544,568
Less: accumulated depreciation for				
Buildings	$ 7,698,830	$ 426,310	$ -	$ 8,125,140
Machinery, furniture, and equipment	3,637,691	378,749	170,786	3,845,654
Infrastructure	26,009,804	2,303,211	-	28,313,015
Total accumulated depreciation	$ 37,346,325	$ 3,108,270	$ 170,786	$ 40,283,809
Total capital assets depreciated, net	$ 96,461,949	$ 6,798,810	$ -	$ 103,260,759
Capital Assets, Net	$ 105,496,998	$ 18,090,669	$ 9,338,620	$ 114,249,047

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

Governmental Activities	
General government	$ 134,508
Public safety	149,413
Highways and streets, including depreciation of infrastructure assets	2,556,036
Health, human, and veterans services	49,430
Sanitation	35,464
Culture and recreation	1,812
Conservation of natural resources	181,607
Total Depreciation Expense - Governmental Activities	$ 3,108,270

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General	Forfeited Tax Sale	$ 306,505	Forfeited tax apportionment
	Health, Human, and Veterans Services	170	Reimbursement for services
Total Due to General Fund		$ 306,675	
Road and Bridge	General	$ 4,578	Reimbursement for services
	Health, Human, and Veterans Services	1,052	Reimbursement for services
	Forfeited Tax Sale	355	Reimbursement for services
	Other governmental	53,672	Reimbursement for services
Total Due to Road and Bridge		$ 59,657	
Health, Human and Veterans Services	General	$ 14,374	Reimbursement for services
Environmental Trust	Forfeited Tax Sale	$ 160,000	Reimburse LCCMR expenses
Other governmental funds	Forfeited Tax Sale	$ 2,328	Forfeited tax apportionment
Total Due To/From Other Funds		$ 543,034	

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. Detailed Notes on All Funds

   B. Interfund Receivables, Payables, and Transfers (Continued)

      2. Interfund Transfers

         Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfers to General Fund from Forfeited Tax Sale Fund	$	396,505	Forfeited tax apportionment and indirect costs
Transfers to General Fund from Shingobee Fund		43,239	Shingobee Fund was closed to the General Fund January 1, 2011
Total transfers to General Fund	$	439,744	
Transfers to Capital Projects from General Fund		6,000,000	For segregated long-term capital resources
Transfers to other governmental funds from Forfeited Tax Fund		2,328	Forfeited tax apportionment
Total Interfund Transfers	$	6,442,072	

   C. Liabilities

      1. Advance from Other Agencies

         In 2007, the Minnesota Legislature made available Targeted Case Management (TCM) state funds to Minnesota counties as a contingency reserve in the event of reductions in federal funding of the TCM program. During 2008, the Minnesota Department of Human Services (DHS) advanced $109,017 of contingency funds to Cass County. After federal review of the TCM program, federal support was not reduced nor discontinued. As a result, the DHS required counties who received TCM contingency funds to reimburse the DHS for the full amount received. Cass County agreed to repay the DHS in two installments. The first installment of $54,509 was paid in 2010. Cass County repaid the remaining balance of $54,508 in 2011.

2. Detailed Notes on All Funds

C. Liabilities

1. Advance from Other Agencies (Continued)

Under an agreement between the State of Minnesota and Aitkin, Cass, and Crow Wing Counties, the State, acting through the Department of Natural Resources, authorized the recipients to establish a land exchange revolving fund. A maximum of $290,000 of Legislative-Citizen Commission on Minnesota Resources (LCCMR) funds was awarded to the recipients. Authority to establish the LCCMR revolving fund was authorized under Minn. Stat. § 116P.05 and 2006 Minn. Laws, ch. 243, § 20, subd. 8. Under the agreement, Aitkin County is the fiscal agent. By June 30, 2011, Aitkin County was required to repay the full amount of the award to the Commissioner of Finance. Upon approval by member counties, a county may use loan funds to purchase a desirable property. Other properties owned by the County will be put up for sale and the revolving fund reimbursed from the sale proceeds. Cass County received a total of $227,000 in LCCMR funds. In 2011, Cass County returned the remaining balance of $160,000 to Aitkin County.

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 2,902,059	$ 1,608,118	$ 1,735,045	$ 2,775,132	$ 183,353
Net other postemployment benefits	5,873,738	2,679,197	1,180,112	7,372,823	-
Total Long-Term Liabilities	$ 8,775,797	$ 4,287,315	$ 2,915,157	$ 10,147,955	$ 183,353

2. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Lease Obligations

The County is committed under various operating leases for office space, parking, data processing, copiers, office equipment, and radio towers and equipment. The following is a summary of the operating lease expense for 2011:

Type of Property	Amount
Rental of office space and parking	$ 15,150
Data processing, copiers, and office equipment	46,861
Radio towers and equipment	17,881
Total Rental Expense	$ 79,892

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2011:

Year Ended	Amount
2012	$ 101,821
2013	97,029
2014	89,973
2015	81,664
2016	58,084
Total Future Minimum Lease Payments	$ 428,571

4. Construction Commitments

The government has active construction projects as of December 31, 2011. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road and bridges	$ 582,712	$ 370,663

3. Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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

3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Two methods are used to compute benefits for 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 year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all 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.

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; 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.

3. Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

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

The County is required to contribute the following percentages of annual covered payroll in 2011:

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

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2011	2010	2009
General Employees Retirement Fund	$ 813,322	$ 772,269	$ 754,519
Public Employees Police and Fire Fund	321,713	310,893	293,778
Public Employees Correctional Fund	68,402	68,356	69,561

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

3. Pension Plans (Continued)

B. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2011, were:

	Employee	Employer
Contribution amount	$ 5,343	$ 5,343
Percentage of covered payroll	5 %	5 %

Required contribution rates were 5.00 percent.

4. Postemployment Benefits

A. Plan Description and Funding Policy

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

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

The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan), and do not participate in any other health benefits program providing coverage similar to that, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees are required to pay 100 percent of the total premium cost. 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, 2011, 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 other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

4. Postemployment Benefits

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

The following table shows the components of the County's annual OPEB cost for 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	$	2,774,058
Interest on net OPEB obligation		264,318
Adjustments to ARC		(359,179)
Annual OPEB cost	$	2,679,197
Contributions during the year		(1,180,112)
Increase in net OPEB obligation	$	1,499,085
Net OPEB obligation - Beginning of Year		5,873,738
Net OPEB obligation - End of Year	$	7,372,823

C. Funded Status and Funding Progress

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the excess OPEB contributions or net OPEB obligation for 2009, 2010, and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	$ 2,895,503	$ 1,043,490	36.0%	$ 4,122,858
December 31, 2010	2,865,381	1,114,501	38.9	5,873,738
December 31, 2011	2,679,197	1,180,112	44.0	7,372,823

The actuarial accrued liability for benefits as of January 1, 2011, is $32.80 million. The County currently has no assets that have been irrevocably deposited in a trust for future health benefits; thus, the entire amount is unfunded. The covered payroll (annual payroll of active employees covered by the plan) is $11.64 million. The ratio of the unfunded actuarial accrued liabilities (UAAL) to covered payroll is 281.9 percent.

4. Postemployment Benefits (Continued)

D. Actuarial Methods and Assumptions

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

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

In the January 1, 2011, 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 8.00 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, 2011, was 26 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.

5. Postemployment Health Care Plans

MSRS Health Care Savings Plan (Continued)

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

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

Through a Memo of Understanding between Cass County and Minnesota Teamsters Public and Law Enforcement 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

6. Summary of Significant Contingencies and Other Items

   A. Risk Management (Continued)

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 $450,000 per claim in 2011 and $460,000 per claim in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

Employee medical and short-term disability insurance coverage is accounted for in the General Fund of the County. Costs include medical coverage for employees, dependents, and retirees, and short-term disability coverage for employees. Costs also include charges for claims management by a third-party administrator. Premiums are based on an actuarial study by the third-party administrator and include a provision for expected future catastrophic losses; the premiums also include a provision for administrative costs and stop-loss insurance. The County carries individual specific stop-loss insurance for claims that exceed $150,000 per year per employee contract, or 125 percent, of the annual premium base. All County funds with personnel are charged for the County's share of costs for providing insurance coverage. Employees contribute a share of coverage costs through payroll deductions and retirees are paid for, in part, by County funds and by the retirees themselves. The liability at year-end is based on subsequent claims, and it includes a reasonable provision for incurred but not reported claims (IBNRs). A claims liability is included in the General Fund accounts payable at year-end.

6. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

	Year Ended December 31 2011	Year Ended December 31 2010
Unpaid claims, beginning of fiscal year	$ 434,656	$ 167,902
Incurred claims (including IBNRs)	3,831,726	3,447,290
Claims payments	(4,071,754)	(3,180,536)
Unpaid Claims, End of Fiscal Year	$ 194,628	$ 434,656

B. Contingent Liabilities

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

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

In 2008, the County authorized the issuance of a $52,000 General Obligation Utility Revenue Note to finance sanitary sewer improvements for the Pine River Area Sanitary District (District), a component unit of the County. The District has pledged that its net revenues will be sufficient to meet principal and interest payments as they become due. Should the District's net revenues not be sufficient to meet scheduled payments, the County has pledged that it will levy special assessments on benefited properties in an amount sufficient to meet debt service requirements. In 2011, the revenue note's unpaid balance of $38,000 was completely paid off by the District.

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

C. Tax-Forfeited Land

The County manages approximately 253,663 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to cities, towns, and school districts within the County according to state statute.

D. Joint Ventures

Northwestern Minnesota Juvenile Center

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

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

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. No payments were required from Cass County during 2011. 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

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Minnesota Counties Information Systems (MCIS)

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

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

Separate financial information can be obtained from:

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

Mississippi Headwaters Board

The Mississippi Headwaters Board was established on February 22, 1980, by Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties, pursuant to the provisions of Minn. Stat. § 471.59. The purpose of the Board is to prepare, adopt, and implement a comprehensive land use plan designed to protect and enhance the Mississippi River and related 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. Cass County maintains the accounting records of the Board. In July 2012, Crow Wing County assumed fiscal agent duties. The Cass County Board of Commissioners approved transfer of all funds and accounting records to Crow Wing County.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Mississippi Headwaters Board (Continued)

Complete financial information can be obtained from:

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

Northeast Minnesota Regional Radio Board

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

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

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. Cass County made no contribution in 2011.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Northwest Minnesota Household Hazardous Waste Management Group

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

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

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 $21,245 to the Waste Management Group in 2011. 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

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Central Minnesota Emergency Medical Services Region

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

Complete financial information can be obtained from:

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

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 $6,770 in 2011.

6. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

South Country Health Alliance

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

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization.

Cass County terminated its membership with the SCHA effective December 31, 2010. The County's equity interest in the SCHA at December 31, 2010, was $1,072,043. The County will receive five annual installment payments of $214,408 plus interest. Cass County received its first installment in September 2011.

Complete financial statements can be obtained from:

Brian V. Hicks, Chief Financial Officer
South Country Health Alliance
2300 Park Drive, Suite 100
Owatonna, Minnesota 55060

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

E. Jointly-Governed Organization

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

Cass County/Leech Lake Reservation Children's Initiative Collaborative

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

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.

7. Component Unit Disclosures (Continued)

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits

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

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

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

	Cass County HRA	Pine River Area Sanitary District
Government-wide statement of net assets		
Cash	$ 37,381	$ 71,570
Petty cash	-	300
Restricted assets		
Cash	-	283,761
Investments	122,331	-
Total Cash and Investments	$ 159,712	$ 355,631

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits (Continued)

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.

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, 2011, the HRA and the District were not exposed to any custodial credit risk.

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments (Continued)

(2) Investments

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

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

- 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.

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(2) Investments (Continued)

As of and during the year ended December 31, 2011, 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

b. Receivables

Receivables as of December 31, 2011, for each discretely presented component unit, including any applicable allowances for uncollectible accounts, are as follows:

	Cass County HRA	Pine River Area Sanitary District	Total Receivables	Amounts Not Scheduled for Collection During the Year
Special assessments	$ -	$ 20,425	$ 20,425	$ -
Accounts	15,262	11,118	26,380	-
Note	129,783	-	129,783	129,783
Total Component Units	$ 145,045	$ 31,543	$ 176,588	$ 129,783

c. Capital Assets

Component unit capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land				
Cass County HRA	$ 25,753	$ -	$ -	$ 25,753
Pine River Area Sanitary District	10,000	-	-	10,000
Total capital assets not depreciated	$ 35,753	$ -	$ -	$ 35,753

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

c. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings and improvements				
Cass County HRA	$ 811,143	$ 2,904	$ -	$ 814,047
Pine River Area Sanitary District	2,417,253	-	-	2,417,253
Total buildings and improvements	$ 3,228,396	$ 2,904	$ -	$ 3,231,300
Water treatment facilities				
Pine River Area Sanitary District	$ 4,056,849	$ 61,439	$ -	$ 4,118,288
Machinery, furniture, and equipment				
Cass County HRA	$ 105,904	$ 6,243	$ -	$ 112,147
Pine River Area Sanitary District	114,626	4,228	-	118,854
Total machinery, furniture, and equipment	$ 220,530	$ 10,471	$ -	$ 231,001
Total capital assets depreciated	$ 7,505,775	$ 74,814	$ -	$ 7,580,589
Less: accumulated depreciation for				
Buildings and improvements				
Cass County HRA	$ 430,239	$ 27,218	$ -	$ 457,457
Pine River Area Sanitary District	2,329,694	25,214	-	2,354,908
Total buildings and improvements	$ 2,759,933	$ 52,432	$ -	$ 2,812,365
Water treatment facilities				
Pine River Area Sanitary District	$ 2,119,128	$ 141,517	$ -	$ 2,260,645
Machinery, furniture, and equipment				
Cass County HRA	$ 87,561	$ 4,477	$	$ 92,038
Pine River Area Sanitary District	105,464	4,806	-	110,270
Total machinery, furniture, and equipment	$ 193,025	$ 9,283	$ -	$ 202,308
Total accumulated depreciation	$ 5,072,086	$ 203,232	$ -	$ 5,275,318
Total capital assets depreciated, net	$ 2,433,689	$ (128,418)	$ -	$ 2,305,271
Total Capital Assets, Net	$ 2,469,442	$ (128,418)	$ -	$ 2,341,024

7. Component Unit Disclosures

B. Detailed Notes

1. Assets

c. Capital Assets (Continued)

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

Cass County HRA	$	31,695
Pine River Area Sanitary District		171,537
Total Depreciation Expense	$	203,232

2. Liabilities

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

Loan Date	Term		Balance December 31, 2011
February 20, 1992	20 years	$	34,205
October 20, 2008	5 years		4,150
September 1, 2010	5 years		8,384
Total		$	46,739
Less: Current Portion			(4,189)
Long-Term Portion		$	42,550

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Debt Service Requirements

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

Year Ending December 31	Amount
2012	$ 4,189
2013	4,348
2014	2,359
2015	1,638
Thereafter	34,205
Total	$ 46,739

Long-Term Debt

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

On November 13, 2007, the District purchased a truck. The loan requires 60 monthly installments of $358, including interest at 6.19 percent. This loan was paid in full on March 29, 2011.

On October 1, 2008, the District entered intro a General Obligation Utility Revenue Note purchase agreement with the bank of Zumbrota, Minnesota, and Cass County, Minnesota (borrower), to finance the cost of improvements to the sewer collection and treatment system. Under the agreement, the bank loaned $52,000 to the borrower and the applicant. This loan was paid in full on April 28, 2011.

7. Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Long-Term Debt (Continued)

On June 1, 2010, the District entered into General Obligation Sewer Revenue Note, Series 2010A (MN Rural Water Micro-Loan, Series 2008) to finalize planned future plant expansion. $79,730 of the proceeds remain unspent as of December 31, 2011.

Long-term debt outstanding at December 31, 2011, for the Pine River Area Sanitary District consists of the following:

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Remaining Commitment
1997A PFA G.O. Sewer Revenue Note	2019	$ 75,939	1.13	$ 1,366,190	$ 597,656
1997B PFA G.O. Sewer Revenue Note	2020	94,191	-	1,883,810	800,619
2010A G.O. Sewer Revenue Note	2017	14,000	2.75	103,600	83,000
Total					$ 1,481,275
Less: 2010A GO Sewer Revenue Note Bond Issuance Costs					(2,786)
Net Long-Term Debt					$ 1,478,489

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 Sewer & G.O. Revenue Note
2012	$ 193,713
2013	193,328
2014	193,943
2015	194,518
2016	194,077
2017 - 2020	546,118
Total	$ 1,515,697
Less: interest	(34,422)
Total	$ 1,481,275

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

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

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, 2011.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Pine River Area Sanitary District					
PFA G.O. Sewer Revenue Notes Payable	$ 1,568,405	$ -	$ 170,130	$ 1,398,275	$ 170,990
Notes payable to bank	7,747	-	7,747	-	-
General Obligation Utility Note	38,000	-	38,000	-	-
General Obligation Sewer Revenue Note	97,000	-	14,000	83,000	14,000
Total Long-Term Liabilities	$ 1,711,152	$ -	$ 229,877	$ 1,481,275	$ 184,990

      3. Risk Management

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

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

7. Component Unit Disclosures

   B. Detailed Notes

      3. Risk Management (Continued)

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

      4. Prior Period Adjustment

         On December 31, 2011, there was an adjustment made to net assets to reflect current year capital fund activities for the HRA that were attributable to prior years. Total net assets as of December 31, 2010, did not change.

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REQUIRED SUPPLEMENTARY INFORMATION

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CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 10,329,759	$ 10,329,759	$ 9,750,384	$ (579,375)
Special assessments	1,650,000	1,650,000	1,750,656	100,656
Licenses and permits	84,300	84,300	106,078	21,778
Intergovernmental	2,390,459	2,390,459	4,282,889	1,892,430
Charges for services	2,338,500	2,338,500	2,611,835	273,335
Fines and forfeits	6,200	6,200	13,184	6,984
Gifts and contributions	-	-	14,558	14,558
Investment earnings	1,000,000	1,000,000	1,650,628	650,628
Miscellaneous	276,825	276,825	729,422	452,597
Total Revenues	**$ 18,076,043**	**$ 18,076,043**	**$ 20,909,634**	**$ 2,833,591**
Expenditures				
Current				
General government				
Commissioners	$ 287,389	$ 287,389	$ 301,605	$ (14,216)
Courts	147,662	147,662	97,771	49,891
Law library	30,000	30,000	29,660	340
County administration	228,342	228,342	218,429	9,913
County auditor	1,238,046	1,238,046	1,222,357	15,689
County assessor	849,816	849,816	799,333	50,483
Attorney	952,587	952,587	940,141	12,446
Recorder	500,910	602,910	591,201	11,709
Planning and zoning	330,071	365,771	364,133	1,638
Buildings and plant	592,082	1,022,082	1,017,351	4,731
MIS	533,653	533,653	532,683	970
HHVS cost plan and reimbursement	5,100	5,100	5,100	-
Total general government	**$ 5,695,658**	**$ 6,263,358**	**$ 6,119,764**	**$ 143,594**
Public safety				
Sheriff	$ 4,675,601	$ 4,873,601	$ 4,845,379	$ 28,222
Boat and water safety	396,417	396,417	335,628	60,789
Emergency services	76,008	3,926,008	3,877,369	48,639
Coroner	90,000	100,000	99,440	560
Law enforcement center	2,288,759	2,505,039	2,404,639	100,400
Sentence to serve	68,990	79,790	79,422	368
Probation and parole	687,364	687,364	649,500	37,864
Longville ambulance subordinate service district	461,000	461,000	416,725	44,275
Total public safety	**$ 8,744,139**	**$ 13,029,219**	**$ 12,708,102**	**$ 321,117**

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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	**$ 2,342,391**	**$ 2,342,391**	**$ 2,084,921**	**$ 257,470**
Culture and recreation				
Parks	**$ 15,000**	**$ 15,000**	**$ 15,000**	**$ -**
Conservation of natural resources				
Cooperative extension	$ 69,000	$ 69,000	$ 68,092	$ 908
Mississippi Headwaters Board	17,850	17,850	17,850	-
Soil and water conservation	6,250	6,250	2,250	4,000
Environmental services	290,201	344,501	338,889	5,612
Total conservation of natural resources	**$ 383,301**	**$ 437,601**	**$ 427,081**	**$ 10,520**
Economic development				
Administration	**$ 37,500**	**$ 37,500**	**$ 37,500**	**$ -**
Total Expenditures	**$ 17,217,989**	**$ 22,125,069**	**$ 21,392,368**	**$ 732,701**
Excess of Revenues Over (Under) Expenditures	**$ 858,054**	**$ (4,049,026)**	**$ (482,734)**	**$ 2,100,890**
Other Financing Sources (Uses)				
Transfers in	$ 350,000	$ 350,000	$ 439,744	$ 89,744
Transfers out	-	-	(6,000,000)	(6,000,000)
Total Other Financing Sources (Uses)	**$ 350,000**	**$ 350,000**	**$ (5,560,256)**	**$ (5,910,256)**
Change in Fund Balance	**$ 1,208,054**	**$ (3,699,026)**	**$ (6,042,990)**	**$ (3,809,366)**
Fund Balance - January 1	**26,617,068**	**26,617,068**	**26,617,068**	**-**
Fund Balance - December 31	**$ 27,825,122**	**$ 22,918,042**	**$ 20,574,078**	**$ (3,809,366)**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,956,732	$ 3,956,732	$ 3,744,099	$ (212,633)
Intergovernmental	5,895,229	5,895,229	8,013,666	2,118,437
Charges for services	515,000	515,000	558,865	43,865
Miscellaneous	2,000	2,000	126,045	124,045
Total Revenues	**$ 10,368,961**	**$ 10,368,961**	**$ 12,442,675**	**$ 2,073,714**
Expenditures				
Current				
Highways and streets				
Administration	$ 798,946	$ 798,946	$ 747,619	$ 51,327
Maintenance	3,217,887	3,502,887	3,368,061	134,826
Construction	4,515,000	7,275,000	7,278,070	(3,070)
Equipment maintenance and shop	1,655,825	1,655,825	1,566,198	89,627
Other	181,303	181,303	171,638	9,665
Total Expenditures	**$ 10,368,961**	**$ 13,413,961**	**$ 13,131,586**	**$ 282,375**
Change in Fund Balance	**$ -**	**$ (3,045,000)**	**$ (688,911)**	**$ 2,356,089**
Fund Balance - January 1	**5,419,337**	**5,419,337**	**5,419,337**	**-**
Increase (decrease) in inventories	**-**	**-**	**137,221**	**137,221**
Fund Balance - December 31	**$ 5,419,337**	**$ 2,374,337**	**$ 4,867,647**	**$ 2,493,310**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HEALTH, HUMAN, AND VETERANS SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 5,819,712	$ 5,819,712	$ 5,514,538	$ (305,174)
Licenses and permits	5,735	5,735	7,235	1,500
Intergovernmental	6,177,792	6,177,792	6,298,002	120,210
Charges for services	1,188,300	1,188,300	985,548	(202,752)
Gifts and contributions	500	500	718	218
Investment earnings	-	-	24,815	24,815
Miscellaneous	408,900	408,900	700,274	291,374
Total Revenues	**$ 13,600,939**	**$ 13,600,939**	**$ 13,531,130**	**$ (69,809)**
Expenditures				
Current				
General government				
Veterans service officer	**$ 192,314**	**$ 192,314**	**$ 201,363**	**$ (9,049)**
Human services				
Income maintenance	$ 3,109,158	$ 3,109,158	$ 2,959,581	$ 149,577
Social services	7,700,527	7,700,527	6,237,208	1,463,319
Children's initiative	283,000	283,000	220,436	62,564
Total human services	**$ 11,092,685**	**$ 11,092,685**	**$ 9,417,225**	**$ 1,675,460**
Health				
Public health	$ 2,329,940	$ 2,329,940	$ 2,047,446	$ 282,494
South Country Health Alliance	-	-	97	(97)
Total health	**$ 2,329,940**	**$ 2,329,940**	**$ 2,047,543**	**$ 282,397**
Total Expenditures	**$ 13,614,939**	**$ 13,614,939**	**$ 11,666,131**	**$ 1,948,808**
Change in Fund Balance	**$ (14,000)**	**$ (14,000)**	**$ 1,864,999**	**$ 1,878,999**
Fund Balance - January 1	**11,199,585**	**11,199,585**	**11,199,585**	**-**
Fund Balance - December 31	**$ 11,185,585**	**$ 11,185,585**	**$ 13,064,584**	**$ 1,878,999**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 965,804	$ 965,804	$ 999,577	$ 33,773
Gifts and contributions	-	-	350	350
Miscellaneous	2,237,500	2,237,500	1,329,562	(907,938)
Total Revenues	**$ 3,203,304**	**$ 3,203,304**	**$ 2,329,489**	**$ (873,815)**
Expenditures				
Current				
Conservation of natural resources				
Reforestation	$ 825,000	$ 825,000	$ 685,913	$ 139,087
In-lieu	145,000	145,000	98,200	46,800
Roads	30,000	30,000	-	30,000
Trails	289,000	289,000	247,052	41,948
Land commissioner	1,914,304	1,515,471	677,113	838,358
Total Expenditures	**$ 3,203,304**	**$ 2,804,471**	**$ 1,708,278**	**$ 1,096,193**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ 398,833**	**$ 621,211**	**$ 222,378**
Other Financing Sources (Uses)				
Transfers out	-	(398,833)	(398,833)	-
Change in Fund Balance	**$ -**	**$ -**	**$ 222,378**	**$ 222,378**
Fund Balance - January 1	**4,155,240**	**4,155,240**	**4,155,240**	**-**
Fund Balance - December 31	**$ 4,155,240**	**$ 4,155,240**	**$ 4,377,618**	**$ 222,378**

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

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	$ -	$ 35,971,965	$ 35,971,965	0.0%	$ 11,368,490	316.42%
January 1, 2009	-	33,948,649	33,948,649	0.0	12,141,633	279.60
January 1, 2010	-	32,800,116	32,800,116	0.0	11,636,994	281.86

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

1. Budgetary Information

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

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

By July of each year, all departments submit requests for appropriations to the County Auditor/Treasurer. The Budget Committee reviews and amends the departmental requests in order to develop a proposed budget and preliminary property tax levy. Before September 15, the proposed budget, along with a preliminary tax levy, is presented to the County Board for review. The County Board must approve a preliminary tax levy on or before September 15. A final tax levy and budget is adopted by the Board and certified to the Auditor/Treasurer on or before five business days after December 20.

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

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2011, the following department of the General Fund had expenditures that exceeded appropriations.

	Budget	Actual	Excess
Current			
General government			
Commissioners	$ 287,389	$ 301,605	$ 14,216

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SUPPLEMENTARY INFORMATION

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CASS COUNTY
WALKER, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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CASS COUNTY
WALKER, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Unorganized Town Special Revenue	Debt Service	Total
Assets			
Cash and pooled investments	$ 600,806	$ 157,898	$ 758,704
Undistributed cash in agency funds	2,616	33	2,649
Taxes receivable			
Prior	6,541	-	6,541
Special assessments receivable			
Noncurrent	-	-	-
Accounts receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other funds	2,328	-	2,328
Total Assets	**$ 612,291**	**$ 157,931**	**$ 770,222**
Liabilities and Fund Balances			
Liabilities			
Due to other funds	$ 53,672	$ -	$ 53,672
Deferred revenue - unavailable	6,258	-	6,258
Total Liabilities	**$ 59,930**	**$ -**	**$ 59,930**
Fund Balances			
Committed			
Road and bridge projects	$ 350,000	$ -	$ 350,000
Assigned			
Unorganized towns	202,361	-	202,361
Debt service	-	157,931	157,931
Total Fund Balances	**$ 552,361**	**$ 157,931**	**$ 710,292**
Total Liabilities and Fund Balances	**$ 612,291**	**$ 157,931**	**$ 770,222**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue	Debt Service	Total
Revenues			
Taxes	$ 236,530	$ 81	$ 236,611
Intergovernmental	82,881	-	82,881
Total Revenues	**$ 319,411**	**$ 81**	**$ 319,492**
Expenditures			
Current			
Public safety	$ 27,890	$ -	$ 27,890
Highways and streets	165,488	-	165,488
Total Expenditures	**$ 193,378**	**$ -**	**$ 193,378**
Excess of Revenues Over (Under) Expenditures	**$ 126,033**	**$ 81**	**$ 126,114**
Other Financing Sources (Uses)			
Transfers in	$ 2,328	$ -	$ 2,328
Transfers out	(43,239)	-	(43,239)
Total Other Financing Sources (Uses)	**$ (40,911)**	**$ -**	**$ (40,911)**
Change in Fund Balance	**$ 85,122**	**$ 81**	**$ 85,203**
Fund Balance - January 1	**467,239**	**157,850**	**625,089**
Fund Balance - December 31	**$ 552,361**	**$ 157,931**	**$ 710,292**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT B-3

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Unorganized Town	Shingobee	Total
Revenues			
Taxes	$ 236,530	$ -	$ 236,530
Intergovernmental	82,881	-	82,881
Total Revenues	**$ 319,411**	**$ -**	**$ 319,411**
Expenditures			
Current			
Public safety	$ 27,890	$ -	$ 27,890
Highways and streets	165,488	-	165,488
Total Expenditures	**$ 193,378**	**$ -**	**$ 193,378**
Excess of Revenues Over (Under) Expenditures	**$ 126,033**	**$ -**	**$ 126,033**
Other Financing Sources (Uses)			
Transfers in	$ 2,328	$ -	$ 2,328
Transfers out	-	(43,239)	(43,239)
Total Other Financing Sources (Uses)	**$ 2,328**	**$ (43,239)**	**$ (40,911)**
Change in Fund Balance	**$ 128,361**	**$ (43,239)**	**$ 85,122**
Fund Balance - January 1	**424,000**	**43,239**	**467,239**
Fund Balance - December 31	**$ 552,361**	**$ -**	**$ 552,361**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
UNORGANIZED TOWN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 245,000	$ 245,000	$ 236,530	$ (8,470)
Intergovernmental	40,000	40,000	82,881	42,881
Total Revenues	**$ 285,000**	**$ 285,000**	**$ 319,411**	**$ 34,411**
Expenditures				
Current				
Public safety				
Other public safety	$ 35,000	$ 35,000	$ 27,890	$ 7,110
Highways and streets				
Maintenance	250,000	250,000	165,488	84,512
Total Expenditures	**$ 285,000**	**$ 285,000**	**$ 193,378**	**$ 91,622**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 126,033**	**$ 126,033**
Other Financing Sources (Uses)				
Transfers in	-	-	2,328	2,328
Change in Fund Balance	**$ -**	**$ -**	**$ 128,361**	**$ 128,361**
Fund Balance - January 1	**424,000**	**424,000**	**424,000**	**-**
Fund Balance - December 31	**$ 424,000**	**$ 424,000**	**$ 552,361**	**$ 128,361**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT B-5

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ -	$ -	$ 81	$ 81
Change in Fund Balance	$ -	$ -	$ 81	$ 81
Fund Balance - January 1	157,850	157,850	157,850	-
Fund Balance - December 31	$ 157,850	$ 157,850	$ 157,931	$ 81

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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, 2011

	Balance January 1	Additions	Deductions	Balance December 31
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 492,895**	**$ 47,953,410**	**$ 47,887,838**	**$ 558,467**
Liabilities				
Due to other governments	$ 409,064	$ 47,818,107	$ 47,722,612	$ 504,559
Prepaid taxes	83,831	135,303	165,226	53,908
Total Liabilities	**$ 492,895**	**$ 47,953,410**	**$ 47,887,838**	**$ 558,467**
STATE OF MINNESOTA				
Assets				
Cash and pooled investments	$ **204,312**	**$ 8,990,043**	**$ 9,041,493**	**$ 152,862**
Liabilities				
Due to other governments	**$ 204,312**	**$ 8,990,043**	**$ 9,041,493**	**$ 152,862**
SCHOOL DISTRICTS				
Assets				
Cash and pooled investments	**$ -**	**$ 8,831,736**	**$ 8,831,736**	**$ -**
Liabilities				
Due to other governments	**$ -**	**$ 8,831,736**	**$ 8,831,736**	**$ -**

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, 2011

	Balance January 1	Additions	Deductions	Balance December 31
TOWNS AND CITIES				
Assets				
Cash and pooled investments	**$ 7,372**	**$ 11,361,209**	**$ 11,358,531**	**$ 10,050**
Liabilities				
Due to other governments	**$ 7,372**	**$ 11,361,209**	**$ 11,358,531**	**$ 10,050**
MINNESOTA COUNTIES INFORMATION SYSTEMS				
Assets				
Cash and pooled investments	$ 1,006,003	$ 1,361,692	$ 1,805,026	$ 562,669
Petty cash and change funds	400	-	-	400
Total Assets	**$ 1,006,403**	**$ 1,361,692**	**$ 1,805,026**	**$ 563,069**
Liabilities				
Salaries payable	$ 56,543	$ 52,715	$ 56,543	$ 52,715
Due to other governments	949,860	1,308,977	1,748,483	510,354
Total Liabilities	**$ 1,006,403**	**$ 1,361,692**	**$ 1,805,026**	**$ 563,069**

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, 2011

	Balance January 1	Additions	Deductions	Balance December 31
MISSISSIPPI HEADWATERS BOARD				
Assets				
Cash and pooled investments	$ 184,027	$ 84,920	$ 143,234	$ 125,713
Petty cash and change funds	40	-	-	40
Total Assets	**$ 184,067**	**$ 84,920**	**$ 143,234**	**$ 125,753**
Liabilities				
Salaries payable	$ 1,809	$ 1,813	$ 1,809	$ 1,813
Due to other governments	182,258	83,107	141,425	123,940
Total Liabilities	**$ 184,067**	**$ 84,920**	**$ 143,234**	**$ 125,753**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,894,609	$ 78,583,010	$ 79,067,858	$ 1,409,761
Petty cash and change funds	440	-	-	440
Total Assets	**$ 1,895,049**	**$ 78,583,010**	**$ 79,067,858**	**$ 1,410,201**
Liabilities				
Salaries payable	$ 58,352	$ 54,528	$ 58,352	$ 54,528
Due to other governments	1,752,866	78,393,179	78,844,280	1,301,765
Prepaid taxes	83,831	135,303	165,226	53,908
Total Liabilities	**$ 1,895,049**	**$ 78,583,010**	**$ 79,067,858**	**$ 1,410,201**

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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, 2011

Shared Revenue		
State		
Highway users tax	$	5,345,542
County program aid		353,216
PERA rate reimbursement		51,886
Disparity reduction aid		7,407
Police aid		214,159
E-911		106,025
Market value credit		643,225
Casino aid/tribal tax agreement		77,327
Total shared revenue	**$**	**6,798,787**
Reimbursement for Services		
Minnesota Department of Human Services	**$**	**961,888**
Payments		
Local		
Local contribution	$	582,079
Payments in lieu of taxes		873,954
Total payments	**$**	**1,456,033**
Grants		
State		
Minnesota Department of		
Corrections	$	174,997
Crime Victim Services		44,121
Public Safety		151,160
Commerce		4,806
Health		305,298
Natural Resources		1,501,822
Human Services		1,730,518
Veterans Affairs		16,067
Office of Environmental Assistance		70,120
Total state	**$**	**3,998,909**

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011

Grants (Continued)		
Federal		
Department of		
Agriculture	$	613,570
Commerce		19,224
Interior		372,054
Justice		20,432
Transportation		2,129,162
Energy		100,000
Health and Human Services		2,653,921
Homeland Security		541,635
U. S. Election Assistance Commission		11,400
Total federal	**$**	**6,461,398**
Total state and federal grants	**$**	**10,460,307**
Total Intergovernmental Revenue	**$**	**19,677,015**

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Agriculture			
Direct			
Cooperative Forestry Assistance		10.664	$ 9,546
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children		10.557	169,149
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grant for the Supplemental Nutrition Assistance Program (SNAP)		10.561	262,362
Passed Through Minnesota Department of Management & Budget			
Schools and Roads - Grants to States		10.665	172,513
Total U.S. Department of Agriculture			**$ 613,570**
U.S. Department of Commerce			
Passed Through Minnesota Department of Public Safety			
Public Safety Interoperable Communication Grant Program		11.555	**$ 19,224**
U.S. Department of the Interior			
Direct			
Payments in Lieu of Taxes		15.226	$ 371,501
Passed Through Minnesota Department of Natural Resources			
Wildlife Restoration and Basic Hunter Education		15.611	553
Total U.S. Department of the Interior			**$ 372,054**
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program		16.607	$ 13,645
Passed Through Crow Wing County			
Juvenile Accountability Block Grants		16.523	6,787
Total U.S. Department of Justice			**$ 20,432**

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction		20.205	$ 1,857,234
Passed Through Minnesota Department of Public Safety			
State and Community Highway Safety		20.600	7,937
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	9200-2994	20.608	109,648
Total U.S. Department of Transportation			**$ 1,974,819**
U.S. Department of Energy			
Passed Through the Minnesota Department of Commerce			
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	B44326	81.128	**$ 100,000**
U.S. Election Assistance Commission			
Passed Through Minnesota Secretary of State			
Help America Vote Act Requirements Payments		90.401	**$ 11,400**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness		93.069	$ 35,074
Universal Newborn Hearing Screening		93.251	500
Immunization Cluster			
Immunization Cooperative Agreements		93.268	750
Immunization - ARRA		93.712	2,563
Centers for Disease Control and Prevention - Investigations and Technical Assistance		93.283	5,875
PPHF 2012 National Public Health Improvement Initiative		93.507	2,500
Temporary Assistance for Needy Families (TANF) Cluster			
Temporary Assistance for Needy Families		93.558	36,979
Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs - ARRA		93.714	20,959
Maternal and Child Health Services Block Grant to the States		93.994	32,150

CASS COUNTY
WALKER, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass-Through Agency Grant Program Title	Pass-Through Grant Numbers	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services			
Temporary Assistance for Needy Families (TANF) Cluster			
Temporary Assistance for Needy Families		93.558	482,895
Child Support Enforcement		93.563	570,528
Child Care and Development Fund Cluster			
Child Care and Development Block Grant		93.575	14,181
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		93.596	11,295
Stephanie Tubbs Jones Child Welfare Services Program		93.645	28,742
Foster Care - Title IV-E Cluster			
Foster Care - Title IV-E		93.658	260,450
Foster Care - Title IV-E - ARRA		93.658	3,521
Social Services Block Grant		93.667	240,318
Chafee Foster Care Independence Program		93.674	1,929
Children's Health Insurance Program		93.767	150
Medical Assistance Program		93.778	895,949
Block Grants for Community Mental Health Services		93.958	6,613
Total U.S. Department of Health and Human Services			**$ 2,653,921**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance		97.012	$ 158,758
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	2010-EMPG-00657	97.042	42,622
Homeland Security Grant Program	2008-HSGP-00794 2009-SHSP-00558 2010-SHSP-00736 96000000329	97.067	340,255
Total U.S. Department of Homeland Security			**$ 541,635**
Total Federal Awards			**$ 6,307,055**

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CASS COUNTY
WALKER, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Cass County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include $456,313 in federal awards expended by the Cass County Housing and Redevelopment Authority component unit, which has a separate audit performed by other auditors.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Cass County under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Cass County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cass County.

3. Summary of Significant Accounting Policies

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

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Immunization Cluster	$ 3,313
Temporary Assistance for Needy Families (TANF) Cluster	540,833
Child Care and Development Fund Cluster	25,476
Foster Care - Title IV-E Cluster	263,971

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	6,461,398
Deferred in 2010, recognized as revenue in 2011		
Highway Planning and Construction		(154,343)
Expenditures Per Schedule of Expenditures of Federal Awards	$	6,307,055

6. Subrecipients

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

7 American Recovery and Reinvestment Act

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

Management and
Compliance Section

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CASS COUNTY
WALKER, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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: **Unqualified**

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
Energy Efficiency and Conservation Block Grant Program (EECBG) - ARRA	CFDA #81.128
Temporary Assistance for Needy Families Cluster	
Temporary Assistance for Needy Families	CFDA #93.558
Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs - ARRA	CFDA #93.714
Homeland Security Grant Program	CFDA #97.067

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-7 Departmental Internal Accounting Controls

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 staff within some of the departments of Cass County, proper segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible.

Context: The small size and available staffing within some departments of Cass County limits the internal control that management can design and implement into the organization.

Effect: Lack of proper segregation of duties creates opportunities for errors or fraudulent activities to occur and remain undetected.

Cause: This condition is not unusual in small departmental situations where, because of staffing limitations, it is impractical to achieve a desirable level of segregation of duties.

Recommendation: Management should be 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.

08-3 Time Reporting Procedures

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles.

Condition: During our review of payroll internal controls, we detected three instances in which County time reporting procedures were not being followed. From our sample of 40 payroll transactions selected for testing, two instances were detected in which we were unable to obtain and review the actual timesheets for those pay periods. These transactions involved contract deputies from other jurisdictions providing security services at an outdoor festival. In another instance, a deputy had failed to sign a time report attesting to hours claimed as worked.

Context: Contract deputies are paid through the County payroll system and considered employees for time reporting purposes and, therefore, subject to County time reporting policies and internal controls. County policy requires that employees sign their time reports to certify the time worked. This is a basic internal control certifying that work hours claimed are legitimate.

Effect: Contract deputies amounts claimed and paid as hours worked were not supported by actual time reports. An employee's signature on his or her timesheets testifies to the fact that the hours claimed as worked are proper. The lack of obtaining a required signature is a violation of County policy over payroll transactions. Both situations indicate that County policy over time reporting was not enforced creating a weakness in internal controls.

Cause: The County did not have in place a procedure for the contract deputies to report hours worked in conformance with County time reporting policies. In the instance of the unsigned timesheet, the employee's immediate supervisor did not require the employee to sign the timesheet.

Recommendation: We recommend that County employees follow established time reporting procedures and management enforce established County policy. In the case of contract deputies, we recommend that procedures be developed whereby deputies from other jurisdictions are able to report their time worked in conformance with County policy. Documentation should be maintained on file as verification supporting the hours worked and payments made.

Client's Response:

Contract timesheets are required to be signed by the contract employee before it can be submitted for processing. The County has implemented procedures that require the out of county deputies to complete and sign a timesheet along with the daily log. The County is currently investigating an electronic time sheet for the law enforcement employees. Once the program is available, uniform procedures will exist for all County employees. This time reporting system will require employee attestation by way of an electronic signature. The supervisor's approval will also be accomplished by an electronic signature. This reporting system is hoped to be functional by the end of 2013.

ITEMS ARISING THIS YEAR

11-1 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. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified a material adjustment to the County's General Fund in the amount of $3,447,290 that resulted in a significant decrease in the revenues and expenditures of this fund. This adjustment was necessary to correct an error in order to present the financial statements as fairly stated in accordance with GAAP.

Context: The County maintains its Insurance Fund separately on its general ledger and combines it with the General Fund for reporting purposes. An error was made in reversing a prior year entry to account for Insurance Fund transactions that resulted in a significant decrease in the revenues and expenditures reported. The inability to make accrual adjustments or to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: A material adjustment was made to properly present unallocated revenues and expenditures in the General Fund of the County.

Cause: County staff did not have the time to prepare all of the information necessary to provide accurate financial statements.

Recommendation: We recommend County staff review their financial statement closing procedures to ensure that all material adjustments 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 will assign staff to review financial statement adjusting entries to ensure that material adjustments are correct and complete before submitting the financial statements to the Auditor.

11-2 Preparation of the Schedule of Expenditures of Federal Awards

Criteria: The Office of Management and Budget's (OMB) Circular A- 133**,** *Audits of States, Local Governments, and Non-Profit Organizations, Auditee Responsibilities* subpart C.300(a) and (d) requires, "The auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. The auditee shall prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA) in accordance with subpart C.310."

Condition: Cass County did not adequately identify federal programs by amount received and expended as required under OMB Circular A-133. The County either incorrectly misclassified a program as to its revenue source in its general ledger or misidentified the amount of federal financial assistance received and expended on its SEFA.

Context: The SEFA prepared by Cass County did not correctly identify federal programs and amounts expended for the following programs:

- The County did not identify $6,787 as Juvenile Accountability Block Grant (CFDA No. 16.523) federal funding passed through Crow Wing County.

- The County incorrectly identified $24,030 as Emergency Management Performance Grant (CFDA No. 97.042) federal funding. Of that amount, $19,224 and $4,806 were from federal and state sources, respectively, incurred under the Public Safety Interoperable Communications Grant Program (CFDA No. 11.555) passed through the Minnesota Department of Public Safety.

- The County did not identify $215,000 as federal Homeland Security Grant Program (CFDA No. 97.067) funding passed through the Minnesota Department of Public Safety.

Effect: The inability to identify and accurately record federal financial assistance in the County's accounting records in order to prevent misstatements in the SEFA increases the likelihood that the SEFA would not be fairly stated. This condition results in a deficiency in internal control over financial statement and SEFA preparation and the reporting of federal financial assistance in accordance with OMB Circular A-133.

Cause: The County erred in its determination and classification of the actual amounts received and expended under these federal programs. The County's procedures and internal controls for identifying federal financial assistance for preparation of its SEFA are inadequate.

Recommendation: We recommend that County management develop a process, including written procedures that will allow staff to adequately identify federal revenues and accumulate the information needed to prepare the SEFA. Specific measures could include having departments informing accounting/finance when they have received a grant award, holding in suspense accounts until properly identified as to nature and source any intergovernmental revenue receipts, properly classifying the receipts into appropriate federal revenue accounts in the general ledger system, and comparison of the prior year SEFA to the current year. For each federal award identified, the County should determine the correct program CFDA title and number, award number and year, federal grantor agency, pass-through agency, amount received and expended, and whether American Recovery and Reinvestment Act (ARRA) funding is involved. The federal CFDA website is available to assist in this process. Where a determination is unclear, the pass-through or federal agency should be contacted to verify the federal program in accordance with the requirements of Circular A-133. Those responsible for compiling the SEFA should understand the components of the SEFA and properly gather the correct information and maintain supporting documentation. The County should also reconcile the SEFA amounts to the general ledger and financial statements.

<u>Client's Response</u>:

The County will develop procedures that will require identification of federal revenues when the revenue is received. These procedures will require all Departments that write grants to supply all related grant documents to the accounting personnel and assist them in making the determination of whether federal monies are involved. These procedures will also require that CFDA numbers, when available, are to be included in the Board action accepting the grant. These procedures will be implemented before October 31, 2012.

PREVIOUSLY REPORTED ITEM RESOLVED

Preparation of Financial Statements (06-1)

Cass County has relied on its external auditors to prepare its government-wide financial statements based upon time constraints, availability of County staff, and the cost benefit of using our expertise rather than preparing the financial statements internally. Management oversees and approves this process.

Resolution

The County provides the basic information necessary for preparation of the government wide financial statements. The County Board of Commissioners has approved the Chief Financial Officer as the person with the necessary skills, training, and experience to properly oversee the audit process, related financial statement preparation, and financial reporting.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

11-3 Davis-Bacon Act

Program: Energy Efficiency and Conservation Block Grant (EECBG) - ARRA (CFDA No. 81.128)

Criteria: The Davis-Bacon Act (23 U.S.C. 113) requires contractors and subcontractors performing work on federal contracts in excess of $2,000 to pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's wage determination class. Each covered contractor and subcontractor must, on a weekly basis, provide a copy of the payrolls providing the information listed under recordkeeping for the preceding weekly payroll period. Each payroll submitted must be accompanied by a "Statement of Compliance." This must be completed within seven days after the regular pay date for the pay period.

The Office of Energy Security at the Minnesota Department of Commerce entered into an agreement (B44326) with the County which stated the County was responsible for all federal requirements involving Davis-Bacon Act (DBA) wages and reporting.

Condition: Cass County does not have internal controls in place to determine if contractors are complying with the Davis-Bacon Act regarding the payment of prevailing wage rates. It was the understanding of the County that the Office of Energy Security was responsible for monitoring the DBA wages and reporting since the County sent the payroll reports to them.
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Questioned Costs: None.

Context: Cass County contracted with Honeywell, Inc. and Spitzack Builder's, Inc., to complete the energy upgrades to the County Courthouse funded through the Energy Efficiency and Conservation Block Grant - ARRA, CFDA No. 81.128. Honeywell, Inc., and Spitzack Builder's, Inc., submitted weekly payroll reports to the County, and the County forwarded the payroll reports to the Office of Energy Security for DBA compliance monitoring.

Effect: Cass County had no assurance based on its lack of monitoring that the wages paid were in compliance with the Davis-Bacon Act.

Cause: Cass County staff were unaware that monitoring compliance with the Davis-Bacon Act regarding the payment of prevailing wage rates was a responsibility of the County.

Recommendation: We recommend that Cass County develop internal controls and written policies and procedures to ensure compliance with the requirements of the Davis-Bacon Act in accordance with OMB Circular A-133.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Tim Richardson, Central Services Director

Corrective Action Planned:

Cass County will develop written procedures that will ensure that grants that require compliance with the Davis-Bacon Act are identified and that all documentation needed is in the grant file.

Anticipated Completion Date:

October 31, 2012

11-4 Activities Allowed and Unallowed, Allowable Costs/Cost Principles

Program: Energy Efficiency and Conservation Block Grant (EECBG) - ARRA (CFDA No. 81.128)

Criteria: For grant programs funded using the reimbursement method, federal compliance requires that claims for reimbursement be based upon paid invoices having proper approval by supervisors who have program oversight responsibility. Documentation should be attached supporting allowable expenditures claimed. Reimbursement should not be requested before the claim is paid.

Condition: From a total population of 14 transactions tested, 5 invoices did not contain proper approvals for payment. Proper supervisory approval is a basic internal control insuring that all costs claimed for reimbursement are allowable.

Questioned Costs: None.

Context: County procedures call for all invoices to be approved by the department head or grant program manager before submission to the Auditor's Office for payment.

Effect: Payment of unapproved claims is an indication of a failure in the internal control designed to prevent unauthorized or unallowable claims.

Cause: Failure to follow County procedure requiring invoices to contain evidence of proper approval before payment is made.

Recommendation: We recommend that all invoices submitted for federal reimbursement contain proper approvals. Federal grant program reimbursement claims should be based on approved invoices with supporting documentation of allowable expenditures incurred attached. Reimbursement should not be requested until the claim has been paid. Existing internal controls should be evaluated for effectiveness and written policies and procedures developed where necessary to ensure compliance with applicable federal requirements in accordance with OMB Circular A-133.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Tim Richardson, Central Services Director

Corrective Action Planned:

Cass County will develop written procedures that will ensure that all invoices submitted for federal reimbursement contain proper approvals and that reimbursement requests are not submitted until the claim has been paid. Existing procedures will be evaluated and modified if needed.

Anticipated Completion Date:

October 31, 2012

11-5 Cash Management

Program: Energy Efficiency and Conservation Block Grant (EECBG) - ARRA (CFDA No. 81.128)

Criteria: OMB Circular A-133 requires that when entities are funded on a reimbursement basis, program costs must be paid for by the entity before federal reimbursement is requested. Requests must be based upon actual invoices approved and paid before completing a reimbursement request.

Condition: Cass County claimed reimbursement for the federal share of expenditures incurred by the project contractor in an amount of $30,888. Due to an error made by the contractor, the federal share of the invoiced amount was subsequently revised to $26,744, or a difference of $4,144. The grantor pass-through agency over-reimbursed the County by this amount. Subsequent reimbursement requests were not revised to reflect the difference. The County had incurred other eligible expenditures in an amount sufficient to earn the additional reimbursement; however, no documentation was provided to support whether any of the other eligible expenditures were ever submitted to the grantor agency for approval.

Questioned Costs: Potential over-reimbursement of $4,144.

Context: Of the fourteen invoices tested that comprised the population of expenditures incurred under the grant, one did not meet the federal cash management requirement that reimbursement be based upon actual expenditures incurred and paid.

Effect: The internal controls in place to insure reimbursements requests are based upon actual project expenditures incurred failed to operate effectively in this instance. The County has not complied properly with federal cash management requirements.

Cause: The grant program manager submitted the reimbursement request in June 2011 in order to receive reimbursement before the impending Minnesota governmental shutdown that occurred in July. The reimbursement request was hastily prepared in order to meet the state deadline and erroneously based on the original billing instead of the revised one. A revised reimbursement request was never submitted to the grantor agency.

Recommendation: We recommend that County internal controls be reviewed and strengthened over the preparation of grant reimbursement requests. Procedures should insure that reimbursement requests are prepared based upon actual expenditures incurred and supported by invoices or claims submitted for payment. Where an invoice was billed and paid in error, the County should submit a revised reimbursement request or adjust subsequent reimbursement requests to reflect the change. Other eligible expenditures sufficient to earn any over-reimbursed grant funds should be submitted to the grantor agency for approval as a part of the revised or subsequent reimbursement requests.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Tim Richardson, Central Services Director

Corrective Action Planned:

Cass County will review its procedures and internal controls that pertain to grant reimbursement requests. Preparation of the grant reimbursement shall be made with actual expenditures and supporting invoices. If an invoice error is found, an amended reimbursement request shall be filed. All appropriate documentation shall be kept in the grant file. The grant manager will contact the State for guidance in resolving this issue.

Anticipated Completion Date

October 31, 2012

11-6 Incomplete Grant File/Reporting

Program: Homeland Security Grant Program (CFDA No. 97.067)

Criteria: Each recipient of a federal grant award is required to maintain a complete grant file documenting expenditures of grant funds and allowable activities undertaken during the grant period. The file should be available for auditors to review to determine if the auditee has complied with the terms of the grant agreement and the requirements of OMB Circular A-133.

Condition: The grant file for the Homeland Security Grant Program was incomplete. The County is required to submit quarterly narrative progress reports to the grantor agency identifying activities undertaken to implement the required critical infrastructure and key resources program being developed to support public safety emergency responses to disasters. The grant file did not document that the County had filed timely progress reports as required.

Questioned Costs: None.

Context: Cass County entered into an agreement with the Arrowhead Region Emergency Management Association (AREMA) to act as fiscal agent for AREMA during the development of a Critical Infrastructure and Key Resources (CIKR) assessment for Region II of Northeastern Minnesota. Integrated Solutions Consulting, Inc., contracted with AREMA to provide assessment consulting services. Funding for the CIKR assessment was provided through a combination of several federal Homeland

Security grants. Cass County, as fiscal agent for other Region II members, received federal Homeland Security pass-through funds from the State of Minnesota necessary to accomplish this purpose. As the grantee, the County is responsible for compliance with all federal grant requirements, including those relating to submission of required performance reports to the pass-through agency and maintenance of a complete and accurate grant file documenting all grant related activities.

Effect: The grant file is incomplete. The County's Homeland Security Program grant file documentation does not contain evidence of activities supporting compliance with filing of timely and accurate performance reports.

Cause: The County's authorized representative had telephoned the required information to the pass-through agency but failed to document in the grant file the dates, time, and information provided. Copies of performance information reported were not obtained from the pass-through agency.

Recommendations: We recommend that the County contact the pass-through agency and request copies of the required performance reports necessary to form a complete grant file and document compliance with federal reporting requirements. A complete grant file should be maintained after grant closeout for the required time period thereafter. If reports are unobtainable, we recommend that the County document the reasons why. We also recommend that in the future, the County insure that grant files are complete and intact, document all grant program related activities, and contain evidence of submission of required reports to the grantor agency.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Kerry Swenson, Emergency Management Director

Corrective Action Planned:

Cass County will contact the pass-through agency and request copies of the performance reports necessary to form a complete grant file. If reports are unavailable, the County will document the reasons why. In the future, Cass County will develop procedures that will require Departments to assemble and maintain complete grant files.

Anticipated Completion Date

October 31, 2012

PREVIOUSLY REPORTED ITEM RESOLVED

Temporary Assistance For Needy Families (TANF) CFDA 93.558 (10-1)
Citizenship for a recipient under the TANF Home Visit program was not properly documented as required by program regulations.

Resolution
Current year testing did not detect any instances in which citizenship was not properly documented.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

11-7 Ratings on Collateral

Criteria: Minn. Stat. § 118A.03, subd. 2, requires local government general obligation bonds pledged as collateral to be rated A or better.

Condition: Bank Forward pledged two North Dakota local government general obligation bonds as collateral to secure the County's deposits held at that institution. These securities were not rated.

Context: Of the $323,116 pledged as collateral by Bank Forward, $247,453 consisted of unrated general obligation local government bonds.

Effect: Most of the collateral pledged by Bank Forward does not meet the statutory requirements of Minn. Stat.§ 118A.03, subd. 2.

Cause: The pledging bank was unaware of the Minnesota statutory requirement that the pledged collateral was required to be rated. The Bank's collateral reports do not include rating information, and the client did not follow up with the Bank to see if the collateral was properly rated.

Recommendation: We recommend that Cass County obtain different collateral from this bank that will meet the requirements of Minn. Stat. § 118A.03, subd. 2.

Client Response:

Cass County has obtained different collateral from Bank Forward that meet the requirements of Minn. Stat. § 118A.03, subd. 2. Cass County will continue to monitor the ratings of all local government general obligation bonds pledged as collateral by requesting the ratings at the time the collateral is furnished.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

08-2 Computer Risk Management/Business Continuity Plan

Criteria: Risk management begins with an assessment of the County's computer system to identify those risks that could negatively influence computer operations. Internal controls should be implemented to reduce the identified risks. Policies and procedures implemented should be documented in a well-maintained policies and procedures manual, which should be communicated to County staff. Staff adherence to these policies and procedures should be monitored. Because computer systems and associated risks are ever changing and only a part of the County's overall risk exposure, the County should develop a Business Continuity Plan (BCP) identifying potential risks in all areas of County operations, and procedures developed to minimize those risks. Periodic reassessment of the BCP should occur to ensure existing policies and procedures are still effective.

Condition: During 2010, Cass County undertook the development of a formal business continuity plan to identify and manage risks associated with its computer applications and other areas of business operations. In 2011, Cass County continued development of its BCP which included several formal training sessions conducted by the Rural Domestic Preparedness Consortium in cooperation with the Cass County Sheriff's Department to further evaluate its ability to respond to potential disasters and other risks.

Context: Cass County has implemented internal controls to manage risks associated with its various information technologies (IT) systems. However, risk management includes assessing all types of risks the County may be exposed to in all areas of County operations. All entities should develop a formal risk assessment process to analyze potential risks and develop internal controls and procedures to reduce identified risks.

Effect: A well-developed BCP can assist County management and governance in identifying potential risk exposure in the entity as a whole and develop policies and procedures to reduce those risks to an acceptable level.

Cause: Cass County is in the preliminary stages of developing a formal risk assessment process through creation and implementation of a BCP.

Recommendation: We commend Cass County on its efforts to develop a formal BCP and recommend that the County continue its progress in developing its plan to insure that policies, procedures, and internal controls are adequate to respond to potential risks identified in its BCP.

Client's Response:

Cass County is currently engaged in a Business Continuity Plan process. While not yet completed or implemented, County Departments have attended formal project meetings and a training workshop that provided a basis for the Plan. A draft plan is now complete and ready for review. The process is expected to be put on a higher priority level, and we aim for adoption at the end of 2013. New data protection devices, new procedures for restoring data, as well as providing for emergency power for critical operations, will be part of the plan.

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

Board of County Commissioners
Cass County

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cass County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Cass County Housing and Redevelopment Authority (HRA) and the Pine River Area Sanitary District (District), as described in our report on Cass County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-7, 08-3, 11-1, and 11-2 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

The results of our tests indicate that for the items tested, Cass County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 11-7.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

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

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

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

September 27, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Cass County

Compliance

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 its major federal programs for the year ended December 31, 2011. Cass County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Cass County's basic financial statements include the operations of the Cass County Housing and Redevelopment Authority (HRA) component unit, which expended $456,313 in federal awards during the year ended December 31, 2011, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Cass County HRA because it was audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cass County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Cass County complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 11-3, 11-5, and 11-6.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 11-3 through 11-6. 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 attention by those charged with governance.

Cass County's corrective action plans to the federal award findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plans and, accordingly, we express no opinion on them.

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

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

September 27, 2012