

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto  
State Auditor**

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**CASS COUNTY  
WALKER, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2006

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

The mission of the State Auditor's Office 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, 2006**



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

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**CASS COUNTY  
WALKER, MINNESOTA**

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**CASS COUNTY  
WALKER, MINNESOTA**

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**CASS COUNTY  
WALKER, MINNESOTA**

**ORGANIZATION  
AS OF DECEMBER 31, 2006**

		<u>Term Expires</u>
Elected		
Commissioners		
District I	James Demgen	January 2007
District II	Robert Kangas	January 2007
District III	Jeff Peterson	January 2009
District IV	James Dowson	January 2007
District V	Virgil Foster	January 2009
Attorney	Earl Maus	January 2007
Recorder	Kathryn Norby	January 2007
County Sheriff	Randy Fisher	January 2007
Appointed		
Administrator	Robert Yochum	November 2009
Assessor	Steven Kuha	December 2008
Auditor/Treasurer	Sharon K. Anderson	Indefinite
Building and Grounds Supervisor	Tom Emery	Indefinite
Highway Engineer	Dave Enblom	May 2009
Land Commissioner	Norm Moody	Indefinite
Medical Examiner	Michael B. McGee	January 2007
Environmental Services Health, Human and Veterans Services	John Sumption	Indefinite
Dorothy Opheim		Indefinite
Management Information Systems	Tim Richardson	Indefinite
Probation Office	Reno Wells	Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Cass County

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, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Cass County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Cass County Housing and Redevelopment Authority (HRA) and the Pine River Area Sanitary District (District), which comprise the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA and the District, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cass County as of and for the year ended

December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2007, on our consideration of Cass County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. It does not include the Cass County HRA and the Pine River Area Sanitary District, which were audited by other auditors.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 15, 2007

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

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**CASS COUNTY  
WALKER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006  
(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, 2006. 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, 2006, by \$121,540,262 (net assets). Of this amount, \$24,984,916 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of 2006, Cass County's governmental funds reported combined ending fund balances of \$38,199,585, an increase of \$4,232,605 in comparison with 2005. Of this balance amount, \$4,223,915 was unreserved and undesignated by Cass County, and thus available for spending at the government's discretion.

At the end of 2006, unreserved and undesignated fund balance for the General Fund was \$3,415,389, or 22.6 percent, of the total General Fund expenditures for that year.

Cass County's total debt decreased by \$125,813, or 100 percent during 2006. This debt consisted of Cass County's share (95 percent) of the Kitchigami Regional Library Note. The Kitchigami Regional Library Board opted to prepay their obligation to Cass County in February 2006, which allowed Cass County to pay the note in full and retire the debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Cass County basic financial statements. Cass County's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund 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 only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term

financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Fiduciary funds are used to account for resources held for the benefit of parties outside of Cass County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Cass County's own programs or activities. Cass County's fiduciary funds include taxes and penalties, State of Minnesota, school districts, towns and cities, Minnesota Counties Information Systems, and Mississippi Headwaters Board.

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Over time, net assets serve as a useful indicator of the County's financial position. Cass County's assets exceeded liabilities by \$121,540,262 at the close of 2006. The largest portion of Cass County's net assets (69 percent) reflects the County's investment in capital assets (land, buildings, equipment, and infrastructure such as roads and bridges), less any related debt used to acquire those assets (that is still outstanding). However, it should be noted that these assets are not available for future spending or for liquidating any remaining debt.

Fiscal year 2006 is the County's fourth year of reporting in accordance with Governmental Accounting Standards Board (GASB) Statement 34. Since four years of data now exist under GASB Statement 34, the County is able to present comparative analysis between the two most current years that will assist users in gaining a better understanding of the impact of the County's financial activities.

**Net Assets  
(in thousands)**

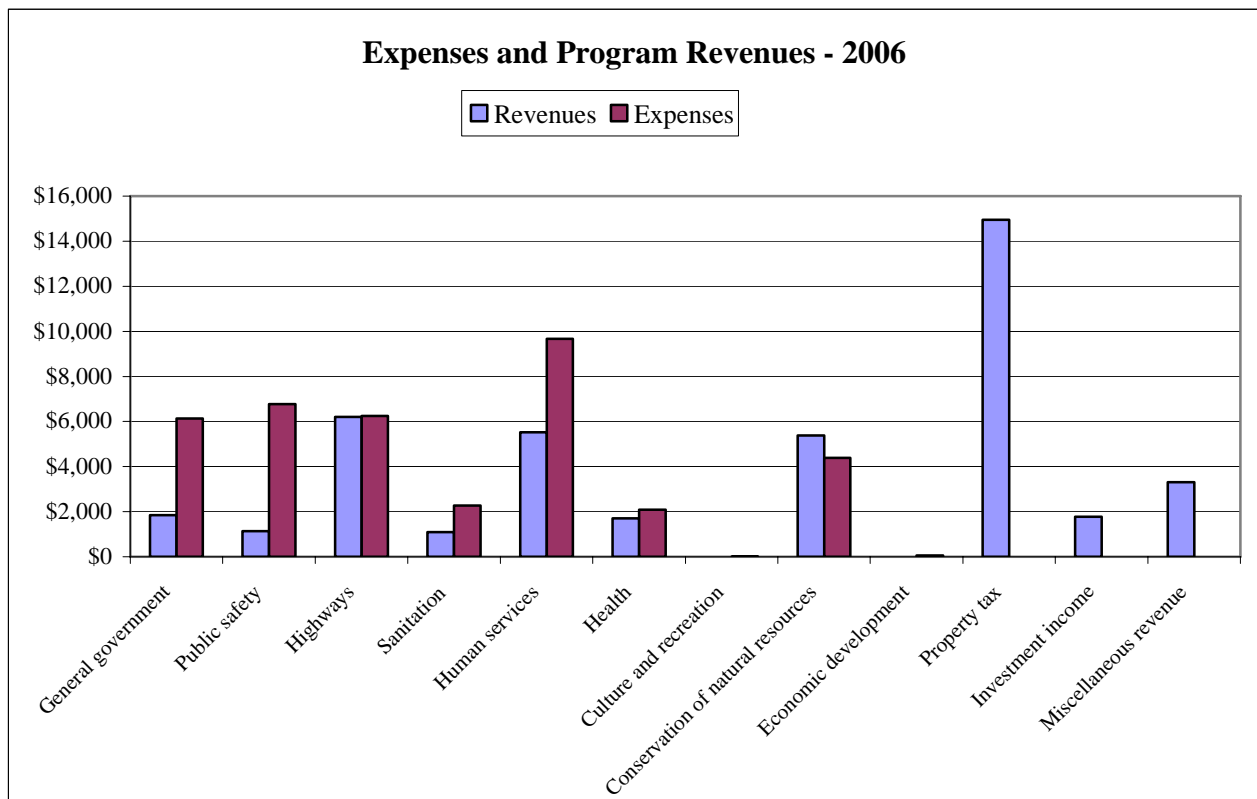
Governmental Activities	2006	2005
<b>Assets</b>		
Current and other assets	\$ 45,261	\$ 44,602
Capital assets	84,192	82,971
<b>Total Assets</b>	<b>\$ 129,453</b>	<b>\$ 127,573</b>
<b>Liabilities</b>		
Long-term liabilities	\$ 2,583	\$ 2,535
Other liabilities	5,330	6,851
<b>Total Liabilities</b>	<b>\$ 7,913</b>	<b>\$ 9,386</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 84,191	\$ 82,971
Restricted	12,364	12,590
Unrestricted	24,985	22,626
<b>Total Net Assets</b>	<b>\$ 121,540</b>	<b>\$ 118,187</b>

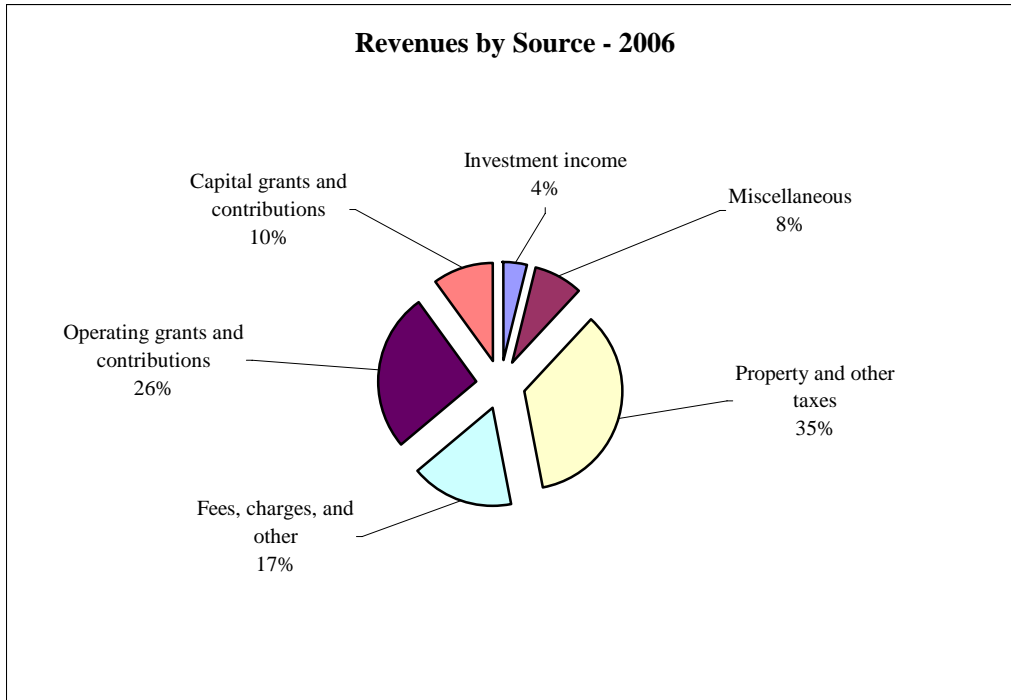
The unrestricted net assets amount of \$24,984,916 as of December 31, 2006, may be used to meet the County's ongoing obligations to citizens and creditors.

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

Governmental Activities	2006	2005
<b>Revenues</b>		
<b>Program revenues</b>		
Charges for services	\$ 7,365	\$ 9,434
Operating grants and contributions	11,284	9,532
Capital grants and contributions	4,230	4,330
<b>General revenues</b>		
Property taxes	14,951	13,730
Other	5,083	4,174
<b>Total Revenues</b>	<b>\$ 42,913</b>	<b>\$ 41,200</b>

Governmental Activities	2006	2005
Expenses		
General government	\$ 6,131	\$ 5,288
Public safety	6,776	6,341
Highways	6,243	5,456
Sanitation	2,275	2,037
Human services	9,665	9,841
Health	2,088	1,965
Culture and recreation	17	2
Conservation of natural resources	4,380	2,620
Economic development	56	34
Interest	-	1
<b>Total Expenses</b>	<b>\$ 37,631</b>	<b>\$ 33,585</b>
Increase in Net Assets	\$ 5,282	\$ 7,615
Net Assets - January 1 (Restated)	116,258	110,572
Net Assets - December 31	<u>\$ 121,540</u>	<u>\$ 118,187</u>





## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the County's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Cass County's governmental funds reported combined ending fund balances of \$38,199,585, an increase of \$4,232,605 in comparison with the prior year. Unreserved and undesignated fund balance, \$4,223,915 of the ending fund balance, may be available for spending at the County's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed for various reasons.

The General Fund is the chief operating fund for Cass County. At the end of the current fiscal year, it had an unreserved and undesignated fund balance of \$3,415,389. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. General Fund unreserved and undesignated fund balance represents 22.6 percent of total General Fund expenditures. In 2006, ending unreserved and undesignated fund balance in the General Fund increased by \$3,068,319. The primary reasons for this increase were the

increase in fund balance within the Road and Bridge Special Revenue Fund to meet the County's cash flow designation policy without assistance from the General Fund and better than expected revenues within the General Fund. The additional fund balance in the Road and Bridge Special Revenue Fund reduced the fund balance required to be designated for cash flow purposes in the General Fund, thereby increasing the General Fund unreserved and undesignated fund balance.

The Road and Bridge Special Revenue Fund's unreserved and undesignated fund balance of \$446,026 at year-end represents 5.46 percent of the fund's annual expenditures. Unreserved and undesignated fund balance increased \$415,730 during 2006, primarily due to revenues exceeding expenditures.

The Health and Human Services Special Revenue Fund's unreserved and undesignated fund balance of \$193,180 at year-end represents 1.64 percent of the fund's annual expenditures. Unreserved and undesignated fund balance decreased \$1,201,142 during 2006, primarily due to the designation of fund balance to cover the equity payments required for membership in the South Country Health Alliance. Cass County became a member in the joint powers organization in January 2007 to provide integrated medical services to eligible Medical Assistance and General Assistance program recipients within the County.

### **General Fund Budgetary Highlights**

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

Actual revenues exceeded budgeted revenues by \$2,711,726, primarily due to increased investment earnings and intergovernmental revenues over budget.

Actual expenditures did not exceed budgeted expenditures for the period ending December 31, 2006.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Cass County's capital assets for its governmental activities at December 31, 2006, totaled \$84,191,503 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The County's net capital assets increased \$1,221,041, or 1.47 percent, from the previous year. The major capital asset event was \$4.1 million gross investment in infrastructure for 2006.

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

	<u>2006</u>	<u>2005</u>
Land	\$ 2,083,316	\$ 1,846,582
Infrastructure	63,138,893	62,513,586
Buildings	12,750,035	12,727,255
Machinery and equipment	1,848,860	1,567,378
Construction in progress	<u>4,370,399</u>	<u>4,315,661</u>
Total	<u>\$ 84,191,503</u>	<u>\$ 82,970,462</u>

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

**Long-Term Debt**

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

**Outstanding Debt**

	<u>2006</u>	<u>2005</u>
General Obligation Library Note	<u>\$ -</u>	<u>\$ 125,813</u>

The County's debt related to general obligation bonds and notes decreased by \$125,813 (100 percent) during the fiscal year due to early payoff of the General Obligation Library Note.

Minnesota statutes limit the amount of debt a County may levy to two percent of its total market value. At the end of 2006, Cass County had no outstanding debt backed by the full faith and credit of the government.

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

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

The growth of Cass County's tax base at the end of 2006 was 16.7 percent over 2005. This growth in the tax base allows Cass County to have one of the lowest tax rates among neighboring counties. Demand for lakeshore and recreational land has continued to remain strong, which aids in the economic growth of the County.

By the end of 2006, Cass County approved its balanced 2007 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.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Units</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 34,818,342	\$ 242,822
Petty cash and change funds	2,591	-
Investments	4,603,650	-
Taxes receivable		
Prior - net	548,045	-
Special assessments receivable		
Prior - net	156,613	6,017
Accounts receivable - net	758,137	44,174
Long-term receivables	-	161,810
Accrued interest receivable	436,236	-
Due from other governments	1,814,866	-
Prepaid items	1,804,557	6,334
Inventories	318,405	-
Restricted assets		
Cash and pooled investments	-	162,280
Capital assets		
Nondepreciable	6,453,715	35,753
Depreciable - net of accumulated depreciation	77,737,788	2,972,123
<b>Total Assets</b>	<b>\$ 129,452,945</b>	<b>\$ 3,631,313</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 1,787,551	\$ 17,278
Salaries payable	545,085	8,305
Compensated absences payable - current	-	3,575
Contracts payable	141,465	-
Due to other governments	978,123	-
Accrued interest payable	-	4,349
Unearned revenue	64,632	-
Customer deposits - current	-	4,500
Other current liabilities	-	563
Advance from other governments	1,812,579	-
Long-term liabilities		
Due within one year	150,810	166,781
Due in more than one year	2,432,438	2,155,684
<b>Total Liabilities</b>	<b>\$ 7,912,683</b>	<b>\$ 2,361,035</b>

**CASS COUNTY  
WALKER, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Units</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 84,191,503	\$ 685,687
Restricted for		
General government	256,244	-
Public safety	2,714,800	-
Highways and streets	873,021	-
Conservation of natural resources	8,053,207	-
Capital projects	-	41,084
Debt service	154,289	-
Other purposes	312,282	-
Unrestricted	24,984,916	543,507
<b>Total Net Assets</b>	<b>\$ 121,540,262</b>	<b>\$ 1,270,278</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 6,131,256	\$ 1,627,557
Public safety	6,776,167	473,514
Highways and streets	6,243,124	432,967
Sanitation	2,274,972	1,092,896
Human services	9,665,370	36,363
Health	2,087,565	1,200,176
Culture and recreation	16,812	-
Conservation of natural resources	4,379,850	2,501,510
Economic development	55,605	-
<b>Total primary government</b>	<b>\$ 37,630,721</b>	<b>\$ 7,364,983</b>
<b>Component units</b>		
Housing and Redevelopment Authority	\$ 551,814	\$ 67,166
Pine River Area Sanitary District	401,623	362,343
<b>Total component units</b>	<b>\$ 953,437</b>	<b>\$ 429,509</b>
 <b>General Revenues</b>		
Property taxes		
Mortgage registry and deed tax		
Other taxes		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Unrestricted investment earnings		
Miscellaneous		
Gain on sale of capital assets		
<b>Total general revenues</b>		
 <b>Change in net assets</b>		
<b>Net Assets - Beginning (Restated, Note. 1.D.10.)</b>		
<b>Net Assets - Ending</b>		

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Units</b>
\$ 215,337	\$ -	\$ (4,288,362)	
657,256	-	(5,645,397)	
3,216,408	2,553,837	(39,912)	
-	-	(1,182,076)	
5,490,134	-	(4,138,873)	
500,301	-	(387,088)	
-	-	(16,812)	
1,205,356	1,676,150	1,003,166	
-	-	(55,605)	
<b>\$ 11,284,792</b>	<b>\$ 4,229,987</b>	<b>\$ (14,750,959)</b>	
\$ 461,513	\$ -		\$ (23,135)
-	94,190		54,910
<b>\$ 461,513</b>	<b>\$ 94,190</b>		<b>\$ 31,775</b>
		\$ 14,950,925	\$ -
		69,233	-
		23,165	-
		830,124	-
		2,022,770	-
		1,778,063	7,382
		297,647	-
		61,803	-
		<b>\$ 20,033,730</b>	<b>\$ 7,382</b>
		<b>\$ 5,282,771</b>	<b>\$ 39,157</b>
		<b>116,257,491</b>	<b>1,231,121</b>
		<b>\$ 121,540,262</b>	<b>\$ 1,270,278</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**CASS COUNTY  
WALKER, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 19,514,049	\$ 3,748,224
Petty cash and change funds	2,251	100
Undistributed cash in agency funds	155,156	38,547
Investments	-	-
Taxes receivable		
Prior	266,011	104,215
Special assessments receivable		
Prior	156,613	-
Accounts receivable	102,156	-
Accrued interest receivable	378,167	-
Due from other funds	377,539	10,108
Due from other governments	143,476	954,959
Inventories	-	318,405
Prepaid items	-	-
	<b>\$ 21,095,418</b>	<b>\$ 5,174,558</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,036,951	\$ 238,331
Salaries payable	287,064	69,208
Compensated absences - current	71,678	21,859
Contracts payable	-	141,465
Due to other funds	5,344	-
Due to other governments	25,000	2,843
Deferred revenue - unavailable	359,988	758,820
Deferred revenue - unearned	16,841	-
Advance from other governments	-	1,812,579
	<b>\$ 1,802,866</b>	<b>\$ 3,045,105</b>

**EXHIBIT 3**

<b>Health and Human Services</b>	<b>Forfeited Tax Sale</b>	<b>Environmental Trust</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,073,573	\$ 4,038,583	\$ 57,970	\$ 1,120,458	\$ 34,552,857
140	100	-	-	2,591
61,078	-	-	10,704	265,485
-	-	4,603,650	-	4,603,650
170,872	-	-	6,947	548,045
-	-	-	-	156,613
66,644	541,546	47,791	-	758,137
-	-	58,069	-	436,236
-	-	-	1,970	389,617
716,431	-	-	-	1,814,866
-	-	-	-	318,405
-	-	-	1,804,557	1,804,557
<b>\$ 7,088,738</b>	<b>\$ 4,580,229</b>	<b>\$ 4,767,480</b>	<b>\$ 2,944,636</b>	<b>\$ 45,651,059</b>
\$ 478,854	\$ 27,840	\$ 5,000	\$ 575	\$ 1,787,551
168,672	20,141	-	-	545,085
52,360	4,913	-	-	150,810
-	-	-	-	141,465
787	381,233	-	2,253	389,617
159,217	563,618	-	-	750,678
142,740	541,546	-	5,963	1,809,057
-	-	47,791	-	64,632
-	-	-	-	1,812,579
<b>\$ 1,002,630</b>	<b>\$ 1,539,291</b>	<b>\$ 52,791</b>	<b>\$ 8,791</b>	<b>\$ 7,451,474</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>(Continued)</b>		
<b>Fund Balances</b>		
Reserved for		
Prepaid items	\$ -	\$ -
Inventories	-	318,405
Missing heirs	29,029	-
Law library	49,642	-
Recorder's equipment	148,925	-
Recorder's compliance fund	57,677	-
Enhanced 911	177,410	-
Federal projects	283,253	-
Forestry development	-	-
Wetland activity	62,908	-
SSI/DAA fees	-	-
Birth/death certificates	-	-
Unreserved		
Designated for future expenditures	2,275,000	26,942
Designated for cash flows	8,494,698	1,338,080
Designated for uninsured claims	474,768	-
Designated for health insurance	1,389,524	-
Designated for PHP grant	-	-
Designated for South Country Health Alliance	-	-
Designated for petty cash funds	2,251	-
Designated for Follow Along Program grant	-	-
Designated for Minnesota Care Training grant	-	-
Designated for Drug and Alcohol Addiction fees	-	-
Designated for compensated absences	2,432,078	-
Undesignated	3,415,389	446,026
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service fund	-	-
Capital projects fund	-	-
<b>Total Fund Balances</b>	<b>\$ 19,292,552</b>	<b>\$ 2,129,453</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 21,095,418</b>	<b>\$ 5,174,558</b>

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

<b>Health and Human Services</b>	<b>Forfeited Tax Sale</b>	<b>Environmental Trust</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 1,804,557	\$ 1,804,557
-	-	-	-	318,405
-	-	-	-	29,029
-	-	-	-	49,642
-	-	-	-	148,925
-	-	-	-	57,677
-	-	-	-	177,410
-	-	-	-	283,253
-	3,040,938	4,545,369	-	7,586,307
-	-	-	-	62,908
6,683	-	-	-	6,683
140	-	-	-	140
-	-	-	-	2,301,942
4,793,094	-	-	-	14,625,872
-	-	-	-	474,768
-	-	-	-	1,389,524
4,007	-	-	-	4,007
1,060,000	-	-	-	1,060,000
-	-	-	-	2,251
16,346	-	-	-	16,346
6,329	-	-	-	6,329
6,329	-	-	-	6,329
-	-	-	-	2,432,078
193,180	-	169,320	-	4,223,915
-	-	-	244,166	244,166
-	-	-	154,289	154,289
-	-	-	732,833	732,833
<b>\$ 6,086,108</b>	<b>\$ 3,040,938</b>	<b>\$ 4,714,689</b>	<b>\$ 2,935,845</b>	<b>\$ 38,199,585</b>
<b>\$ 7,088,738</b>	<b>\$ 4,580,229</b>	<b>\$ 4,767,480</b>	<b>\$ 2,944,636</b>	<b>\$ 45,651,059</b>

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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, 2006**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>38,199,585</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		84,191,503
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. This adjustment is deferred revenue - unavailable, less amounts included in deferred revenue that will be paid to other governments when collected.</p>		
<p>Deferred revenue - unavailable</p>	\$ 1,809,057	
<p>Due to other governments</p>	<u>(227,445)</u>	1,581,612
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
<p>Compensated absences</p>		<u>(2,432,438)</u>
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>121,540,262</u></b>

**CASS COUNTY  
WALKER, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 6,868,870	\$ 2,841,551
Special assessments	1,668,172	-
Licenses and permits	87,343	-
Intergovernmental	3,739,761	6,052,691
Charges for services	2,798,971	415,655
Fines and forfeits	13,972	-
Gifts and contributions	158	-
Investment earnings	1,583,198	-
Miscellaneous	529,842	65,562
	<b>\$ 17,290,287</b>	<b>\$ 9,375,459</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 5,997,518	\$ -
Public safety	6,603,545	-
Highways and streets	-	8,175,888
Sanitation	2,242,437	-
Human services	-	-
Health	-	-
Culture and recreation	15,000	-
Conservation of natural resources	167,998	-
Economic development	55,605	-
<b>Capital outlay</b>	-	-
<b>Debt service</b>		
Principal	-	-
	<b>\$ 15,082,103</b>	<b>\$ 8,175,888</b>
<b>Total Expenditures</b>	<b>\$ 15,082,103</b>	<b>\$ 8,175,888</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 2,208,184</b>	<b>\$ 1,199,571</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 429,539	\$ 468,252
Transfers out	(574,636)	-
	<b>\$ (145,097)</b>	<b>\$ 468,252</b>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (145,097)</b>	<b>\$ 468,252</b>
<b>Net Change in Fund Balances</b>	<b>\$ 2,063,087</b>	<b>\$ 1,667,823</b>
<b>Fund Balances - January 1</b>	<b>17,229,465</b>	<b>394,346</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>67,284</b>
<b>Fund Balances - December 31</b>	<b>\$ 19,292,552</b>	<b>\$ 2,129,453</b>

**EXHIBIT 5**

<b>Health and Human Services</b>	<b>Forfeited Tax Sale</b>	<b>Environmental Trust</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,482,171	\$ -	\$ -	\$ 811,213	\$ 15,003,805
-	-	-	-	1,668,172
8,210	-	-	-	95,553
6,102,746	365,953	-	141,007	16,402,158
905,750	-	-	2,646	4,123,022
-	-	-	-	13,972
1,559	13,834	-	-	15,551
-	-	193,613	1,252	1,778,063
322,579	2,401,612	10,542	161,749	3,491,886
<b>\$ 11,823,015</b>	<b>\$ 2,781,399</b>	<b>\$ 204,155</b>	<b>\$ 1,117,867</b>	<b>\$ 42,592,182</b>
\$ 152,731	\$ -	\$ -	\$ 23,350	\$ 6,173,599
-	-	-	33,143	6,636,688
-	-	-	136,367	8,312,255
-	-	-	492	2,242,929
9,581,171	-	-	-	9,581,171
2,079,160	-	-	-	2,079,160
-	-	-	-	15,000
-	2,595,491	-	-	2,763,489
-	-	-	-	55,605
-	-	34,835	406,317	441,152
-	-	-	125,813	125,813
<b>\$ 11,813,062</b>	<b>\$ 2,595,491</b>	<b>\$ 34,835</b>	<b>\$ 725,482</b>	<b>\$ 38,426,861</b>
<b>\$ 9,953</b>	<b>\$ 185,908</b>	<b>\$ 169,320</b>	<b>\$ 392,385</b>	<b>\$ 4,165,321</b>
\$ 97,538	\$ 8,846	\$ -	\$ 1,970	\$ 1,006,145
(480)	(431,029)	-	-	(1,006,145)
<b>\$ 97,058</b>	<b>\$ (422,183)</b>	<b>\$ -</b>	<b>\$ 1,970</b>	<b>\$ -</b>
<b>\$ 107,011</b>	<b>\$ (236,275)</b>	<b>\$ 169,320</b>	<b>\$ 394,355</b>	<b>\$ 4,165,321</b>
<b>5,979,097</b>	<b>3,277,213</b>	<b>4,545,369</b>	<b>2,541,490</b>	<b>33,966,980</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,284</b>
<b>\$ 6,086,108</b>	<b>\$ 3,040,938</b>	<b>\$ 4,714,689</b>	<b>\$ 2,935,845</b>	<b>\$ 38,199,585</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 4,165,321**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. Included in deferred revenue are timber sales receivable, that when received will be paid to other governments. On the government-wide financial statements, these are reported as due to other governments. The adjustment to revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.

December 31		
Deferred revenue - unavailable	\$ 1,809,057	
Less: timber sales	(227,445)	
January 1		
Deferred revenue - unavailable	(4,806,330)	
Less: timber sales	1,158,039	
	(2,066,679)	(2,066,679)

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

Expenditures for general capital assets and infrastructure	\$ 5,492,191	
Current year depreciation	(2,341,836)	3,150,355
	3,150,355	3,150,355

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
General obligation notes		125,813

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	\$ (159,323)	
Change in inventories	67,284	(92,039)
	(92,039)	(92,039)

**Change in net assets of governmental activities (Exhibit 2) \$ 5,282,771**

**FIDUCIARY FUNDS**

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**CASS COUNTY  
WALKER, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2006**

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,389,410
Petty cash and change funds	<u>440</u>
<b>Total Assets</b>	<b><u>\$ 1,389,850</u></b>
<b><u>Liabilities</u></b>	
Salaries payable	\$ 31,466
Due to other governments	1,261,707
Prepaid taxes	<u>96,677</u>
<b>Total Liabilities</b>	<b><u>\$ 1,389,850</u></b>

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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, 2006**

	<b>Housing and Redevelopment Authority</b>	<b>Pine River Area Sanitary District</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 224,003	\$ 18,819	\$ 242,822
Special assessments - prior	-	6,017	6,017
Accounts receivable - net	26,740	17,434	44,174
Prepaid items	3,838	2,496	6,334
<b>Total current assets</b>	<b>\$ 254,581</b>	<b>\$ 44,766</b>	<b>\$ 299,347</b>
<b>Restricted assets</b>			
Cash and pooled investments	\$ -	\$ 162,280	\$ 162,280
<b>Noncurrent assets</b>			
Long-term receivables	\$ 161,810	\$ -	\$ 161,810
Capital assets			
Nondepreciable	25,753	10,000	35,753
Depreciable - net	466,581	2,505,542	2,972,123
<b>Total noncurrent assets</b>	<b>\$ 654,144</b>	<b>\$ 2,515,542</b>	<b>\$ 3,169,686</b>
<b>Total Assets</b>	<b>\$ 908,725</b>	<b>\$ 2,722,588</b>	<b>\$ 3,631,313</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 3,968	\$ 13,310	\$ 17,278
Salaries payable	1,435	6,870	8,305
Compensated absences payable - current	909	2,666	3,575
Accrued interest payable	-	4,349	4,349
Customer deposits - current	4,500	-	4,500
Notes payable - current	-	166,781	166,781
Other current liabilities	563	-	563
<b>Total current liabilities</b>	<b>\$ 11,375</b>	<b>\$ 193,976</b>	<b>\$ 205,351</b>
<b>Noncurrent liabilities</b>			
Loans payable	\$ 77,333	\$ -	\$ 77,333
General obligation notes payable - long-term	-	2,073,726	2,073,726
Other noncurrent liabilities	4,625	-	4,625
<b>Total noncurrent liabilities</b>	<b>\$ 81,958</b>	<b>\$ 2,073,726</b>	<b>\$ 2,155,684</b>
<b>Total Liabilities</b>	<b>\$ 93,333</b>	<b>\$ 2,267,702</b>	<b>\$ 2,361,035</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**EXHIBIT 8  
(Continued)**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2006**

	<b>Housing and Redevelopment Authority</b>	<b>Pine River Area Sanitary District</b>	<b>Total</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 415,001	\$ 270,686	\$ 685,687
Restricted for capital projects	-	41,084	41,084
Unrestricted	400,391	143,116	543,507
<b>Total Net Assets</b>	<b>\$ 815,392</b>	<b>\$ 454,886</b>	<b>\$ 1,270,278</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b>Component units</b>		
Housing and Redevelopment Authority	\$ 551,814	\$ 67,166
Pine River Area Sanitary District	401,623	362,343
	<b>\$ 953,437</b>	<b>\$ 429,509</b>
	<b>General Revenues</b>	
	Investment income	
	<b>Change in net assets</b>	
	<b>Net Assets - Beginning</b>	
	<b>Net Assets - Ending</b>	

**EXHIBIT 9**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Housing and Redevelopment Authority</b>	<b>Pine River Area Sanitary District</b>	<b>Total</b>
\$ 461,513	\$ -	\$ (23,135)	\$ -	\$ (23,135)
-	94,190	-	54,910	54,910
<b>\$ 461,513</b>	<b>\$ 94,190</b>	<b>\$ (23,135)</b>	<b>\$ 54,910</b>	<b>\$ 31,775</b>
		4,479	2,903	7,382
		<b>\$ (18,656)</b>	<b>\$ 57,813</b>	<b>\$ 39,157</b>
		<b>834,048</b>	<b>397,073</b>	<b>1,231,121</b>
		<b>\$ 815,392</b>	<b>\$ 454,886</b>	<b>\$ 1,270,278</b>

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**CASS COUNTY  
WALKER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Unit

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units

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

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

Joint Ventures

The County participates in several joint ventures described in Note 4.D. The County also participates in a jointly-governed organization described in Note 4.E.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

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

Additionally, the County reports the following fund types:

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.

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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, 2006, 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 2006 were \$1,583,198.

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Deposits and Investments

Cass County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

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

All other outstanding balances between funds are reported as "due to/from other funds."

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

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

4. Inventories and Prepaid Items

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

**CASS COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Inventories and Prepaid Items (Continued)

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. Compensated Absences

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

7. Deferred Revenue

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

8. Long-Term Obligations

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Fund Equity

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

10. Restatement of Beginning Net Assets

Beginning net assets in the government-wide statement of activities were restated to correct for an error in the prior year that occurred in the reporting of infrastructure.

Net Assets - January 1	\$ 118,186,805
Restatement	<u>(1,929,314)</u>
Net Assets - January 1, Restated	<u>\$ 116,257,491</u>

11. 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.

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 34,818,342
Petty cash and change funds	2,591
Investments	4,603,650
Discretely presented component unit	
Cash and pooled investments	242,822
Restricted cash and pooled investments	162,280
Statement of fiduciary net assets	
Cash and pooled investments	1,389,410
Petty cash and change funds	440
Total Cash and Investments	\$ 41,219,535

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest 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, revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have 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, 2006, the County's deposits were fully covered by insurance, surety bonds, and collateral, and were not exposed to custodial credit risk.

The Pine River Area Sanitary District component unit's bank balance of \$180,803 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	
Component unit	\$ 37,281

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**CASS COUNTY  
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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

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

Credit Risk

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

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. Of the County's investments at December 31, 2006, \$493,438 was held by the counterparty, or by its trust department or agent, but not in the County's name.

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2006, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association Pool	AAA	Moody's/S&P		03/02/2007	\$ 498,200
Federal National Mortgage Association Pool	AAA	Moody's		02/23/2010	198,840
Federal National Mortgage Association Pool	AAA	Moody's/S&P		10/11/2016	455,999
Federal National Mortgage Association Pool	AAA	Moody's/S&P		12/05/2016	299,064
Federal National Mortgage Association Pool	AAA	Moody's/S&P		09/27/2021	394,876
Total Federal National Mortgage Association Pools			<5%		\$ 1,846,979
Federal Home Loan Mortgage Corporation Note	AAA	Moody's		07/13/2007	\$ 496,735
Federal Home Loan Mortgage Corporation Note	AAA	Moody's		02/25/2008	917,646
Federal Home Loan Mortgage Corporation Note	AAA	Moody's		03/01/2009	204
Federal Home Loan Mortgage Corporation Note	AAA	Moody's		11/09/2016	249,038
Federal Home Loan Mortgage Corporation Note				10/15/2017	496,563
Total Federal Home Loan Mortgage Corporation Notes			<5%		\$ 2,160,186

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		01/09/2007	\$ 500,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		01/26/2007	500,155
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		02/09/2007	499,690
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		02/28/2007	499,845
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		03/08/2007	499,700
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		04/12/2007	299,157
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		04/20/2007	499,845
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		04/25/2007	249,452
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		05/24/2007	148,761
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/01/2007	496,300
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/12/2007	499,850
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/22/2007	497,100
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/10/2007	493,680
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/17/2007	493,525
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/21/2007	499,845
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/05/2007	499,690
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		11/09/2007	246,985
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		11/28/2007	493,150
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/24/2007	295,929
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/28/2007	494,800
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		03/24/2008	295,860
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		04/08/2008	590,730
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/19/2008	496,350
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/29/2008	1,226,388
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		08/11/2008	199,438
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		08/13/2008	490,245
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/15/2008	294,540
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/15/2008	500,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/16/2008	123,788
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/19/2008	493,900
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/29/2008	300,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		04/02/2009	300,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		05/08/2009	299,906
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		08/19/2009	592,710
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		08/26/2009	246,870
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/09/2009	595,680
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/18/2009	497,900
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/05/2009	499,219
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/15/2009	146,295
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		10/26/2009	249,766
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/08/2009	497,500
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		03/30/2010	394,524
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		08/23/2010	98,781
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/30/2010	295,200
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/10/2010	501,250
Federal Home Loan Bank Bonds	AAA	S&P		06/29/2011	501,400

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		09/29/2001	249,375
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		12/29/2011	150,000
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		08/20/2012	496,550
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		05/01/2013	489,225
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		05/14/2013	244,378
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		05/22/2013	435,659
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/12/2013	677,257
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/19/2013	193,752
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/26/2013	664,580
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/26/2013	714,848
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		06/26/2013	714,848
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/09/2013	485,250
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/16/2013	190,502
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/17/2013	724,695
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/24/2013	966,260
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		08/12/2013	475,940
Federal Home Loan Bank Bonds	AAA	Moody's/S&P		07/16/2018	472,031
Total Federal Home Loan Bank Bonds			67.4%		\$ 27,780,849
Federal Home Loan Bank Repurchase Agreement Federal Home Loan Bank					\$ 493,438
Negotiable certificates of deposit					
Westernbank Puerto Rico	N/A	N/A	<5%	04/16/2007	\$ 97,623
Commercial Bank of Crawford	N/A	N/A	<5%	06/07/2007	96,940
Washington Mutual Bank	N/A	N/A	<5%	06/07/2007	96,940
Bridgeview Bank	N/A	N/A	<5%	06/11/2007	97,804
Amcore Bank	N/A	N/A	<5%	06/15/2007	97,804
Pacific Capital Bank	N/A	N/A	<5%	06/25/2007	97,804
Pennsylvania Federal Saving Bank	N/A	N/A	<5%	06/25/2007	97,804
Bank of Little Rock	N/A	N/A	<5%	08/03/2007	97,284
Madison Community Bank	N/A	N/A	<5%	11/30/2007	96,429
Shore Bank Illinois	N/A	N/A	<5%	06/09/2008	94,547
LaSalle Bank	N/A	N/A	<5%	09/24/2008	94,084
New South Federal Savings Step Up CD	N/A	N/A	<5%	08/18/2009	94,084
Standard Federal Bank-Troy, Michigan	N/A	N/A	<5%	01/26/2011	91,890
M&I Bank	N/A	N/A	<5%	12/20/2012	95,532
Waypoint Bank	N/A	N/A	<5%	07/08/2013	95,479
Great Southern Bank	N/A	N/A	<5%	10/30/2013	94,393
Total negotiable certificates of deposit					\$ 1,536,441

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Total investments					\$ 33,817,893
Deposits - Primary Government					6,993,949
Deposits - Component Unit					405,102
Petty cash					2,591
Total Cash and Investments					<u>\$ 41,219,535</u>

N/A - Not Applicable

2. Receivables

Receivables as of December 31, 2006, 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	\$ 548,045	\$ -
Special assessments	156,613	-
Due from other governments	1,814,866	-
Accounts	758,137	-
Interest	436,236	-
Total Governmental Activities	<u>\$ 3,713,897</u>	<u>\$ -</u>

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Restatement	Increase	Decrease	Ending Balance
Capital assets not depreciated					
Land	\$ 1,846,582	\$ -	\$ 236,734	\$ -	\$ 2,083,316
Construction in progress	4,315,661	-	981,297	926,559	4,370,399
<b>Total capital assets not depreciated</b>	<b>\$ 6,162,243</b>	<b>\$ -</b>	<b>\$ 1,218,031</b>	<b>\$ 926,559</b>	<b>\$ 6,453,715</b>
Capital assets depreciated					
Buildings	\$ 18,503,748	\$ -	\$ 398,852	\$ -	\$ 18,902,600
Machinery, furniture, and equipment	4,505,566	-	646,971	233,463	4,919,074
Infrastructure	79,397,415	(1,929,314)	4,154,896	-	81,622,997
<b>Total capital assets depreciated</b>	<b>\$ 102,406,729</b>	<b>\$ (1,929,314)</b>	<b>\$ 5,200,719</b>	<b>\$ 233,463</b>	<b>\$ 105,444,671</b>
Less: accumulated depreciation for					
Buildings	\$ 5,776,493	\$ -	\$ 376,072	\$ -	\$ 6,152,565
Machinery, furniture, and equipment	2,938,188	-	365,489	233,463	3,070,214
Infrastructure	16,883,829	-	1,600,275	-	18,484,104
<b>Total accumulated depreciation</b>	<b>\$ 25,598,510</b>	<b>\$ -</b>	<b>\$ 2,341,836</b>	<b>\$ 233,463</b>	<b>\$ 27,706,883</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 76,808,219</b>	<b>\$ (1,929,314)</b>	<b>\$ 2,858,883</b>	<b>\$ -</b>	<b>\$ 77,737,788</b>
<b>Capital Assets, Net</b>	<b>\$ 82,970,462</b>	<b>\$ (1,929,314)</b>	<b>\$ 4,076,914</b>	<b>\$ 926,559</b>	<b>\$ 84,191,503</b>

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

Governmental Activities	
General government	\$ 60,756
Public safety	104,836
Highways and streets, including depreciation of infrastructure assets	1,941,896
Health and human services	49,430
Sanitation	33,852
Culture and recreation	1,812
Conservation of natural resources	149,254
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 2,341,836</b>

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds (Continued)

A. Capital Assets (Continued)

As of January 1, 2006, the County determined that the capital asset balance in the government-wide statement of net assets was overstated because of the inclusion of right-of-way in infrastructure in the prior year resulting in a restatement of the beginning balance.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Forfeited Tax Sale	\$ 377,059
	Health and Human Services	480
		\$ 377,539
Total Due to General Fund		
Road and Bridge	General	\$ 5,344
	Health and Human Services	307
	Forfeited Tax Sale	2,204
	Other governmental	2,253
		\$ 10,108
Total Due to Road and Bridge Fund		
Other governmental	Forfeited Tax Sale	\$ 1,970
Total Due To/From Other Funds		\$ 389,617

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfers to General Fund from Health and Human Services Fund	\$ 480	Self-insurance payments
Forfeited Tax Sale	429,059	Forfeited tax sale distribution and self-insurance payments
Total transfers to General Fund	\$ 429,539	
Transfers to Road and Bridge Fund from General Fund	468,252	Providing funds for capital outlay
Transfers to Human Services Fund from General Fund	97,538	Senior transportation program and self-insurance payments
Transfers to Forfeited Tax Sale Fund from General Fund	8,846	Self-insurance payments
Transfers to nonmajor governmental funds from Forfeited Tax Sale Fund	1,970	Forfeited tax sale distribution
Total Interfund Transfers	\$ 1,006,145	

C. Liabilities

1. Other Postemployment Benefits - Retirees

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.

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

C. Liabilities

1. Other Postemployment Benefits - Retirees (Continued)

As of year-end, the County has 98 eligible participants for health insurance and 104 eligible participants for life insurance. During 2006, the County expended \$679,937 for these benefits.

2. MSRS Health Care Savings Plan

In January 2006, Cass County's Board of Commissioners approved a Health Care Savings Plan (HCSP) administered by the Minnesota State Retirement System (MSRS). The plan is authorized under the Laws of Minnesota 2001, Chapter 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 employee in Minnesota if they are covered under certain public service retirement plans.

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

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

- (a) 100 percent of eligible sick leave severance upon termination and
- (b) 100 percent of eligible vacation severance upon termination.

**CASS COUNTY  
WALKER, MINNESOTA**

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2. Detailed Notes on All Funds

C. Liabilities

2. MSRS Health Care Savings Plan (Continued)

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

3. Advance From Other Agencies

The Minnesota Department of Transportation (MnDOT) has advanced to the County a portion of future years' regular and municipal construction allotment funds for the purpose of financing current County state-aid projects. The balance of \$1,812,579 reported in the County's financial statements as Advance From Other Agencies represents funds received from MnDOT that will be recognized as revenue in the year the allotments normally would have accrued. As a result, the County anticipates receiving one-half of its normal construction and municipal allotments during years 2007 and 2008, respectively.

3. Long-Term Debt

Notes Payable

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2006
1999 G.O. Joint Library Notes	2006	\$35,947	-	\$ 305,545	\$ -

**CASS COUNTY  
WALKER, MINNESOTA**

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation note	\$ 125,813	\$ -	\$ 125,813	\$ -	\$ -
Compensated absences	2,408,757	1,414,016	1,239,525	2,583,248	150,810
Governmental Activities					
Long-Term Liabilities	<u>\$ 2,534,570</u>	<u>\$ 1,414,016</u>	<u>\$ 1,365,338</u>	<u>\$ 2,583,248</u>	<u>\$ 150,810</u>

5. Construction Commitments

In March 2006, Cass County entered into an agreement with Crow Wing County to fund the construction of a Crow Wing County jail annex to meet its projected County inmate bed requirements. The annex will be designed to house a maximum of 60 inmates from Cass County. Cass County will be responsible for all costs associated with the design and construction of the annex. The current cost estimate for the annex is \$2,000,000.

Upon completion, Crow Wing County will assume ownership. Crow Wing County will provide all related jail services for Cass County inmates. Cass County will reimburse Crow Wing County for the cost of services provided at the current daily, contracted per diem rate in effect at that time. Any additional costs incurred in the provision of inmate health and welfare services will also be borne by Cass County. The housing portion of the agreement is effective for ten years commencing on the date the facility becomes available. Construction costs are being recorded as a prepaid item, which will be expensed over the ten years. Cass County anticipates it can begin housing inmates in January 2007.

The contract commitment on this project at December 31, 2006, was:

	<u>Estimated Cost</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Capital Projects Fund	<u>\$ 2,000,000</u>	<u>\$ 1,804,557</u>	<u>\$ 195,443</u>

**CASS COUNTY  
WALKER, MINNESOTA**

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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). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all Public Employees Retirement Fund members 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. 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.

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007:

	2006	2007
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2006	\$ 610,287	\$ 183,073	\$ 73,708
2005	535,358	156,223	67,204
2004	517,871	131,735	60,441

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

**CASS COUNTY  
WALKER, MINNESOTA**

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3. Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2006, 2005, and 2004, were \$6,360, \$6,238, and \$6,047, respectively, equal to the contractually required contributions for each year as set by state statute.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$390,000 per claim in 2006 and \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

Employee medical and short-term disability insurance coverage is accounted for in the General Fund of the County. Costs include medical coverage for employees, dependents, and retirees, and short-term disability coverage for employees. Costs also include charges for claims management by a third-party administrator. Premiums are based on an actuarial study by the third-party administrator and include a provision for expected future catastrophic losses; the premiums also include a provision for administrative costs and stop-loss insurance. The County carries individual specific stop-loss insurance for claims that exceed \$150,000 per year per employee contract, or 125 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. A claims liability is included in the General Fund accounts payable at year-end.

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

	Year Ended December 31	
	2006	2005
Unpaid claims, beginning of fiscal year	\$ 178,139	\$ 136,580
Incurred claims (including IBNRs)	3,681,438	3,151,467
Claims payments	(3,143,174)	(3,109,908)
Unpaid Claims, End of Fiscal Year	\$ 716,403	\$ 178,139

**CASS COUNTY  
WALKER, MINNESOTA**

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

B. Contingent Liabilities

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

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

C. Tax-Forfeited Land

The County manages approximately 253,700 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to cities, towns, and school districts within the County according to state statute.

D. Joint Ventures

Northwestern Minnesota Juvenile Center

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

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwestern Minnesota Juvenile Center (Continued)

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

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. No payments were required from Cass County during 2006. Beltrami County, in an agent capacity, reports the cash transactions of the Center as an agency fund on its financial statements. Complete financial information can be obtained from:

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

Minnesota Counties Information Systems (MCIS)

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

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

A summary of the financial information of MCIS's funds for the fiscal year ended December 31, 2004 (the most recent available), was:

Total Assets	\$	630,562
Total Liabilities		240,172
Total Fund Equity		390,390
Total Revenues		2,193,747
Total Expenses		2,114,231
Increase (Decrease) in Fund Equity		79,516

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Minnesota Counties Information Systems (MCIS) (Continued)

Separate financial information can be obtained from:

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

Mississippi Headwaters Board

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

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

Complete financial information can be obtained from:

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

Northwest Minnesota Household Hazardous Waste Management Group

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

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

The governing body of the Waste Management Group is composed of one County Commissioner from each of the member counties. Responsibility for budgeted expenditures is shared, with 50 percent divided on a population-ratio basis. In the event of dissolution of the Waste Management Group, the net 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 \$8,066 to the Waste Management Group in 2006. 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

Paul Bunyan Task Force

The Paul Bunyan Task Force was established July 16, 1992, under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Beltrami, Clearwater, Hubbard, Lake of the Woods, Pennington, and Red Lake Counties; the Leech Lake Band of Ojibwe; and the Cities of Bemidji and Thief River Falls. On August 1, 2000, Cass County joined this organization. The purpose of the Task Force is to assist member organizations in the investigation and prosecution of persons in violation of Minnesota statutes.

Control of the Paul Bunyan Task Force is established by a majority vote represented with one vote from each member organization.

In the event of dissolution of the Paul Bunyan Task Force, the net assets shall be liquidated to the member organizations based upon the percentage of population of all member counties and cities.

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

D. Joint Ventures

Paul Bunyan Task Force (Continued)

The Paul Bunyan Task Force has no long-term debt. Financing is provided by the profits from forfeitures and seizures pursuant to Minn. Stat. § 609.531. Cass County provided no cash contributions to the Paul Bunyan Task Force in 2006, but paid for the salary and benefits of one officer of the Paul Bunyan Task Force, which amounted to \$64,305. The City of Bemidji, in an agent capacity, reports the cash transactions of the Paul Bunyan Task Force on its financial statements. Complete financial information can be obtained from:

City of Bemidji, Administrative Offices  
City Hall  
317 - 4th Street N.W.  
Bemidji, Minnesota 56601

As of May 1, 2007, Cass County officially withdrew from membership in the Paul Bunyan Task Force.

Central Minnesota Emergency Medical Services Region

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

Complete financial information can be obtained from:

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

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

D. Joint Ventures (Continued)

Rural Fire Association

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

In the event of the withdrawal by any member, their investment shall be forfeited, except by a three-quarters vote of the entire Joint Powers Board. Any such investment may not be withdrawn until the end of the calendar year of withdrawal. Cass County paid the Cass Lake Volunteer Rural Fire Association \$5,816 in 2006.

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.

F. Subsequent Events

South Country Health Alliance

Cass County entered into an agreement with the South Country Health Alliance (SCHA) in order to provide integrated medical services to eligible Medical Assistance and General Assistance program recipients within the County. SCHA is a multi-county joint powers board currently composed of nine Minnesota counties. SCHA was created in 2001 and is organized under Minn. Stat. §§ 256B.692 and 471.51, and applicable

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

F. Subsequent Events

South Country Health Alliance (Continued)

state and federal laws. SCHAs are treated as a health-maintenance organization under Minn. Stat. ch. 62D. Its purpose is to coordinate and integrate health care services through the use of a single-care delivery system instead of multiple-managed health care plans.

SCHA admission requires completion of a “Due Diligence” study in which the feasibility of an applicant’s potential membership in SCHAs is evaluated. Cass County successfully completed the Due Diligence review and is considered eligible for membership. On June 12, 2006, the SCHAs Board of Directors approved the membership of Cass County, along with Crow Wing, Morrison, Todd, and Wadena Counties. On June 20, 2006, the Cass County Board approved the SCHAs membership agreement.

Resolution 33-06 adopted June 6, 2006, requested that the Minnesota Department of Human Services (DHS) award SCHAs a single-plan managed care contract for Cass County enrollees. The County has received SCHAs membership approval, which will be effective as of January 1, 2007. SCHAs will require the County to make a capital contribution of \$1,437,511 as a membership fee due on January 1, 2007. SCHAs offers new applicants the option of making semi-annual payments over a four-year period. The installments are due on June 30 and December 31 of each year. Simple interest will accrue on the installments based upon the Wall Street Journal prime rate in effect at each payment due date.

Ah-Gwah-Ching Land Sale

On July 3, 2007, the Cass County Board of Commissioners approved entering into a purchase agreement with the State of Minnesota for the purpose of acquiring and redeveloping the former Ah-Gwah-Ching (AGC) treatment center site. Under the 2005 Laws of Minnesota ch. 20, Art. I, Sec. 46, subd. 3, the Commissioner of Administration is authorized to convey to Cass County for no consideration the AGC property. The terms of the agreement call for the County to purchase the entire site, except for a 55-acre tract which will be transferred to the Minnesota Department of Natural Resources.

**CASS COUNTY  
WALKER, MINNESOTA**

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4. Summary of Significant Contingencies and Other Items

F. Subsequent Events

Ah-Gwah-Ching Land Sale (Continued)

The 2003 Legislature authorized the DHS to collaborate with local government entities to complete a comprehensive redevelopment plan for the future use of the AGC campus vacated as a result of further expansion of community-based care. The comprehensive plan calls for the state to fund site preparation and demolition of buildings and infrastructure to implement redevelopment and reuse of the former facility through a \$4,000,000 grant. To facilitate the redevelopment, on July 3, 2006, the County Board of Commissioners also approved entering into a joint powers agreement with the state, authorized under Minn. Stat. § 471.59, subd. 10, for funding architectural, engineering, and abatement design studies in an amount of \$277,500. The County will be reimbursed for these costs from the proceeds of the authorized grant.

A portion of the property acquired by the County will be used to develop an integrated health care campus. Benedictine Health Systems has contracted with the County to oversee the feasibility and development of the health care campus. The County has tentative plans to construct a new courthouse campus and law enforcement center on the remainder of the property. Tentative closing date of the sale is November 1, 2007, contingent on the results of hazardous waste assessments; projected building and infrastructure demolition costs; results of the feasibility of developing a health care facility; approval of grant funding; obtaining an easement over a part of the Department on Natural Resources tract for view, access and recreation; and initiation of annexation of the property into the City of Walker.

**CASS COUNTY  
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5. Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entities

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

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

Measurement Focus and Basis of Accounting

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

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits

The HRA's cash balances are combined (pooled) and deposited in depositories authorized by Minnesota statutes. The cash balances are classified as either cash or restricted cash. The HRA's restricted cash balances represent 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 payment on outstanding long-term debt. Interest earned on cash balances is allocated to cash and restricted cash balances.

**CASS COUNTY  
WALKER, MINNESOTA**

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5. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits (Continued)

The District's cash balances are combined (pooled) and deposited in depositories authorized by Minnesota statutes. The cash balances are classified as either cash or restricted cash. The District's 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 payment 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:

	Pine River Area Sanitary District	Cass County HRA
Government-wide statement of net assets		
Business-type activities		
Cash	\$ 18,519	\$ 120,123
Petty cash	300	-
Restricted assets		
Cash	162,280	-
Investments	-	103,880
Total Cash and Investments	\$ 181,099	\$ 224,003

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

**CASS COUNTY  
WALKER, MINNESOTA**

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5. Component Unit Disclosures

B. Detailed Notes

1. Assets

a. Deposits and Investments

(1) Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the deposits of the HRA or the District may not be returned. Neither the HRA nor the District has a deposit policy for custodial credit risk. As of December 31, 2006, \$37,281 of the District's bank balance of \$180,803 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 37,281</u>
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(2) Investments

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

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

**CASS COUNTY  
WALKER, MINNESOTA**

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5. Component Unit Disclosures

A. Detailed Notes

1. Assets

a. Deposits and Investments

(2) Investments (Continued)

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

As of, and during the year ended December 31, 2006, neither the HRA nor the District owned any investments that required disclosure regarding interest rate risk, credit risk, custodial credit risk, or concentration of credit risk.

**CASS COUNTY  
WALKER, MINNESOTA**

5. Component Unit Disclosures

A. Detailed Notes

1. Assets (Continued)

b. Receivables

Receivables as of December 31, 2006, 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	\$ -	\$ 6,017	\$ 6,017	\$ -
Accounts	13,777	17,434	31,211	-
Note	174,773	-	174,773	161,810
<b>Total Component Units</b>	<b>\$ 188,550</b>	<b>\$ 23,451</b>	<b>\$ 212,001</b>	<b>\$ 161,810</b>

c. Capital Assets

Component unit capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Reclassification	Increase	Ending Balance
Capital assets not depreciated				
Land				
Cass County HRA	\$ 25,753	\$ -	\$ -	\$ 25,753
Pine River Area Sanitary District	10,000	-	-	10,000
Construction in progress				
Cass County HRA	4,001	(4,001)	-	-
<b>Total capital assets not depreciated</b>	<b>\$ 39,754</b>	<b>\$ (4,001)</b>	<b>\$ -</b>	<b>\$ 35,753</b>
Capital assets depreciated				
Buildings and improvements				
Cass County HRA	\$ 697,767	\$ 50,931	\$ 20,572	\$ 769,270
Pine River Area Sanitary District	2,276,354	-	8,520	2,284,874
<b>Total buildings and improvements</b>	<b>\$ 2,974,121</b>	<b>\$ 50,931</b>	<b>\$ 29,092</b>	<b>\$ 3,054,144</b>
Water treatment facilities				
Pine River Area Sanitary District	\$ 4,038,297	\$ -	\$ -	\$ 4,038,297

**CASS COUNTY  
WALKER, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes

1. Assets

c. Capital Assets (Continued)

	Beginning Balance	Reclassification	Increase	Ending Balance
Machinery, furniture, and equipment				
Cass County HRA	\$ 128,384	\$ (46,930)	\$ 37,667	\$ 119,121
Pine River Area Sanitary District	86,316	-	2,186	88,502
<b>Total machinery, furniture, and equipment</b>	<b>\$ 214,700</b>	<b>\$ (46,930)</b>	<b>\$ 39,853</b>	<b>\$ 207,623</b>
<b>Total capital assets depreciated</b>	<b>\$ 7,227,118</b>	<b>\$ 4,001</b>	<b>\$ 68,945</b>	<b>\$ 7,300,064</b>
Less: accumulated depreciation for				
Buildings and Improvements				
Cass County HRA	\$ 280,566	\$ 45,140	\$ 22,114	\$ 347,820
Pine River Area Sanitary District	2,265,887	-	1,662	2,267,549
<b>Total buildings and improvements</b>	<b>\$ 2,546,453</b>	<b>\$ 45,140</b>	<b>\$ 23,776</b>	<b>\$ 2,615,369</b>
Water treatment facilities				
Pine River Area Sanitary District	\$ 1,411,543	\$ -	\$ 141,517	\$ 1,553,060
Machinery, furniture, and equipment				
Cass County HRA	\$ 113,074	\$ (45,140)	\$ 6,056	\$ 73,990
Pine River Area Sanitary District	84,891	-	631	85,522
<b>Total machinery, furniture, and equipment</b>	<b>\$ 197,965</b>	<b>\$ (45,140)</b>	<b>\$ 6,687</b>	<b>\$ 159,512</b>
<b>Total accumulated depreciation</b>	<b>\$ 4,155,961</b>	<b>\$ -</b>	<b>\$ 171,980</b>	<b>\$ 4,327,941</b>
<b>Total capital assets depreciated, net</b>	<b>\$ 3,071,157</b>	<b>\$ 4,001</b>	<b>\$ (103,035)</b>	<b>\$ 2,972,123</b>
<b>Total Capital Assets, Net</b>	<b>\$ 3,110,911</b>	<b>\$ -</b>	<b>\$ (103,035)</b>	<b>\$ 3,007,876</b>

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

Cass County HRA	\$ 28,170
Pine River Area Sanitary District	143,810
<b>Total Depreciation Expense</b>	<b>\$ 171,980</b>

**CASS COUNTY  
WALKER, MINNESOTA**

5. Component Unit Disclosures

B. Detailed Notes (Continued)

2. Liabilities

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

<u>Loan Date</u>	<u>Term</u>	<u>Balance December 31, 2006</u>
February 25, 1992	20 years	\$ 34,205
July 30, 1993	20 years	43,128
Total		<u>\$ 77,333</u>

Long-Term Debt

Long-term debt outstanding at December 31, 2006, for the Pine River Area Sanitary District consists of the following:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amount</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Remaining Commitment</u>
1997A PFA G.O. Sewer Revenue Note	2019	\$ 71,781	1.13	\$ 1,366,190	\$ 968,935
1997B PFA G.O. Sewer Revenue Note	2020	94,190	-	1,883,810	1,271,572
Total					<u>\$ 2,240,507</u>

**CASS COUNTY  
WALKER, MINNESOTA**

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5. 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	Principal and Interest
2007	\$ 177,527
2008	177,527
2009	177,527
2010	177,527
2011	177,527
2012 - 2016	887,635
2017 - 2022	538,012
Total	\$ 2,313,282
Less: Interest	(72,775)
Total	\$ 2,240,507

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 \$.10 per 1,000 gallons of wastewater flow each year. The Minnesota Pollution Control Agency's Commissioner has provided written notification to the Authority of the District's satisfactory performance pursuant to Minnesota Rules, part 7077.290.

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 contributed capital in the financial statements.

**CASS COUNTY  
WALKER, MINNESOTA**

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5. 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, 2006.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
PFA G.O. Sewer Revenue Notes Payable	\$ 2,406,478	\$ -	\$ 165,971	\$ 2,240,507	\$ 166,781

3. Risk Management

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CASS COUNTY  
WALKER, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 7,379,161	\$ 6,871,217	\$ 6,868,870	\$ (2,347)
Special assessments	1,620,000	1,620,000	1,668,172	48,172
Licenses and permits	75,900	75,900	87,343	11,443
Intergovernmental	1,773,103	2,281,047	3,739,761	1,458,714
Charges for services	2,438,009	2,438,009	2,798,971	360,962
Fines and forfeits	-	-	13,972	13,972
Gifts and contributions	-	-	158	158
Investment earnings	800,000	800,000	1,583,198	783,198
Miscellaneous	492,388	492,388	529,842	37,454
<b>Total Revenues</b>	<b>\$ 14,578,561</b>	<b>\$ 14,578,561</b>	<b>\$ 17,290,287</b>	<b>\$ 2,711,726</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 286,993	\$ 329,993	\$ 295,089	\$ 34,904
Courts	85,580	85,580	72,680	12,900
Law library	42,500	45,000	44,763	237
County administration	190,032	190,032	188,904	1,128
County auditor	1,125,999	1,656,099	1,671,766	(15,667)
County assessor	733,773	733,773	729,950	3,823
Attorney	810,341	810,341	797,373	12,968
Recorder	403,490	516,490	518,184	(1,694)
Planning and zoning	619,394	619,394	625,211	(5,817)
Buildings and plant	545,479	567,479	554,157	13,322
MIS	488,642	488,642	484,444	4,198
Other general government	5,500	15,700	14,997	703
<b>Total general government</b>	<b>\$ 5,337,723</b>	<b>\$ 6,058,523</b>	<b>\$ 5,997,518</b>	<b>\$ 61,005</b>
<b>Public safety</b>				
Sheriff	\$ 3,734,890	\$ 3,734,890	\$ 3,525,190	\$ 209,700
Boat and water safety	332,672	370,672	373,565	(2,893)
Emergency services	21,400	30,400	29,866	534
Coroner	85,000	88,000	86,722	1,278
Law enforcement center	1,965,015	1,976,515	1,997,369	(20,854)
Sentence to serve	68,333	68,333	65,012	3,321
Probation and parole	545,535	545,535	525,821	19,714
<b>Total public safety</b>	<b>\$ 6,752,845</b>	<b>\$ 6,814,345</b>	<b>\$ 6,603,545</b>	<b>\$ 210,800</b>
<b>Sanitation</b>				
Solid waste	\$ 2,448,021	\$ 2,448,021	\$ 2,242,437	\$ 205,584

**CASS COUNTY  
WALKER, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
Parks	\$ -	\$ -	\$ 15,000	\$ (15,000)
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 37,800	\$ 37,800	\$ 28,211	\$ 9,589
Environmental services	108,274	144,274	139,787	4,487
<b>Total conservation of natural resources</b>	<b>\$ 146,074</b>	<b>\$ 182,074</b>	<b>\$ 167,998</b>	<b>\$ 14,076</b>
<b>Economic development</b>				
Administration	\$ -	\$ 35,000	\$ 55,605	\$ (20,605)
<b>Total Expenditures</b>	<b>\$ 14,684,663</b>	<b>\$ 15,537,963</b>	<b>\$ 15,082,103</b>	<b>\$ 455,860</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (106,102)</b>	<b>\$ (959,402)</b>	<b>\$ 2,208,184</b>	<b>\$ 3,167,586</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 325,000	\$ 325,000	\$ 429,539	\$ 104,539
Transfers out	(350,000)	(810,000)	(574,636)	235,364
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (25,000)</b>	<b>\$ (485,000)</b>	<b>\$ (145,097)</b>	<b>\$ 339,903</b>
<b>Net Change in Fund Balance</b>	<b>\$ (131,102)</b>	<b>\$ (1,444,402)</b>	<b>\$ 2,063,087</b>	<b>\$ 3,507,489</b>
<b>Fund Balance - January 1</b>	<b>17,229,465</b>	<b>17,229,465</b>	<b>17,229,465</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 17,098,363</b>	<b>\$ 15,785,063</b>	<b>\$ 19,292,552</b>	<b>\$ 3,507,489</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,073,218	\$ 3,073,218	\$ 2,841,551	\$ (231,667)
Intergovernmental	5,174,765	5,174,765	6,052,691	877,926
Charges for services	444,000	444,000	415,655	(28,345)
Miscellaneous	2,000	2,000	65,562	63,562
<b>Total Revenues</b>	<b>\$ 8,693,983</b>	<b>\$ 8,693,983</b>	<b>\$ 9,375,459</b>	<b>\$ 681,476</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 701,665	\$ 701,665	\$ 653,173	\$ 48,492
Maintenance	2,952,887	2,952,887	2,266,616	686,271
Construction	3,840,000	3,840,000	3,365,928	474,072
Equipment maintenance and shop	1,354,696	1,354,696	1,738,838	(384,142)
Other	194,735	194,735	151,333	43,402
<b>Total Expenditures</b>	<b>\$ 9,043,983</b>	<b>\$ 9,043,983</b>	<b>\$ 8,175,888</b>	<b>\$ 868,095</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (350,000)</b>	<b>\$ (350,000)</b>	<b>\$ 1,199,571</b>	<b>\$ 1,549,571</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	350,000	350,000	468,252	118,252
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,667,823</b>	<b>\$ 1,667,823</b>
<b>Fund Balance - January 1</b>	<b>394,346</b>	<b>394,346</b>	<b>394,346</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>67,284</b>	<b>67,284</b>
<b>Fund Balance - December 31</b>	<b>\$ 394,346</b>	<b>\$ 394,346</b>	<b>\$ 2,129,453</b>	<b>\$ 1,735,107</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,843,042	\$ 4,843,042	\$ 4,482,171	\$ (360,871)
Licenses and permits	9,000	9,000	8,210	(790)
Intergovernmental	6,159,664	6,159,664	6,102,746	(56,918)
Charges for services	747,930	747,930	905,750	157,820
Gifts and contributions	2,000	2,000	1,559	(441)
Miscellaneous	221,100	221,100	322,579	101,479
<b>Total Revenues</b>	<b>\$ 11,982,736</b>	<b>\$ 11,982,736</b>	<b>\$ 11,823,015</b>	<b>\$ (159,721)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Veterans service officer	\$ 162,985	\$ 162,985	\$ 152,731	\$ 10,254
<b>Human services</b>				
Income maintenance	\$ 2,215,695	\$ 2,215,695	\$ 2,292,834	\$ (77,139)
Social services	6,808,851	6,808,851	6,908,178	(99,327)
Children's initiative	590,000	590,000	380,159	209,841
<b>Total human services</b>	<b>\$ 9,614,546</b>	<b>\$ 9,614,546</b>	<b>\$ 9,581,171</b>	<b>\$ 33,375</b>
<b>Health</b>				
Public health	\$ 2,205,205	\$ 2,205,205	\$ 2,079,160	\$ 126,045
<b>Total Expenditures</b>	<b>\$ 11,982,736</b>	<b>\$ 11,982,736</b>	<b>\$ 11,813,062</b>	<b>\$ 169,674</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,953</b>	<b>\$ 9,953</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 97,538	\$ 97,538
Transfers out	-	-	(480)	(480)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 97,058</b>	<b>\$ 97,058</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,011</b>	<b>\$ 107,011</b>
<b>Fund Balance - January 1</b>	<b>5,979,097</b>	<b>5,979,097</b>	<b>5,979,097</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,979,097</b>	<b>\$ 5,979,097</b>	<b>\$ 6,086,108</b>	<b>\$ 107,011</b>

**CASS COUNTY  
WALKER, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
FORFEITED TAX SALE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 242,000	\$ 242,000	\$ 365,953	\$ 123,953
Gifts and contributions	-	-	13,834	13,834
Miscellaneous	2,514,000	2,514,000	2,401,612	(112,388)
<b>Total Revenues</b>	<b>\$ 2,756,000</b>	<b>\$ 2,756,000</b>	<b>\$ 2,781,399</b>	<b>\$ 25,399</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Reforestation	\$ 245,000	\$ 422,000	\$ 419,208	\$ 2,792
In-lieu	122,000	122,000	81,905	40,095
Roads	30,000	30,000	27,551	2,449
Trails	170,000	193,000	192,135	865
Land commissioner	1,050,307	2,100,307	1,874,692	225,615
<b>Total Expenditures</b>	<b>\$ 1,617,307</b>	<b>\$ 2,867,307</b>	<b>\$ 2,595,491</b>	<b>\$ 271,816</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,138,693</b>	<b>\$ (111,307)</b>	<b>\$ 185,908</b>	<b>\$ 297,215</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 8,846	\$ 8,846
Transfers out	(1,083,693)	(1,083,693)	(431,029)	652,664
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,083,693)</b>	<b>\$ (1,083,693)</b>	<b>\$ (422,183)</b>	<b>\$ 661,510</b>
<b>Net Change in Fund Balance</b>	<b>\$ 55,000</b>	<b>\$ (1,195,000)</b>	<b>\$ (236,275)</b>	<b>\$ 958,725</b>
<b>Fund Balance - January 1</b>	<b>3,277,213</b>	<b>3,277,213</b>	<b>3,277,213</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,332,213</b>	<b>\$ 2,082,213</b>	<b>\$ 3,040,938</b>	<b>\$ 958,725</b>

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**CASS COUNTY  
WALKER, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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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, 2006, none of the major funds had expenditures that exceeded appropriations.

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**SUPPLEMENTARY INFORMATION**

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**GOVERNMENTAL FUNDS**

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**CASS COUNTY  
WALKER, MINNESOTA**

*Statement 1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 242,432	\$ 153,920	\$ 724,106	\$ 1,120,458
Undistributed cash in agency funds	1,807	170	8,727	10,704
Taxes receivable				
Prior	2,205	4,742	-	6,947
Due from other funds	1,970	-	-	1,970
Prepaid items	-	-	1,804,557	1,804,557
<b>Total Assets</b>	<b>\$ 248,414</b>	<b>\$ 158,832</b>	<b>\$ 2,537,390</b>	<b>\$ 2,944,636</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 575	\$ -	\$ -	\$ 575
Due to other funds	2,253	-	-	2,253
Deferred revenue - unavailable	1,420	4,543	-	5,963
<b>Total Liabilities</b>	<b>\$ 4,248</b>	<b>\$ 4,543</b>	<b>\$ -</b>	<b>\$ 8,791</b>
<b>Fund Balances</b>				
Reserved for prepaid items	\$ -	\$ -	\$ 1,804,557	\$ 1,804,557
Unreserved				
Designated for debt service	-	151,627	-	151,627
Designated for cash flows	84,000	-	-	84,000
Undesignated	160,166	2,662	732,833	895,661
<b>Total Fund Balances</b>	<b>\$ 244,166</b>	<b>\$ 154,289</b>	<b>\$ 2,537,390</b>	<b>\$ 2,935,845</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 248,414</b>	<b>\$ 158,832</b>	<b>\$ 2,537,390</b>	<b>\$ 2,944,636</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*Statement 2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 139,965	\$ 2,662	\$ 668,586	\$ 811,213
Intergovernmental	52,874	-	88,133	141,007
Charges for services	2,646	-	-	2,646
Investment earnings	1,252	-	-	1,252
Miscellaneous	-	125,813	35,936	161,749
<b>Total Revenues</b>	<b>\$ 196,737</b>	<b>\$ 128,475</b>	<b>\$ 792,655</b>	<b>\$ 1,117,867</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 714	\$ -	\$ 22,636	\$ 23,350
Public safety	26,776	-	6,367	33,143
Highways and streets	136,367	-	-	136,367
Sanitation	492	-	-	492
<b>Capital outlay</b>	-	-	406,317	406,317
<b>Debt service</b>				
Principal	-	125,813	-	125,813
<b>Total Expenditures</b>	<b>\$ 164,349</b>	<b>\$ 125,813</b>	<b>\$ 435,320</b>	<b>\$ 725,482</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 32,388</b>	<b>\$ 2,662</b>	<b>\$ 357,335</b>	<b>\$ 392,385</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,970	-	-	1,970
<b>Net Change in Fund Balance</b>	<b>\$ 34,358</b>	<b>\$ 2,662</b>	<b>\$ 357,335</b>	<b>\$ 394,355</b>
<b>Fund Balance - January 1</b>	<b>209,808</b>	<b>151,627</b>	<b>2,180,055</b>	<b>2,541,490</b>
<b>Fund Balance - December 31</b>	<b>\$ 244,166</b>	<b>\$ 154,289</b>	<b>\$ 2,537,390</b>	<b>\$ 2,935,845</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*Statement 3*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006**

	Unorganized Town	Shingobee	Total
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 205,970	\$ 36,462	\$ 242,432
Undistributed cash in agency funds	1,807	-	1,807
Taxes receivable			
Prior	2,205	-	2,205
Due from other funds	1,970	-	1,970
<b>Total Assets</b>	<b>\$ 211,952</b>	<b>\$ 36,462</b>	<b>\$ 248,414</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 575	\$ 575
Due to other funds	2,253	-	2,253
Deferred revenue - unavailable	1,420	-	1,420
<b>Total Liabilities</b>	<b>\$ 3,673</b>	<b>\$ 575</b>	<b>\$ 4,248</b>
<b>Fund Balances</b>			
Unreserved			
Designated for cash flows	\$ 84,000	\$ -	\$ 84,000
Undesignated	124,279	35,887	160,166
<b>Total Fund Balances</b>	<b>\$ 208,279</b>	<b>\$ 35,887</b>	<b>\$ 244,166</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 211,952</b>	<b>\$ 36,462</b>	<b>\$ 248,414</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*Statement 4*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Unorganized Town	Shingobee	Total
<b>Revenues</b>			
Taxes	\$ 139,965	\$ -	\$ 139,965
Intergovernmental	52,874	-	52,874
Charges for services	-	2,646	2,646
Investment earnings	-	1,252	1,252
<b>Total Revenues</b>	<b>\$ 192,839</b>	<b>\$ 3,898</b>	<b>\$ 196,737</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 714	\$ -	\$ 714
Public safety	26,776	-	26,776
Highways and streets	136,367	-	136,367
Sanitation	-	492	492
<b>Total Expenditures</b>	<b>\$ 163,857</b>	<b>\$ 492</b>	<b>\$ 164,349</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 28,982</b>	<b>\$ 3,406</b>	<b>\$ 32,388</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,970	-	1,970
<b>Net Change in Fund Balance</b>	<b>\$ 30,952</b>	<b>\$ 3,406</b>	<b>\$ 34,358</b>
<b>Fund Balance - January 1</b>	<b>177,327</b>	<b>32,481</b>	<b>209,808</b>
<b>Fund Balance - December 31</b>	<b>\$ 208,279</b>	<b>\$ 35,887</b>	<b>\$ 244,166</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED TOWN SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 150,000	\$ 150,000	\$ 139,965	\$ (10,035)
Intergovernmental	40,000	40,000	52,874	12,874
<b>Total Revenues</b>	<b>\$ 190,000</b>	<b>\$ 190,000</b>	<b>\$ 192,839</b>	<b>\$ 2,839</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Elections	\$ -	\$ -	\$ 714	\$ (714)
<b>Public safety</b>				
Other public safety	35,000	35,000	26,776	8,224
<b>Highways and streets</b>				
Maintenance	175,000	175,000	136,367	38,633
<b>Total Expenditures</b>	<b>\$ 210,000</b>	<b>\$ 210,000</b>	<b>\$ 163,857</b>	<b>\$ 46,143</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (20,000)</b>	<b>\$ (20,000)</b>	<b>\$ 28,982</b>	<b>\$ 48,982</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,970	1,970
<b>Net Change in Fund Balance</b>	<b>\$ (20,000)</b>	<b>\$ (20,000)</b>	<b>\$ 30,952</b>	<b>\$ 50,952</b>
<b>Fund Balance - January 1</b>	<b>177,327</b>	<b>177,327</b>	<b>177,327</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 157,327</b>	<b>\$ 157,327</b>	<b>\$ 208,279</b>	<b>\$ 50,952</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 2,662	\$ 2,662
Miscellaneous	37,840	37,840	125,813	87,973
<b>Total Revenues</b>	<b>\$ 37,840</b>	<b>\$ 37,840</b>	<b>\$ 128,475</b>	<b>\$ 90,635</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	59,340	155,340	125,813	29,527
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (21,500)</b>	<b>\$ (117,500)</b>	<b>\$ 2,662</b>	<b>\$ 120,162</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	21,500	21,500	-	(21,500)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (96,000)</b>	<b>\$ 2,662</b>	<b>\$ 98,662</b>
<b>Fund Balance - January 1</b>	<b>151,627</b>	<b>151,627</b>	<b>151,627</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 151,627</b>	<b>\$ 55,627</b>	<b>\$ 154,289</b>	<b>\$ 98,662</b>

**FIDUCIARY FUNDS**

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**CASS COUNTY  
WALKER, MINNESOTA**

*Statement 5*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 359,098	\$ 38,825,365	\$ 38,848,132	\$ 336,331
<b><u>Liabilities</u></b>				
Due to other governments	\$ 286,071	\$ 38,653,445	\$ 38,699,862	\$ 239,654
Prepaid taxes	73,027	171,920	148,270	96,677
<b>Total Liabilities</b>	<b>\$ 359,098</b>	<b>\$ 38,825,365</b>	<b>\$ 38,848,132</b>	<b>\$ 336,331</b>
<b><u>STATE OF MINNESOTA</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 246,214	\$ 9,148,584	\$ 9,197,206	\$ 197,592
<b><u>Liabilities</u></b>				
Due to other governments	\$ 246,214	\$ 9,148,584	\$ 9,197,206	\$ 197,592
<b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 8,665,853	\$ 8,665,853	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 8,665,853	\$ 8,665,853	\$ -

**CASS COUNTY  
WALKER, MINNESOTA**

*Statement 5  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 6,895	\$ 8,850,351	\$ 8,852,722	\$ 4,524
<b><u>Liabilities</u></b>				
Due to other governments	\$ 6,895	\$ 8,850,351	\$ 8,852,722	\$ 4,524
 <b><u>MINNESOTA COUNTIES INFORMATION SYSTEMS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 605,463	\$ 2,005,171	\$ 1,896,277	\$ 714,357
Petty cash and change funds	400	-	-	400
<b>Total Assets</b>	<b>\$ 605,863</b>	<b>\$ 2,005,171</b>	<b>\$ 1,896,277</b>	<b>\$ 714,757</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 8,405	\$ -	\$ 8,405	\$ -
Salaries payable	25,625	30,501	25,625	30,501
Due to other governments	571,833	1,974,670	1,862,247	684,256
<b>Total Liabilities</b>	<b>\$ 605,863</b>	<b>\$ 2,005,171</b>	<b>\$ 1,896,277</b>	<b>\$ 714,757</b>

**CASS COUNTY  
WALKER, MINNESOTA**

*Statement 5  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>MISSISSIPPI HEADWATERS BOARD</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 121,055	\$ 72,922	\$ 57,371	\$ 136,606
Petty cash and change funds	40	-	-	40
<b>Total Assets</b>	<b><u>\$ 121,095</u></b>	<b><u>\$ 72,922</u></b>	<b><u>\$ 57,371</u></b>	<b><u>\$ 136,646</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 4,533	\$ -	\$ 4,533	\$ -
Salaries payable	924	965	924	965
Due to other governments	115,638	71,957	51,914	135,681
<b>Total Liabilities</b>	<b><u>\$ 121,095</u></b>	<b><u>\$ 72,922</u></b>	<b><u>\$ 57,371</u></b>	<b><u>\$ 136,646</u></b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,338,725	\$ 67,568,246	\$ 67,517,561	\$ 1,389,410
Petty cash and change funds	440	-	-	440
<b>Total Assets</b>	<b><u>\$ 1,339,165</u></b>	<b><u>\$ 67,568,246</u></b>	<b><u>\$ 67,517,561</u></b>	<b><u>\$ 1,389,850</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 12,938	\$ -	\$ 12,938	\$ -
Salaries payable	26,549	31,466	26,549	31,466
Due to other governments	1,226,651	67,364,860	67,329,804	1,261,707
Prepaid taxes	73,027	171,920	148,270	96,677
<b>Total Liabilities</b>	<b><u>\$ 1,339,165</u></b>	<b><u>\$ 67,568,246</u></b>	<b><u>\$ 67,517,561</u></b>	<b><u>\$ 1,389,850</u></b>

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**OTHER SCHEDULE**

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**CASS COUNTY  
WALKER, MINNESOTA**

**Schedule 7**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Funds	Component Units
<b>Shared Revenue</b>		
<b>State</b>		
Highway users tax	\$ 4,286,575	\$ -
County program aid	764,487	-
PERA rate reimbursement	51,886	-
Disparity reduction aid	7,481	-
Police aid	169,535	-
E-911	105,907	-
Market value credit aid	1,130,671	-
Market value credit - residential	24,211	-
	<b>\$ 6,540,753</b>	<b>\$ -</b>
<b>Reimbursement for Services</b>		
Minnesota Department of Human Services	\$ 2,634,414	\$ -
<b>Payments</b>		
<b>Local</b>		
Local contributions	\$ 30,050	\$ -
Payments in lieu of taxes	830,124	-
	<b>\$ 860,174</b>	<b>\$ -</b>
<b>Grants</b>		
<b>State</b>		
Minnesota Department of		
Corrections	\$ 178,008	\$ -
Public Safety	103,307	-
Health	122,067	-
Natural Resources	624,847	-
Human Services	1,846,758	-
Pollution Control Agency	-	94,190
Office of Environmental Assistance	63,799	-
	<b>\$ 2,938,786</b>	<b>\$ 94,190</b>
<b>Federal</b>		
Department of		
Agriculture	\$ 443,158	\$ -
Defense	365	-
Interior	167,947	-
Justice	25,972	-
Transportation	1,209,856	-
Elections	508,277	-
Health and Human Services	997,929	-
Homeland Security	74,527	-
Housing and Urban Development	-	461,513
	<b>\$ 3,428,031</b>	<b>\$ 461,513</b>
<b>Total State and Federal Grants</b>	<b>\$ 6,366,817</b>	<b>\$ 555,703</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 16,402,158</b>	<b>\$ 555,703</b>

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**CASS COUNTY  
WALKER, MINNESOTA**

**Schedule 8**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

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

Highway Planning and Construction	CFDA #20.205
Help America Vote Act	CFDA #90.401
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Cass County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-7 Departmental Internal Accounting Controls

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

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

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.*

ITEMS ARISING THIS YEAR

06-1 Preparation of Financial Statements

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

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

We recommend that the County internally prepares its annual financial statements in accordance with GAAP. If the County still intends to have the staff from the Office of the State Auditor assist in preparation, then at a minimum, it must identify individuals that can sufficiently review, understand, and approve the County's financial statements, including notes. As an alternative, the County could consider hiring an outside consultant to assist in preparing its basic financial statements.

Client's Response:

*The County will continue to rely on the Office of the State Auditor's (OSA) expertise in assisting the County with the preparation of its financial statements. The Chief Financial Officer will work with accounting staff to minimize the work performed by the OSA staff and act as the qualified individual who will review, understand, and approve the County's financial statements.*

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards (SAS) No. 112 states that one control deficiency that shall be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified several material adjustments in the Road and Bridge Special Revenue Fund. An adjustment was made in the amount of \$612,252 to recognize state-aid highway allotments and Chippewa National Forest aid. Advances of highway allotment funds received in previous years were reduced by an audit adjustment of \$723,760 to its current balance. Revenues not available during the recognition period were deferred through an audit adjustment of \$672,242.

County officials are aware that audit adjustments are made for the state-aid highway project allotments and federal aids each year, and they rely on the independent external auditors to assist in making the necessary adjustments in the financial statements. Proposed audit adjustments are reviewed and approved by knowledgeable staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County establish internal procedures for analyzing state-aid highway project allotments and federal aids to ensure the funding sources are reported in accordance with GAAP in the County's annual financial statements.

Client's Response:

*The County will strive to identify and book all material adjustments reflecting the financial activity within the Road and Bridge Special Revenue Fund at year-end. The Chief Financial Officer and the Fiscal Supervisor of the Road and Bridge Fund will develop comprehensive work papers to assure that any material adjustments are identified and incorporated into the County's financial statements prior to the start of the audit.*

06-3 SSIS Segregation of Duties

In October 2006, the Cass County Health, Human and Veterans Services Department implemented the Minnesota Department of Human Services (DHS) newly-issued Social Service Information System (SSIS) Fiscal Payment software module. The County uses this module to pay vendors providing services to the various social service programs.

The software allows the County's SSIS system administrator flexibility in assigning staff access to the software. One basic objective of internal control is to provide for segregation of incompatible duties so that no single individual could establish a vendor, authorize a transaction, record the transaction, and obtain custody of the asset resulting from the transaction. The size of a department and the number of staff sometimes limit the application of adequate segregation of duties. County management must perform a

risk assessment to determine if incompatible access exists that affects the internal control over the SSIS system. When it is not possible to limit an employee's incompatible access, mitigating controls should be implemented such as independent review to ensure that transactions are authorized and appropriate.

County management has not performed a risk assessment to determine if incompatible access exists since initially assigning staff access to the SSIS system.

We recommend that County management review staff access to the SSIS system and identify those with incompatible or inappropriate access. If assigning incompatible access is unavoidable, management should develop appropriate mitigating controls to minimize the risk of undetected errors or fraud.

Client's Response:

*County management will review access of all staff to the Minnesota Department of Human Services Social Services Information System (SSIS) software. Appropriate adjustments to access will be made as deemed necessary. If assigning incompatible access is unavoidable, management will develop controls and emphasize the need to closely supervise those areas in order to minimize the risk of undetected errors or fraud.*

06-4 Accounting Policies and Procedures Manual

Cass County does not have a current and comprehensive accounting policies and procedures manual. All governments should document their accounting policies and procedures. Although other methods might suffice, this documentation is traditionally in the form of an accounting policies and procedures manual. This manual should document the accounting policies and procedures which make up the County's internal control system.

An accounting policies and procedures manual will enhance employees' understanding of their role and function in the internal control system, establish responsibilities, provide guidance for employees, improve efficiency and consistency of transaction processing, and improve compliance with established policies. It can also help to prevent deterioration of key elements in the County's internal control system and can help to avoid circumvention of County policies.

We recommend Cass County establish an accounting policies and procedures manual. The accounting policies and procedures manual should be prepared by appropriate levels of management and be approved by the County Board to emphasize its importance and

authority. The documentation should describe procedures as they are intended to be performed, indicate which employees are to perform which procedures, and explain the design and purpose of control-related procedures to increase employee understanding and support for controls.

Client's Response:

*Cass County has a draft accounting policies and procedures manual that is currently being reviewed and edited by key accounting personnel. It is planned to be presented to the County Board for approval and implementation before the end of the first quarter of 2008.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

06-5 Late Payment of Claims

Minn. Stat. § 471.425 requires a municipality to make payment to a vendor according to the terms of the contract, or within 35 days. The statute also requires a municipality to pay interest on the outstanding balance of a late payment at the rate of 1.5 percent per month or part of a month.

Our tests of disbursements detected an instance of a late vendor payment.

Check #102596 - invoice date June 8, 2006 paid on July 20, 2006 - 45 days.

We recommend the County review the payment process and establish procedures to comply with Minn. Stat. § 471.425.

Client's Response:

*The particular claim that was paid late involved the District Court Office of the State of Minnesota that is located in the Cass County Courthouse. The original invoice was received at the County Auditor-Treasurer's Office on June 9, 2006, and was promptly forwarded to and received by the District Court Office the same day. The District Court Office did not process the claim until July 12, 2006, which meant that payment was not processed by the County until July 20, 2006, outside of the 35 day limit. Cass County will continue to stress the importance of paying invoices in a timely fashion with all departments of the County. However, the County's procedures cannot assure the compliance of an entity beyond the scope of our authority.*

B. MANAGEMENT PRACTICES

ITEM ARISING THIS YEAR

06-6 County Purchasing Policy

The County eliminated its Purchasing Department several years ago. The current purchasing policy has not been updated to reflect the change. The current policy directs County departments to make their requests to the Purchasing Department. Where required, purchase orders are to be issued by the Purchasing Department.

Under current procedures, the County Board approves a capital equipment list through the annual budgeting process. Specific capital items not on the list are separately approved by the Board. Department heads can make purchases within their authorized budget. If a purchase order is necessary, it will be generated through the MIS Department.

We recommend that the current purchasing policy be updated to reflect the changes that resulted from the elimination of the Purchasing Department to properly address County purchasing practices.

Client's Response:

*The County Purchasing policy will be updated to reflect the elimination of the Purchasing Department and will be included in the County's accounting and procedures manual.*

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

During 2005, the County projected the long-term cost of its postemployment benefits for both active and retired employees. The County has not reported a liability for future postemployment benefits in the financial statements. Current plans call for Cass County to follow the requirements under GASB Statement 45 using a pay-as-you-go approach. Cass County has issued a Request for Proposals for actuary services. Cass County would implement GASB Statement 45 for the year ended December 31, 2008.

## **OTHER REQUIRED REPORTS**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

Board of County Commissioners  
Cass County

We have audited the financial statements of the governmental activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Cass County as of and for the year ended December 31, 2006, and have issued our report thereon dated November 15, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Cass County Housing and Redevelopment Authority (HRA) and the Pine River Area Sanitary District (District), discretely presented component units, as described in our report on Cass County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-7 and 06-1 through 06-4 to be significant deficiencies in internal control over financial reporting.

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

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

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Cass County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 06-5.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and an other item for consideration. We believe this recommendation and information to be of benefit to Cass County and are reported for that purpose.

Cass County's written responses to the significant deficiencies and legal compliance findings identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 15, 2007

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Cass County

#### Compliance

We have audited the compliance of Cass County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Cass County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Cass County's financial statements include the operations of the Cass County Housing and Redevelopment Authority (HRA), discretely presented component unit, which expended \$461,513 in federal awards during the year ended December 31, 2006, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the Cass County HRA because it was audited by other auditors.

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

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Cass County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

#### Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cass County as of and for the year ended December 31, 2006, and have issued our report thereon dated November 15, 2007. We did not audit the financial statements of the Cass County HRA and the Pine River Area Sanitary District discretely presented component units. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cass County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 15, 2007

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**CASS COUNTY  
WALKER, MINNESOTA**

*Schedule 9*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Direct			
Rural Business Enterprise Grants	10.769		\$ 8,068
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		118,726
Passed Through Minnesota Department of Finance National Forest Lands	10.665		<u>316,364</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ 443,158</b>
<b>U.S. Department of Defense</b>			
Passed Through Minnesota Department of Finance Flood Plain Management Grant	12.104		<u>\$ 365</u>
<b>U.S. Department of the Interior</b>			
Direct			
Federal Payments in Lieu of Taxes	15.226		<u>\$ 167,947</u>
<b>U.S. Department of Justice</b>			
Passed Through Minnesota Department of Public Safety			
Juvenile Accountability Incentive Block Grant	16.523		\$ 11,438
Crime Victims Assistance Grant	16.575		12,891
Enforcing Underage Drinking Laws Program	16.727		<u>1,643</u>
<b>Total U.S. Department of Justice</b>			<b>\$ 25,972</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Grant	20.205		\$ 1,142,660
Passed Through Minnesota Department of Public Safety			
Safe and Sober Grant	20.600		15,106
Alcohol, Traffic, Safety, and Drunk Driving Grant	20.601		10,658
Operation Nitecap	20.604		<u>12,167</u>
<b>Total U.S. Department of Transportation</b>			<b>\$ 1,180,591</b>
<b>U.S. Elections Assistance Commission</b>			
Passed Through Minnesota Secretary of State			
Help America Vote Grant	90.401		<u>\$ 508,277</u>

**CASS COUNTY  
WALKER, MINNESOTA**

**Schedule 9**  
**(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Direct			
Rural Health Outreach Grant	93.912		\$ 168,970
Passed Through Cass-Todd-Wadena-Morrison Community Health Board			
Centers for Disease Control and Prevention - Public Health			
Preparedness Grant	93.283		40,932
Maternal and Child Health	93.994		36,385
Passed Through Minnesota Department of Human Services			
Temporary Assistance for Needy Families (TANF)	93.558		331,640
Child Care Development Block Grant	93.575		31,975
Foster Care Title IV-E	93.658		121,724
Social Services Block Grant	93.667		243,596
Chafee Foster Care Independence Program	93.674		9,486
Children's Mental Health Grant	93.958		13,221
			<hr/>
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 997,929</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety			
Boating Safety Financial Assistance	97.012		\$ 49,633
Hazard Mitigation Grant	97.039		1,934
Emergency Management Performance Grant	97.042		10,700
Law Enforcement Terrorism Prevention Program	97.074		12,260
			<hr/>
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 74,527</b>
			<hr/>
<b>Total Federal Awards</b>			<b>\$ 3,398,766</b>

Notes to Schedule of Expenditures of Federal Awards

- The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Cass County. The County's reporting entity is defined in Note 1 to the basic financial statements. The schedule does not include \$461,513 in federal awards expended by the Cass County Housing and Redevelopment Authority component unit, which has a separate audit performed by other auditors.
- The expenditures on this schedule are on the modified accrual basis of accounting. Expenditures on this schedule differ from federal revenues reported due to certain expenditures reported when the revenues are not available for recognition using the modified accrual basis of accounting. In 2006, a prior year deferred revenue amount of \$29,265 was recognized as revenue because the period of availability criteria had not been met in the prior year under modified accrual reporting.
- Pass-through grant numbers were provided if available.
- Cass County did not pass any federal awards to subrecipients in 2006.